



HUMAN RESOURCES DEVELOPMENT  
OPERATIONAL PROGRAMME  
2004-2006  
Republic of Hungary



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## EXECUTIVE SUMMARY

Hungary has prepared a National Development Plan (NDP), which sets the framework for the utilization of Structural Funds assistance. Based on a comprehensive analysis of the economic and social situation of the country, the NDP has identified the objectives and priorities to be supported by the Structural Funds in the period 2004-2006. The overall objective of the NDP is **to reduce the income gap compared to the EU average**. In order to achieve this, **improving the competitiveness of the economy**, ensuring a **better utilisation of human resources**, **improving the environment** and ensuring a **balanced regional development** have been identified as specific objectives.

Based on the appraisal of the National Development Plan, the European Commission has prepared the Community Support Framework (CSF) containing the strategy and priorities for action under Objective 1 of the Structural Funds in the programming period 2004-2006.

The strategy of the CSF will be implemented through operational programmes setting out the strategy of a given sector or region identifying the development priorities and the measures to be taken. Hungary has drafted five operational programmes. Out of these, the Human Resources Development Operational Programme (HRD OP) will account for the highest share of Structural Funds support. The total budget of the HRD OP amounts to **750 million euros** in the period of 2004-2006. Out of that, approximately **562 million euros** represents the Community contribution, which is supplemented by another **187 million euros** from national, mainly public, sources.

The HRD OP represents a key instrument in seeking to meet the objectives set out in the Joint Assessment Paper (JAP) as well as the objectives of the European Employment Strategy. The HRD OP is based primarily on assistance from the **European Social Fund (ESF)**, which is also supplemented by the **European Regional Development Fund (ERDF)** to support infrastructure investments related to human resource development. The ESF will contribute 385 million euros and the European Regional Development Fund 177 million euros to the programme.

The strategy of the HRD OP is built around three objectives. The first objective of the programme is **to raise the level of employment** to sustain economic growth. This can be achieved by improving the employability of the labour force, helping the unemployed and the inactive, particularly women, in returning to the labour market, as well as providing high quality and effective employment services.

**The competitiveness of the workforce** must be improved in order that economic growth is not hindered by a lack of knowledge or vocational skills. The challenges of a knowledge-based society can only be met if knowledge, skills and adaptability are improved continuously by ensuring opportunities for life-long learning. The links between education and the economy need to be made stronger with opportunities provided for all to obtain competitive knowledge and skills. The poor health of the population significantly reduces the employability of the labour force and leads to high levels of inactivity and shorter working life. To this end, active measures to reduce loss in productive time due to health problems, including the rehabilitation and re-skilling of those currently excluded from work, will make a significant contribution to increased output.

Participation in the labour market is essential in preventing social exclusion and poverty. Active measures in the spheres of employment, education, training and social services will ensure that everybody has an equal chance of entering the labour market. Regional differences in social



services and healthcare must also be minimised to provide those currently disadvantaged, especially the Roma population, with good quality, effective standards of service.

The programme consists of the following **four priorities**:

- 1 Promoting active labour market policies:** The priority will support the active programmes of the Public Employment Service (PES) which are aimed at helping the unemployed to return to the labour market, to prevent long-term unemployment and to assist young people to meet the requirements of the labour market. To ensure higher quality and more effective standard of service, the IT system, job brokering and counselling also need to be improved. Support will be given to the reintegration of women to the labour market including starting up their own enterprises. In addition, this priority will support the reconciliation of work and family life through the improvement of services to ensure daytime care for children or other relatives of beneficiaries.
- 2 Fight against social exclusion by promoting access to the labour market:** The priority supports actions aimed at improving the employment opportunities of disadvantaged people and developing 'pathways' towards the labour market. Target groups will include, among others, the Roma people, the long-term unemployed, the disabled, early school leavers, people with low levels of education and skills, addicts and those living in the most disadvantaged regions. Measures will be based on a comprehensive approach involving a range of activities in the field of education and training, employment and social support services. Across the priority as a whole, special emphasis will be given to improving the employability of Roma people, who face significant disadvantages in accessing the labour market.
- 3 Promoting lifelong learning and adaptability:** The priority will cover several different levels and forms of education and training, including pre-primary, primary and secondary education, vocational training, post-secondary education and higher education, as well as adult training. It will support the following fields and activities: creating an appropriate methodological and pedagogical basis for the development of basic skills and competences, improving the system of vocational training so that it better responds to the needs of the economy, facilitating the adaptation of higher education to the requirements of the knowledge-based society and the changing demands of the economy, promoting adult training including, among others, in-company training and the development of entrepreneurial skills.
- 4 Improving the infrastructure of education, social services and the health care system:** Supported by the European Regional Development Fund, this priority will promote investments in the infrastructure related to human resources development. Interventions will aim at reducing regional disparities in the quality of education, social and health care and promoting equal access to these services. Investment in infrastructure targeted to underpin ESF supported activities will contribute significantly to the achievement of the programme objectives.

## Priorities and measures of the Programme

Priority	Measure	Source of Community contribution	Total financial allocation	
			Million euros (current prices)	As percentage of OP budget
Supporting active labour market policies	Preventing and tackling unemployment	ESF	160.1	21.3
	Developing the Public Employment Service			
	Promoting the participation of women in the labour market and the reconciliation of work and family life			
Fighting social exclusion by promoting access to the labour market	Ensuring equal opportunities in education for disadvantaged students	ESF	87.0	11.6
	Promoting social inclusion through the training of professionals			
	Improving the employability of disadvantaged people			
Promoting lifelong learning and adaptability	Developing skills and competencies necessary for lifelong learning	ESF	229.3	30.6
	Developing the content, methodology and structure of vocational training			
	Developing the structure and content of higher education			
	Trainings promoting job-creation and the development of entrepreneurial skills			
	Developing the adult training system			
Developing the infrastructure of education, social services and health care	Developing the educational infrastructure	ERDF	236.5	31.5
	Developing the infrastructure of services supporting social inclusion			
	Development of health care infrastructure in regions lagging behind			
	IT development in health care in regions lagging behind			
Technical assistance		ESF	37.6	5.0

This document contains an analysis of the current situation in the field of employment and human resources development, a strategy defining the objectives and priorities as well as a description of the priorities and measures. Details regarding the content and the implementation of the measures will be elaborated in the Programme Complement.

The Programme has been developed by the Ministry of Employment and Labour, in close co-operation with the Ministry of Education and the Ministry of Health, Social and Family Affairs. In addition to these, the Ministry of Child, Youth and Sports, the Ministry of Justice, the Ministry of Economy and Transport and the Ministry of Informatics and Telecommunication have also contributed to the planning of the Programme.

The HRD OP will be implemented by the **HRD OP Managing Authority** set up within the Ministry of Employment and Labour. Certain tasks of implementation will be delegated to intermediate bodies, namely the National Employment Office, the ESF Agency, the Fund Management Directorate of the Ministry of Education, and the Ministry of Health Social and Family Affairs.

# INTRODUCTION

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Hungary has prepared a National Development Plan (NDP), which sets the framework for the utilisation of Structural Funds assistance. Based on a comprehensive analysis of the economic and social situation of the country, the NDP has identified the objectives and priorities of development for the implementation of activities, which will be subsidised from the Structural Funds in the period 2004-2006. The overall objective of the NDP is to reduce the income gap compared to the EU average. In order to achieve that, the NDP has formulated the following specific objectives: improving the competitiveness of the economy, ensuring a better utilisation of human resources, improving the environment and ensuring a balanced regional development.

Based on the appraisal of the National Development Plan, the European Commission has prepared the Community Support Framework (CSF) containing the strategy and priorities for action under Objective 1 of the Structural Funds in the programming period 2004-2006. The strategy is implemented through operational programmes that lay out the strategy of a given sector or region identifying the development priorities and the measures to be taken. Hungary has prepared five operational programmes. The Human Resources Operational Programme includes the interventions targeted at the fields of employment, education and training, social services and the healthcare system.

Human resource development is an essential tool in supporting economic growth and in responding to structural change. To this end, one of the purposes of this Programme is to promote the acquisition of skills and competencies required by the knowledge-based economy, and to make lifelong learning available to as many people as possible.

There are, however, individuals who are at a disadvantage in entering the labour market and in meeting its requirements due to economic and social factors, regional disparities or their circumstances, health status, lack of motivation, skills or information, etc. Hungary's 'catching up' with the EU can only be successful if all of its citizens are able to take advantage of this process. Accordingly, a further objective of the interventions under this Operational Programme is to reduce the inequality of opportunities and to assist people in overcoming their disadvantages. In this respect, the most important tool is in promoting equal access to employment, education, social services and health care.

The Programme is based primarily on assistance from the European Social Fund (ESF). The objective of the ESF is to support the implementation of the (revised) European Employment Strategy in order to prevent and reduce unemployment, to develop human resources, to promote integration into the labour market, and to ensure equal opportunities for men and women. At the same time, the Fund aims to strengthen social and economic cohesion and to enhance sustainable development. In order to ensure a more efficient implementation of ESF-supported measures and to maximise their impact, these actions will be supplemented by investments in education and training, social services and health care infrastructure co-funded by the European Regional Development Fund (ERDF). The actions supported by ESF and ERDF are mutually reinforcing and complementary interventions.

The Operational Programme has been elaborated under the coordination of the Ministry of Employment and Labour, in close cooperation with the Ministry of Education and the Ministry of Health, Social and Family Affairs. In addition, the Ministry of Child, Youth and Sports, the Ministry of Information Technology and Telecommunication, the Ministry of the Economy and

Transport have also contributed to the planning process.

## ***EX ANTE EVALUATION***

In accordance with Article 40 of Regulation 1260/1999/EC, this Programme has been subject to an ex ante evaluation in order to provide a basis for the assistance. Ex ante evaluation is an interactive process based on the involvement of external experts in the planning process. The outcome of the ex ante evaluation is incorporated into the programme document and is designed to contribute to its successful and efficient implementation.

The ex ante evaluation of the Human Resource Development Operational Programme was prepared in two phases. The first phase ran parallel to the planning phase with contributions from the Institute of Economics of the Hungarian Academy of Sciences, the International Training Centre for Bankers, experts from the Office of Environmental Education of the Ministry of Education and other independent experts. The first phase of evaluation covered an overview of the content and experiences of PHARE projects implemented in the field of employment and education and training, the coherence and relevance of the programme, the review and discussion of the situation analysis and the priorities and measures. The most important modifications and additional elements proposed by the experts were incorporated into the text of the programme.

The second phase of the ex ante evaluation was carried out in the framework of a PHARE project by Research voor Beleid (Leiden, The Netherlands) in cooperation with SEED (Foundation for Small Enterprise Economic Development; Budapest) and SEO (Stichting voor Economisch Onderzoek van de Universiteit van Amsterdam, The Netherlands). The Terms of Reference for the evaluation covered the following:

- i. Analysis of the current situation and SWOT;
- ii. Assessment of the rationale and consistency of the strategy;
- iii. Assessment of the quantification of the objectives;
- iv. Evaluation of the expected impacts and justification of the policy mix;
- v. Assessment of the quality of the implementation and monitoring mechanisms;
- vi. Appraisal of the OP in relation to the horizontal objectives (especially equal opportunities and environment);
- vii. Evaluation of the measures in the Programme Complement.

As part of the assessment of the rationale and consistency of the programme strategy and the justification of the policy mix, the coherence of the strategy with the (revised) European Employment and Social Inclusion strategies, national policies, as well as the coherence of the programme with the National Development Plan and its operational programmes has been evaluated.

Beyond looking at the description of the content of the employment and educational situations and the content of the priorities and measures in the OP [and also beyond looking at the analytical link between the situation analysis and these measures (laid down in the SWOT analysis and the strategy and objectives of the OP)], the ex ante evaluation has directed itself at some specific challenges with which the authorities responsible for the programme are confronted:

- The preparation for an extremely short implementation period;

- A strategy which covers a wide variety of policy fields (employment, adult training, primary education and vocational training, social affairs, equal opportunities and health care);
- A planning process in which three ministries (the Ministry of Employment and Labour as main responsible actor, the Ministry of Education and the Ministry of Health, Social and Family Affairs) are involved;
- A combination of human resources development (funded by the ESF) and infrastructural (funded by the ERDF) measures;
- An implementation based to varying degrees on regional and local public organisations with very limited experience in designing and implementing these kind of projects.

Given these challenges, the evaluation activities have been a dynamic process which reflected (and contributed to) the continual evolving of the Programme. As a consequence, the evaluation was not limited to an analysis of documents available, but also consisted of a dialogue with the several ministries involved in the planning process.

The evaluation team had been contracted in March 2003. During the first month of the evaluation, the work has been directed at the assessment of the situation analysis and the SWOT as well as the rationale for the strategy and its consistency. At the same time, work was carried out on the development of indicators. The results of these activities have been summarised in a first technical interim report (June 2003).

The next stage of the evaluation covered the assessment of the quantification of the objectives, the evaluation of expected impacts and the justification of the policy mix and the assessment of the measures in the Programme Complement. Especially in the framework of the further elaboration of the measures, the ex ante evaluation team has co-operated with the responsible authorities. The results of this second stage of the ex ante evaluation have been incorporated in a second technical interim report which was completed in September 2003.

The last stage of the ex ante evaluation concerned the implementation and monitoring mechanisms and the horizontal objectives. The findings on these parts of the programme are included in the final report.

As a whole, the ex ante evaluation team has come to a positive judgement on the HRD OP. In particular, they concluded that - :

- The analysis of the present and future situation on HRD is correct
- The strategy and objectives are relevant with a strong relationship between these and the selected priorities and measures
- The impact of the policy mix will be positive and there is a coherence in relation to EU policies and guidelines (including the revised EES)
- The implementation and monitoring arrangements are deemed adequate.

Over the course of the ex ante evaluation, there have been several comments on the content of the OP. For each chapter of the OP, the ex ante evaluation team have furnished a short summary text on the way their proposals have been implemented in the OP. Moreover, the most important statements of the ex ante evaluation team concerning the internal and external consistency and coherence of the strategy and priorities of the programme are included in chapter IV of the Programme under sections 1.1 and 4.1.

## ***PARTNERSHIP CONSULTATION***

In compliance with the provisions of the Regulation 1260/1999/EC, all relevant partners were involved in the consultation process related to the elaboration of the Operational Programme. The main forum for inter-ministerial coordination was the Human Resources Development Working Group comprising the representatives of the line ministries. In addition, the planning process was supported by 'internal' working groups set up within the ministries involved.

The partnership consultation on the first draft of the Programme approved by the Government was carried out in two phases and at different levels:

1. Discussion of the different sections of the analysis
  - The documents dealing with employment were discussed by the Governing Board of the Labour Market Fund, the Labour Market Committee, the Labour Committee of the Hungarian Academy of Sciences and, within the framework of preparatory training courses for EU accession, the representatives of major employers' and employees' organisations.
  - The Ministry of Education discussed the preliminary draft with the following organisations: the Interest Reconciliation Council for Higher Education, the Higher Educational and Scientific Council, the Interest Reconciliation Council for Public Education, the Council of Public Education Policy, the National Council of Students' Rights, the National Committee of Minorities and the National Council of Public Education.
  - The Ministry of Health, Social and Family Affairs consulted the relevant sections of the document with the Social Council, the Council of Churches, and the Council of the Disabled, the National Healthcare Council and the Forum of Non-governmental Organisations.
2. Consultation on the draft Operational Programme
  - The first full version of the draft OP was discussed in each region at the Regional NDP Consultation Forum, at the meeting of the National Interest Reconciliation Council and its relevant committees, and with the representatives of other professional and civic partner organizations (umbrella organisations of NGOs, county labour centres, regional training centres, umbrella organizations for municipalities, the Labour Committee of the Hungarian Academy of Sciences).
  - Several hundred professional organisations and NGOs received the draft Operational Programme in printed or electronic format. The draft Programme was made available on the homepage of the Ministry of Employment and Labour and the Ministry of Education.

The processing of the comments and opinions received from the partners took place in a structured format. During the partnership consultation, the most important elements of the analysis of the current situation were agreed upon. However, there were some proposals adding new elements to the analysis and the measures: for example, the role of local governments in the implementation of employment policies, the need for training on issues related to health and safety at work, the disadvantages of those living in peripheral areas and small settlements, the lack of support for entrepreneurs giving up entrepreneurial activities and the need for strengthening the capacities of the voluntary sector and non-governmental organizations. In addition, the partners proposed additional measures or requested the widening of the scope of activities or the target groups of the existing measures. Following the partnership consultation,

the draft Programme was revised and the comments and proposals of the partners were incorporated into the document. Nevertheless, this was only possible to an extent in which activities are eligible for funding from the Structural Funds.





# **I DESCRIPTION OF THE SITUATION**

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## **1 EMPLOYMENT**

In the early nineties, the Hungarian labour market was characterised by a dramatic drop in employment and economic activity, soaring unemployment, and a re-positioning of the labour force among the major sectors and occupations. At the same time, the legal and institutional framework of employment policy was established and stabilised, significantly contributing to the reduction of social tensions that stemmed from a quickly increasing en masse unemployment in the period of transition to the market economy. After the stabilisation of the economy, unemployment decreased substantially, and with the dynamic growth (exceeding 4%) of the economy as of the last third of the decade – both employment and economic activity started to grow.

Employment grew by 1.4% and 3.1% respectively in 1998 and 1999. Subsequently, the growth rate of employment slowed down; the growth rate was 1% in 2000, 0.3% in 2001 and 0.0% in 2002. Global recession lasted longer than had been expected while competitiveness was weakened by higher minimum wages and a stronger Forint; due to these facts, GDP growth decreased to 3.3% and the growth of industrial production to 2.6% in 2002. As a consequence of all these facts, the growth of the employment rate halted. The number of employed decreased in the industry (characterised previously by an increase both in productivity and the number of employees). However, this latter figure kept on increasing in the service sector. In line with the modifications of the economic structure, the distribution of the employed by sectors, occupations and qualifications was continuously changing (*see Annex 2, table 1*).

The acute problems of the labour market are the low level of employment, high inactivity rate, persistent regional disparities in the labour market and a weak regional mobility of labour. New sources of 'tension' are also evolving, such as an increasing mismatch between labour demand and supply. First of all, the employment chances of the youth (and, within this category, that of university graduates newly entering the labour market) have been deteriorated by the stagnation of employment; however, there is a shortage of blue-collar workers in regions characterised by a relatively dynamic development.

### **1.1 LABOUR MARKET TRENDS**

#### **1.1.1 Employment level**

As a consequence of transition to the market economy in the early nineties, the number of employed people fell by more than one quarter, almost one and a half million. Employment and economic activity bottomed out in 1997 when the employment rate of the age group of 15-64 dropped to 52.7%, and activity to 57.8%, figures which are far below the community average (60.5% and 67.7%, respectively). From 1997 onwards, employment and economic activity had started to grow again after a decline of more than two decades. By 2001, the number of employed

grew by more than 200 thousand totalling 3,850 thousand. Nearly half of this growth resulted from the employment of inactive persons (*see Annex 2, table 2 and 3*).

From 2001 onwards, the impact of the global economy recession was also felt in Hungary. As a consequence, large international companies postponed planned investments to take place in Hungary, reorganised or transferred a part of their activities to countries characterised by lower labour costs, and reduced the number of their employees. Structural reorganisation also took place in other economic areas. While the number of workers employed in agriculture, coal mining and other sectors continued to decrease, a significant number of those discharged in these economic sectors found a job relatively quickly – mostly in the construction industry, service sector or through new investments of foreign capital coming into Hungary.

In addition to the processes relating to the market of goods and basically determined by demand or supply, the dynamics of employment was significantly influenced by the government's decision to increase minimum wages. Especially micro and small enterprises faced a difficult situation when the minimum wage was doubled; at the same time, a large number of enterprises prepared to increase the number of their employees gave up their expansion plans. Moreover, there were reductions in the number of employees in business sectors previously characterised by low wages. Export sales revenues of companies (mostly subcontractors) manufacturing textile, clothing or leather products for export were also reduced by the stronger Forint.

In 2002, the average number of employees was 3,884 thousand, with an employment rate of 56.3% in the age group 15-64. The distribution of the employed by gender has been stable for sometime: with women representing 45% of the employed. Employment rates for men and women are 63.1% and 49.8%, respectively, while the employment ratio of men exceeds that of women in all age groups. A comparison of Hungarian employment rates with EU averages<sup>1</sup> (63.9%; men: 73%, women: 54.9%) indicates serious gaps amounting to 7.6 percentage points in the case of the population aged 15-64 and, within this, 10 and 5 percentage points gaps for men and women, respectively.

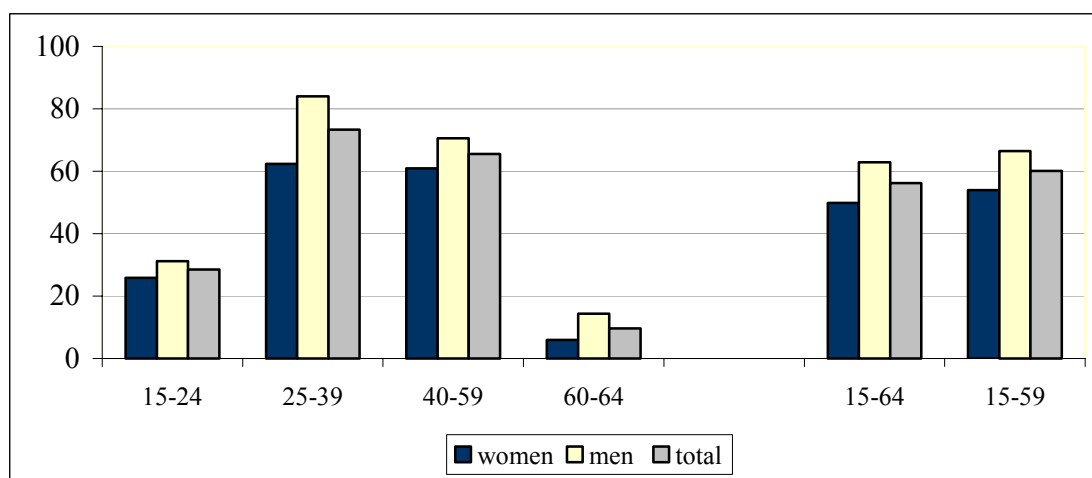
Both the number and proportion of the employed has decreased in the youngest age group (15-24). In 2002, the employment rate decreased from 7.7% to 5.4% in the age group 15-19, and from 51.1% to 49.3% in the age group 20-24. In addition to this phenomenon, the unemployment rate of young people has significantly increased over the past years and is reflected in the proportion of young people participating neither in the labour market nor in education; based on this data, there is conclusive evidence that the labour market situation of young people has deteriorated.

Parallel to these changes, the employment rate has increased in all age groups above 50 years old. In this context, the most significant growth is indicated for the group that felt the strongest impacts of the raised retirement age, that is among women between 55 and 59 years old. In spite of this fact, only 28% of women in this age group have a job (the majority of them became inactive already in the years of recession). 64% of women between 50 and 54 years have a job, while the highest employment rate (75%) is seen among women aged between 40 and 45, for whom child birth is already less typical. The employment rate of men aged between 55 and 59 has also improved, but its value (52.8%) indicates that efforts must still be made to enhance the employment opportunities of older age groups.

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<sup>1</sup> EU data refer to 2001

**Figure 1.1: Employment rate by age group and gender, 2002 (%)**

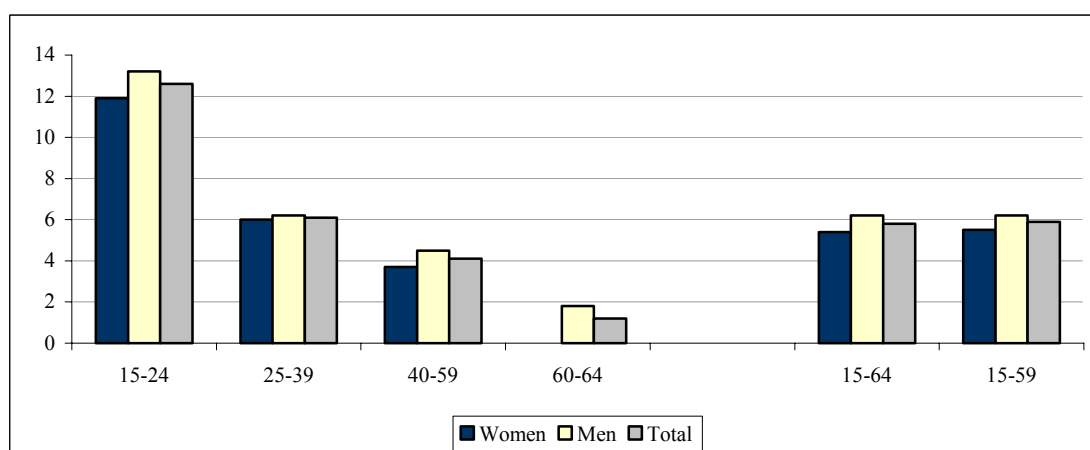


Source: Central Statistical Office, Hungary (CSO), Labour Force Survey

### 1.1.2 Unemployment

In early 1993, the unemployment rate reached its peak of 12.5% and has been dropping continuously ever since. In an international comparison, the current Hungarian unemployment figures are favourable: by 2002, the number of unemployed had fallen to less than one-half, that is to 239,000 thousand, and the unemployment rate to 5.8% (EU: 7.4%). Similarly, the long-term unemployment rate (which in 1996 was equal to the Union's 5.2% average), by 2002 had also dropped by half, that is 2.67% (EU: 3.6%). The long-term unemployed represent 45% of the unemployed and are unable to get a job due to a lack of job opportunities and qualifications and/or as a result of decreased physical and mental working capacity.

**Figure 1.2: Unemployment rate by age group and gender, 2002 (%)**



Source: Central Statistical Office, Hungary (CSO)

In recent years, a decrease in the unemployment rate was partly due to the shortening of the period of eligibility for unemployment benefit, as well as to the narrowing of the group of people eligible for such benefits. In this way, people facing particular difficulties on the labour market have lost their opportunity to receive benefits or assistance, as their contact with the labour

organisation ceased to exist thereby diminishing their chances to return to the labour market.

The scope of 'employment-promoting' assistance was widened through legislative changes introduced in 2001; the amount of training-related subsidies became higher in order to promote involvement in labour market training. The new legislation also allows the application of more advantageous conditions in the case of the most disadvantaged groups including older workers and Roma people. In order to facilitate the extension of flexible forms of employment, it supports part-time employment and distance work.

### **1.1.3 Inactivity**

In addition to the rapid growth of unemployment, the other decisive labour market process of the transition period was the level of inactivity of people who lost their jobs or were threatened by unemployment, especially the unskilled with lower schooling and the older age groups. As much as 40.2 per cent of the 15-64 years old population is not present on the labour market either as employed or as unemployed. One of the contributory factors in this respect is that the retirement age is still relatively low in Hungary and that the higher retirement age does not apply to those who are close to retirement. A more important factor is that, in the first half of the nineties, the social security system absorbed a significant number of those who disengaged from the labour market.

In 2002, of men within the 15-59 and women within the 15-54 age cohorts, as many as 171,000 and 260,000 respectively (a total of 431,000 people which is slightly less than one year earlier) were not studying and did not receive any pension, unemployment or maternity benefit, i.e. they did not have any known incomes.

In the case of the working age population, inactivity would normally be seen to represent a type of 'transitional status' as in the case of bringing up a child. In the case of Hungary, however, inactivity is in many cases often not a transitional period, but the start of an almost irreversible process of exclusion from the labour market. Being away from the world of work for a longer period leads to decreasing physical and mental working capacity and to the reduction of motivation to an extent that returning to the labour market is rendered increasingly problematic. While a significant number of the inactive aspire to employment, the main obstacles to finding such employment include the lack of local jobs, their health condition, old age and/or insufficient qualifications and in the case of women, their family commitments.

### **1.1.4 Labour shortages**

In spite of low employment and high levels of inactivity, in certain regions and occupations the labour supply that should satisfy the labour needs of employers is inadequate while the lack of qualified labour as well as low labour qualifications and skill levels are evident. Parallel to a slow-down in economic growth, employers' projections show a significant expansion of the number of employees to approx. 25-30 thousand jobs in the first half of 2003. However, the lack of labour supply with appropriate qualifications often hinders filling such vacancies. In the regions characterised by relatively dynamic development, there is an insufficient supply of young skilled workers (primarily in the case of metal industry workers, repair technicians as well as skilled commercial and catering staff). This labour deficit results not only from the fact that there are few people on the labour market seeking a job in such occupations but a more serious underlying factor is that few of the job-seekers have up-to-date skills. As a result, employers are not satisfied with the skills level of career starters leaving the educational system, preferring to recruit employees who already have experience. As a general conclusion, the extension of employment is hindered and economic growth slowed down by virtue of the underlying

structural problems characterised by the mismatch of labour demand and supply in terms of qualifications.

This highlights the necessity of establishing mechanisms that continuously adjust vocational training and the system of adult training (both at the working place and outside of it) to the changing economic demand surfacing on the labour market. In order to fill the existing vacancies, Hungary grants statutory work permits to approx. 30-40 thousand foreign workers per year (coming mostly from the Hungarian minorities of the neighbouring countries); their number is slightly increasing from year to year. At the same time, multinational companies make use of foreign personnel mostly for semi-skilled work. In addition, nurses, textile industry workers and seasonal agricultural workers regularly join the Hungarian labour market often taking the jobs that are not accepted by domestic labour due to the working conditions or low wages. The number of Hungarians working abroad (mostly in Austria and Germany) with a work permits approximates with the number of foreigners employed in Hungary.

### **1.1.5 The composition of the working age population**

The socio-demographic composition of the employed has generally improved. The gap between the employment levels of men and women has slightly narrowed while the tendency of exclusion of older employees from the labour market has been arrested. The change in the qualification structure of the employed clearly indicates that the economy needs a more qualified workforce implying that those with no schooling and no qualification are quickly excluded from the labour market (*see Annex 2, table 8*). Partly due to this fact and partly as a result of the demographic change and an expansion of adult training, the qualification level of the employed is steadily improving. As young age groups with better than average training enter the labour market, the number of employees with higher qualifications is rising substantially while the number of unqualified people with not more than primary school education has dropped by 18% over the past four years. As a result, in 2002, only one-sixth of the employed fell into the latter category, one-third was skilled worker level, one-third had secondary school education and more than one-sixth had a degree at higher education level.

In Hungary, the participation rates of those with low levels of education are well below the EU average while the level of unemployment is highest within these groups. In 2001, the participation rate of men aged 25 to 64 with below upper secondary education was 50% and that of women aged 25 to 64 was 35%. Within the same age group, the participation rate of men with upper secondary education was 83% and that of women with the same level of educational attainment was 67 %, while the participation rate for those with tertiary education was 89% for men and 79% for women. In 2001, unemployment rates according to educational attainment of women aged 25 to 64 were the following: 7.5% for those below upper secondary education, 4.2% for those with upper secondary education and 1.3% for those with tertiary education. The unemployment rates for men within the same age groups were respectively 12.5%, 4.8% and 1.1%.<sup>2</sup> This data illustrates that educational attainment is a decisive factor in determining the labour market position and employment opportunities of the individual. Increasing the level of employment and reducing inequalities in the labour market accordingly require actions to improve the employability of people with low levels of education and creating new employment opportunities for them.

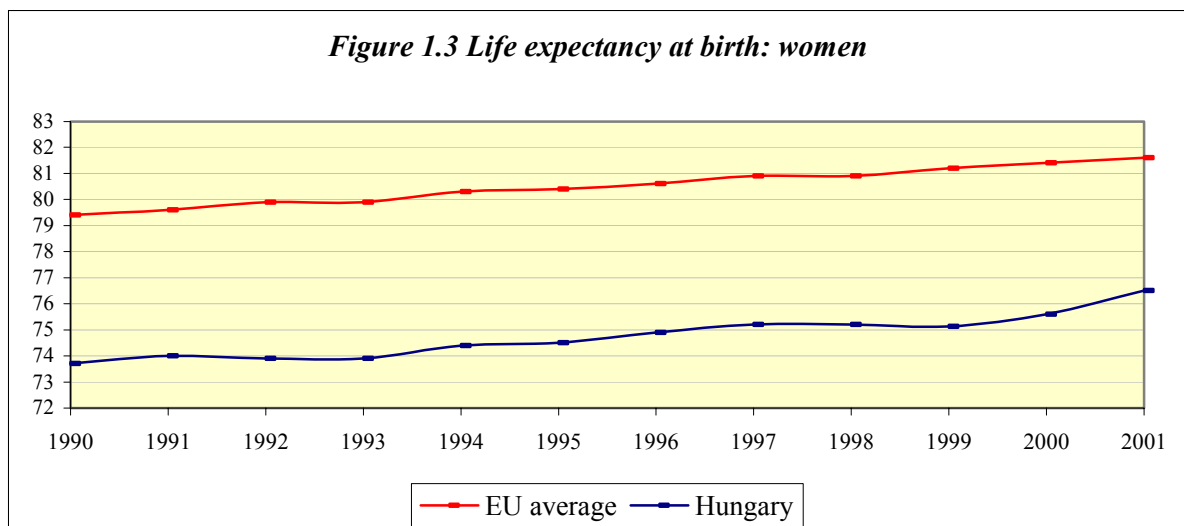
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<sup>2</sup> OECD 'Education at a Glance' (2003)

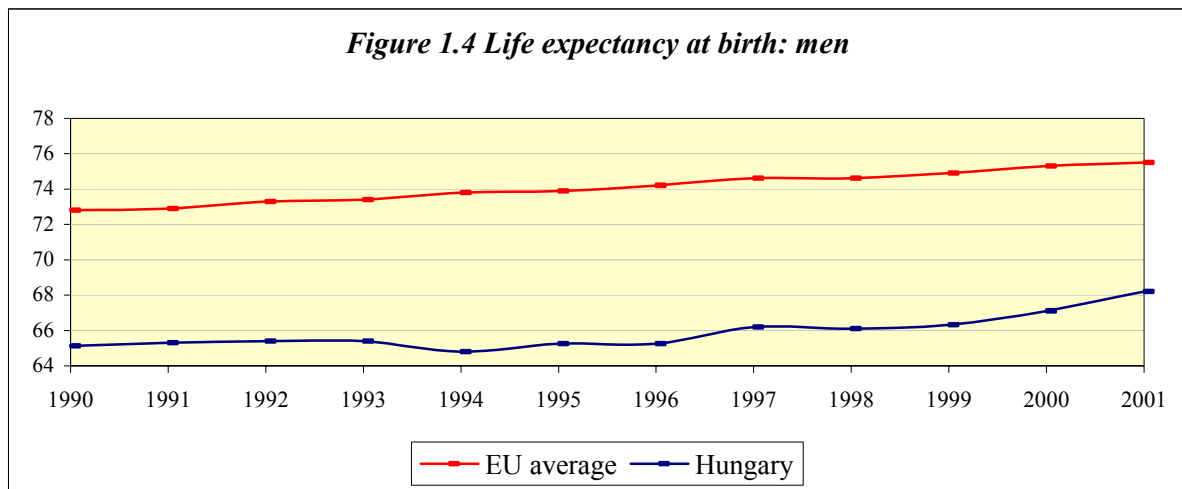
### 1.1.6 Health status of the labour force

The health condition and working capacity of individuals are important factors of the employability and competitiveness of the labour force. The health condition of the Hungarian population is one of the least favourable by European comparison, while the comparative ratios of the past decades show only a slight improvement. The life expectancy at birth for women is 5.6 years and for men 7.8 years which are lower than the EU average. Early death is twice the average of the EU and, in comparison with the ten acceding countries, Hungary occupies the third least favourable position. In particular, the morbidity and mortality rates of the population of the working age, and within that of men, give rise to real concern. (In 2001, 40 % of the men who died where below the age of 65.) The main diseases of the working age population are characterised by circulatory, bone, muscular and digestive system diseases.

The extremely bad health condition of the labour force is also caused by the unhealthy way of living, smoking, alcohol consumption, eating habits, lack of physical exercise and environmental factors. While 14% of illnesses may be attributed to air pollution, water and soil contamination, the underdeveloped nature of the services that help to keep and restore health, including the inequalities of access to such services, are also key determinants. From an employment perspective, the poor health condition significantly limits the supply of labour force while weakening the competitiveness of the labour force and the economy.



Source: OECD



Source: OECD

The health condition and life expectancy rates also show a close relationship with the socio-economic status and income position of individuals. The difference between the life expectancy of groups in the most favourable situation and the Roma population, which belongs to the group that is most disadvantaged, is 10 years.

In the socially and economically backward regions (Northern Great Plain, Northern Hungary and Southern Transdanubia) the health status of the population is especially poor. In these regions, there is a correlation between the low GDP, the levels of inactivity and the performance loss caused by illnesses. The regional differences partly follow inequalities in the socio-economic situation of regions, and are partly related to the size of settlements, as well as to accessibility and standard of health services. In consequence, measures targeting the improvement of the health condition to facilitate employment will focus on those regions lagging most behind.

### 1.1.7 Special groups of the labour force

From the aspect of participation in the labour market, and partly in association with particular life cycles, certain groups are in a special position. In the course of bringing up a child, women leave the labour market for a period; for their part, school-leavers face particular challenges in entering the labour force, while the older age groups have to struggle with the difficulties of remaining on or returning to the labour market. The labour market situation of these three demographic groups is summarised below while the situation of the especially disadvantaged groups – including the Roma and people with disabilities – is described in the section on Poverty and social exclusion.

#### *Women*

The level of employment and activity of women also dropped in the transition period but not as fast as the employment and activity rates of men. Since 1997, the employment level of women has grown slightly more intensively than that of men and hence by 2002 their employment rate grew to 49.8%, thereby reducing the difference to 13.3 percent (EU: 18.1%) between the rates of the two genders. Right from the outset, unemployment has made a smaller impact on women than on men. The explanation lies primarily in the fact that the '*en masse*' liquidation of jobs affected the areas characteristically employing women less than the industrial sectors and agriculture mostly employing men. In 2002, the unemployment rate of women was 5.4% while

that of men reached 6.1% (EU: 8.7% and 6.4%, respectively). Compared to 2001, the unemployment rate of men has slightly decreased, while that of women has increased.

Besides the relatively favourable unemployment indicators, account should also be taken of the fact that the rate of women among the inactive is higher than that of men. In 2002, 47.3% of women in the age group 15-64 were inactive. Those who remain inactive due to unknown reasons represent about 20% of the inactive population. Within this category, the proportion of women has significantly increased in the last decade; in 1990, 27% of the inactive population due to unknown reasons were women, while in 2001 this figure had risen significantly to 65%.

### *Young people*

The labour market situation of young people differs from the EU indicators roughly by the same extent as those of the whole population. In this group, both the employment and the unemployment rates are lower than the EU average (*see Annex 2, table 4*). In 2002, the chances of young people finding a job were weakened by the stagnation of employment opportunities. Both the number and proportion of the employed decreased in the youngest age group (15-24). This may partly be explained by the fact that young people leave education at a later age. The employment rate in the age group 15-19 decreased from 7.7% to 5.4% in 2002, while in the age group 20-24 the employment rate decreased from 51.1% to 49.3%. (Parallel to these changes, the employment rate grew in all age groups above 50, which is mainly due to an increase in the retirement age.) In 2002, 29.1% of young people in the age group 15-24 had a job as opposed to the EU average of 40.3% (unemployment affects young people more than the adults - *see Annex 2, table 5*). Up to 2001, youth unemployment dropped more than the average. However, the 2002 unemployment figures already indicate a deterioration in the situation of young people with the unemployment rate in the age group 15-24 increasing from 10.8% to 12.6%.<sup>3</sup>

The employment of young people is made difficult on the one hand, especially in the disadvantaged and stagnating areas of the north-eastern regions of Hungary, by the lack of jobs and by the unresolved issue of attracting capital investments. On the other hand, a substantial number of young people enter the labour market without any qualifications or with a qualification that does not meet market requirements. For their part, employers primarily want to recruit employees who already have experience as opposed to training and educating inexperienced school leavers.

### *Older employees*

In the early nineties, encouraged by the state, a possible way of escaping from unemployment was early retirement or the securing of a disability pension. However, in the second half of the decade, the preconditions for early retirement have been gradually made stricter with the result that, since 1998, the number of people of economically active age who retired due to health or employment policy reasons has dropped. Nevertheless, as a result of the earlier '*en masse*' retirement, only a small minority of people above 55 years of age are present in the labour market. On the other hand, it is also a fact that in the wake of the economic boost, the expansion of employment, partly as a result of raising the retirement age, was the highest in the older age groups, but even at that the employment rate of the age group of 55-59 years only grew to 42.2% in 2002 (EU: 50%). The return of older people to the labour market is also aggravated by the fact that it is more difficult for them to adjust to the changing labour market challenges while there is evidence of discrimination against older employees on the employers' side. Given the unfavourable skills composition of the over-50 unemployed, training, re-training and employment support will be important tools in strengthening their labour market position and in

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<sup>3</sup> Unemployed as percentage of the active population aged 15-64.



strengthening their capacity to maintain employment.

### 1.1.8 Structure of employment

With the transformation of the economy, the sectoral and regional structure of employment has changed substantially. The repositioning of the employed to major economic branches, in accordance with international trends, was characterised by a decreasing weight of the agricultural sector, and by an increasing ratio of those who worked in services (*see Annex 2, table 6*). In 2002, 6.2% of the employed worked in agriculture, 34.0% in industry and 59.8% in services (EU: 4.4%, 26.9% and 68.8%, respectively). Previously, the number of persons employed in manufacturing was increasing, but in 2002 this trend was reversed (the growth of industrial production slowed down reaching only 2.6% in the past year), while the number of workers employed in the sectors providing personal services continued to grow.

The significant contraction of agriculture, mining, metallurgy and food processing decreased the number of jobs by several hundreds of thousands. As a result, the qualified and unqualified workers of these industrial sectors became unemployed '*en masse*'. At the same time, in former industrial regions and small areas, jobs became scarce. The job cuts between 1989 and 1993 affected approximately 1.5 million people (primarily unskilled blue-collar employees), while white-collar employees were more successful in returning to the labour market. While the proportion of managers and professional employees with high-school and higher education qualifications increased from 19% to 32%, the proportion of office workers, clerical employees and blue-collar workers not requiring a special qualification dropped to a similar extent. In the skilled and semi-skilled jobs of manufacturing and construction, the decline was arrested as early as 1995 and since then a constantly increasing growth has been observed.

The structure of employment was altered substantially by the fact that, as a consequence of the economic crisis of the transition period, a significant adjustment occurred in the size of employer organisations. By 1999, approximately one million enterprises were established. Individual entrepreneurs and micro-enterprises, including the self-employed, represented more than 1 million jobs. At the same time, micro and small enterprises provided jobs for almost 1.5 million entrepreneurs and employees. Accordingly, from the aspect of employment policy, particular focus will be given to promoting the operations and labour supply of these enterprises, in addition to maintaining and improving their competitiveness.

<b>Table 1.1 Number and proportion of the employed according to corporate size, 1999</b>		
<b>Type of company</b>	<b>Number of employed</b>	<b>As a percentage of all employed</b>
Enterprises without employees	314 573	10.8
Micro enterprises (1 to 9 persons)	737 317	25.2
Small enterprises (10 to 49 persons)	413 117	14.1
Medium enterprises (50 to 249 persons)	553 064	18.9
Large enterprises (over 250 persons)	907 576	31.0
Total	2 914 088	100.0

Source: 'The status of small and medium-sized enterprises in 2000.'

Annual Report of the Institute for the Development of Small Enterprises (p. 52).

### 1.1.9 Regional disparities

The economic transformation took place in an extremely uneven manner resulting in significant

labour market disparities between regions (*see Annex 2, table 7*). In recent years, differences in employment and unemployment have been continuously increasing at the level of counties and micro regions; the polarisation of local labour markets also increased. The country is divided into relatively well-developed and urbanised areas (where the level of employment is relatively high) and under-developed micro regions characterised by low levels of employment and high unemployment.

While the 2002 unemployment rate was close to 4% in the country's more developed western and central parts, the employment rate was 61-64% (in certain industrial centres, a shortage of qualified labour was already evident in the local labour market while, in the northern region of Hungary and in the Northern Great Plain, unemployment was twice as high and employment as low as 50%). Besides the stagnating number of the employed in 2002, there are marginal changes in the employment situation of the various regions: employment grew by more than 1% in Central Hungary, in the Central and Western Transdanubia (by 12 thousand, 5.5 thousand and 6.3 thousand, respectively). In contrast slight (less than 1%) changes occurred in Northern Hungary and in the Northern Great Plain while decreases were recorded in Southern Transdanubia and in the Southern Great Plain (by 4.7 thousand and 14.3 thousand, respectively). Central Transdanubia and the Southern Great Plain are the regions characterised by the greatest rise in unemployment (0.8%).

In the disadvantaged regions, not only the number of unemployed and inactive people is high, but their composition is also unfavourable: the proportion of those who do not have more than primary school education and the ratio of the long-term unemployed is higher than the average. The persistence of inequalities is aggravated by the fact that job creating investments are primarily focused on the more developed regions of the country while the mobility of labour available in more disadvantaged areas has been hindered by factors such as the low mobility of labour and the rigidity of the real estate market. The quantity of flats/houses for rent is rather small in Hungary with most of the available flats/houses being private properties. At the same time, there are significant differences between the value of flats/houses across various regions, with higher prices in the areas characterised by more rapid development. Taken as a whole, these factors hinder the mobility of the labour force while commuting costs and rent for private flats remain high and are not counterbalanced by adjustments in the wage structure. Moreover, the traffic network is inadequate while the frequency of public transport vehicles is often not adjusted to working time arrangements.

Labour market differences have multiplied in the last decade at the level of small regions as well as locally (these differences may even be many times higher than the figures indicated above). Unemployment is highest in small villages with a few hundred inhabitants, where the socio-demographic composition of the population is also less favourable than the average profile.

The sectoral structure of employment is also characterised by relatively large regional differences. The role that agriculture plays in employment is well above the average in the regions of the Great Plain and in Southern Transdanubia. Within those regions already industrialised, the ratio of those employed in industry has recently grown in Central and Western Transdanubia and stagnated in Northern Hungary. The proportion of those employed in the service sector is the highest in Central Hungary.

## **1.2 INSTITUTIONAL FRAMEWORK OF THE EMPLOYMENT POLICY**

### **1.2.1 The Public Employment Service**

The most important instrumentation in implementing employment policy is the Public Employment Service (PES) operating under the supervision of the Ministry of Employment Policy and Labour. The PES comprises the National Employment Office, the labour centres of Budapest and the 19 counties and the associated 174 branch offices, as well as the Regional Training Centres (*see Annex 2, figure 2*).

#### *National Employment Office and the county labour centres*

The Public Employment Service is responsible for surveying the labour market situation, promoting the co-ordination of labour supply and demand in order to improve the employment situation, mitigating regional labour market tensions, promoting employment and reducing unemployment and disbursing unemployment benefits. Taken together, these functions are supported by appropriate servicing, regulatory and financial activities.

The National Employment Office is responsible for the professional supervision and management of the labour centres and for performing methodological, information technology, statistical data processing, analysing and information tasks in relation to unemployment benefits, aids for assisting employment and labour market services. The labour centres and their branch offices help job seekers and employers by offering programmes and services. Between 1998 and 2002, the average number of registered unemployed dropped by 19%, from 423.1 thousand to 344.7 thousand people. As a result, the monthly average number of unemployed per one employee of the labour organisation changed from 115.1 persons to 97 persons. Over recent years, the labour market organisation has developed the capacity to provide assistance in the employment of every fifth registered unemployed.

In recognition of the key role of the PES in the implementation of employment policy, a PHARE project aimed at modernising the Hungarian Public Employment Service was launched in 2002 with the participation of Swedish and Danish twinning partners. In the framework of this project, a new 'service model' will be developed and introduced at 21 pilot local offices. Besides the elaboration of the new service model, the project will promote the improvement of the IT support and information system as well as the upgrading of the organisation and management. Parallel to the PHARE project, the PES continues the necessary preparations to join the EURES network and to fulfil its tasks in the provision of social security of migrant workers on accession to the EU.

#### *Regional Training Centres*

The PES includes nine Regional Training Centres established in the early nineties with the aim of creating a training system with the capacity to satisfy training needs arising from the economic restructuring that followed. The activities of such centres focus on providing training and re-training for the unemployed and people exposed to the threat of unemployment. In addition, they offer a variety of services for other players of the labour market. In order to enhance their training capacities, these training centres have established a network with the involvement of vocational schools. The centres operate with some 500 permanent employees and hundreds of contracted professionals.

As a result of the close co-operation with actors in the regional labour market, training centres play an important role in the development of human resources and provide enterprises with training courses adjusted to the needs of employers, guidance and other services. Moreover, they

co-operate in providing training to professionals of technical and specialised institutions, offer vocational training and operate as methodological and examination centres. In line with the challenges of recent years, they also take part in the regional implementation of PHARE and other international projects. More recently, the participation of the Regional Training Centres decreased in organising labour-market-oriented training programmes mainly due to the fact that the infrastructure of the training institutions has not kept pace with the advances of technology.

### **1.2.2 The Labour Market Fund**

The financial resources necessary to pay the unemployment benefits for the active labour market programmes and for running the PES are provided through the Labour Market Fund. This Fund is generated from employer and employee contributions and is supervised by the Ministry of Employment and Labour. A tripartite Management Body, which is also a forum for social dialogue, oversees decisions on the utilisation of the Fund.

### **1.2.3 Local governments**

Since the mid-nineties, local governments have become important actors in the formulation of employment policy. Since 1992, local governments have been required to pay allowances to the unemployed whose entitlement to unemployment benefit has expired. From 1994 onwards, most unemployed belong to this group. In addition, it is the responsibility of municipalities to organise community work, including the selection of participants. For its part, the Labour Market Fund provides financial support for the local governments' community work programmes. However, many of the permanently unemployed within the competence of the municipalities have lost 'contact' with the Public Employment Service.

## **1.3 ACTIVE LABOUR MARKET POLICIES**

In the first half of the nineties, when unemployment grew rapidly, unemployment benefits represented the primary tool of employment policy (*see Annex 2, table 14*). With the stabilisation and strengthening of the economy, the government radically limited the period of eligibility for, and the amount of, the unemployment benefit, stipulated stricter conditions for granting the benefit, and re-allocated the funds made available to active measures. In 2001, 22% of all job-seekers participated in active programmes while financing these programmes represented 55% of all expenditure on unemployment benefits and services.

The size and proportion of expenditure spent on employment measures also increased in 2002. In this context, the amount spent on unemployment benefit and other passive measures increased by 12%, while spending on active labour market measures/programmes grew by 27%. As a consequence, the proportion of active measures approximated 58% of total labour expenditure. In order to avoid a situation when the cumulative 100% minimum wage increase (introduced in 2001 and 2002) gave rise to headcount reductions, the Labour Market Fund provided employment subsidies to those areas with a high representation of labour-intensive sectors and low wage levels and where the effect of the higher minimum wage was only partly counterbalanced by lower social security contributions. The use of this subsidy by small and medium enterprises facilitated the retaining of 355 thousand jobs in 2002. Nevertheless, this preventive measure 'tied up' significant funds and thus reduced the sources available for traditional active employment measures. At the same time, as a consequence of the minimum wage increase, per-unit subsidy amounts grew. In spite of this, the number of persons participating in active programmes was only by 1.2% lower than in 2001 with active measures

assisting nearly 274 thousand unemployed to find a job in 2002.

In 2002, active measures ensured re-training or an employment subsidy for nearly one fifth (19.8%) of the registered unemployed, while this ratio was 22.1% in 2001<sup>4</sup>. 33% of unemployed school-leavers were included in the active programmes which is 3.9% lower than in the previous year, but nearly 1.8 times higher than the involvement of those unemployed who have already been in the labour market for sometime (18.4%). On the whole, participation in active programmes in 2002 reduced the annual unemployment rate by 2%; in 2001, the corresponding figure was 2.4%.

### *Training*

Training is a particularly important instrument to help the return to, or integration into, the labour market. Currently, however, a substantial proportion of the training programmes offered by the employment service addresses school-leavers and represents a means to complete the knowledge acquired in the educational system. Due to the 'inflexibility' of the mainstream educational system and its failure to adequately respond to the needs of the economy, many school leavers do not have the knowledge and skills required for their integration to the labour market. As a consequence, school leavers unable to secure a job, acquire such knowledge and skills in the training courses provided by the employment service. Such training courses typically focus on a complementary knowledge that may be acquired in possession of secondary education and serve individual learning ambitions rather than the improvement of the employability of the most disadvantaged people. In the case of the unskilled, often with learning difficulties and lacking motivation, integration into the labour market is supported on the one hand, by practice-oriented forms of training (coupled with paid work and based on the co-operation of enterprises and the PES) and, on the other, by support services and counselling tailored to individual needs.

### *Job-brokering*

For job seekers, the PES provides job brokering services. The efficiency and effectiveness of this service is decisively influenced by whether the employment service has an appropriate set of contacts within the local labour market, whether it has information about the labour demand of local enterprises and whether it provides a reliable brokering service that generates 'trust' within the workforce. For an effective brokering activity, both comprehensive labour development and thorough knowledge of the employers' requirements are needed. At present, however, the existing service is characterised by serious shortfalls in both areas. Moreover, the 'market share' of the PES as a brokering service varies: generally, the larger the settlement, the lower is the share of jobs available on the market within the reach of labour centres. For their part, the employers recruit new employees mainly through advertisements and personal recommendations and (only as a third option) do they turn with their labour requirements to the Public Employment Service. Nevertheless, while the service successfully meets the '*en masse*' demand for unskilled labour, its response to individual requirements is less effective. Although in recent years employers have made use of the job brokering activities of the Public Employment Service to an increasing extent, in 2002, despite the improvement, there were only 12.9 available and reported jobs per 100 registered unemployed.

### *Community Work*

Community work is a form of support that facilitates the periodic employment of the long-term unemployed as well as the retaining of their work capacities. In most cases, community work programmes are organised by municipalities in order to accomplish communal tasks for the settlement. On average, each selected unemployed individual received an assignment for 3 to 6

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<sup>4</sup> Data refer to monthly average.

months per year representing a minimal contribution to living costs. More recently, programmes have been launched across the country combining community work with training or counselling in an effort to enable the participants to return to the secondary or primary labour market. In summary, experience of such programmes show that the renewal of the labour capacity of groups marginalised from the labour market, and the promotion of their reintegration to the labour market, requires more comprehensive and personalised services and solutions which are 'embedded' in the regional programmes of economic development.

#### *Wage subsidy*

Wage subsidies are aimed at enhancing employment, especially that of the long-term unemployed. Such subsidies may be granted for unemployed who have been jobless for at least six months (three months in the case of young professionals starting their career). This subsidy, payable to the employer, is designed to motivate employers to hire unemployed people or young professionals and reimburses the employer from 50 up to 90% of the salary paid to such employees. This subsidy may be given for no longer than a year when the employer is subject to secure the employment for an additional year. In 2001, the employment service granted wage subsidies for the employment of some 48,000 people.

#### *Youth Programmes*

Since 1996 special active programmes have targeted school-leavers. Their primary aim is to help them in obtaining work experience by providing a special wage subsidy to their employers for a maximum of 12 months. After the subsidised period, the employers are obliged to employ them for a period of the same length without subsidy. Each year, tens of thousands of school leavers participate in these programmes as well as in other ALMPs. Such groups are traditionally over-represented in labour-market-oriented training and under-represented in the public work programmes. Many of the youngsters use labour market training not only to help them in their integration into the labour market, but also to improve their chances of entering into daytime tertiary education.

In summary, the services provided and the active measures delivered by the Public Employment Service represent a significant and effective contribution to the decrease of unemployment. In the past year, the service ensured employment for every fifth registered unemployed. However, only certain groups of the unemployed are involved in these measures while mainstream services often fail to reach the most disadvantaged excluded from the labour market. This highlights the need for personalised employment services tailored to the needs and potential of the most disadvantaged. Currently, such groups are primarily targeted by "alternative" labour market services offered by non-governmental organisations.

### **1.4 EXPECTED TRENDS OF WORKFORCE SUPPLY BETWEEN 2000 AND 2006**

The short-term perspectives of economic development have been determined to an important extent by the global recession which persisted up to 2001. Such perspectives, however, also offer the possibility of new and more qualitative developments over the programming period which rely on parallel structural transformations. On the global scene, there is an accelerating tendency to transfer work requiring low qualification to countries having available masses of cheap labour. At the same time, these countries are also the future receiving markets of mass production. As a result, the future growth options of the developed countries are defined by the quality and qualification of their resources as well as their utilisation level. At the same time, long-term growth of labour demand in the context of establishing the information society and in services will be generated by higher incomes.

In the forthcoming period, Hungary may also reckon with the ongoing migration of cheap, unqualified work (textile industry, sectors characterised by low wage structures). Moreover, the economic and employment role of certain traditional sectors will keep on decreasing (mining, steel industry, agriculture) while the increase of overall labour demand will rely to a growing extent on strengthening the knowledge-intensive economic sectors and the extension of corresponding investments. In order to retain competitiveness, the attractiveness of cheap labour must be replaced by qualified labour with the capacity of creating 'higher added value'.

The gradual increase of labour demand is also accompanied by structural tensions whereby both labour shortage and surplus are evident. In resolving these tensions, the role played by migration will be higher than at present but will not be the decisive factor. The free movement of labour is important in the first instance as a possibility for domestic labour to acquire international experience and to increase their knowledge. Nevertheless, a more flexible labour market and labour force possessing transferable knowledge represent the key strategic tools to resolving structural weaknesses.

Important factors influencing changes in workforce supply in the medium-term are demographic trends, the gradual increasing of retirement ages and the evolution of economic activities. Economic activity rates indicate the changes occurring in the 'disposition' to work and the workforce demand i.e. the 'chances' of a person of working age to stay on, integrate, or return to the labour market. From a demographic aspect, the population groups of 15-64 and 15-74 years of age are likely to decrease by almost 30,000 and more than 60,000 persons, respectively. Despite this, the population of working age will grow due to changes in retiring age (1 year more for men and 3 years more for women). Consequently, the overall population of working age will increase by 175,000 persons (2.8%).

Within the varying calculations for determining the probable number of economically active population, the following are of particular relevance:

- The first calculation considers that the current economic activity rates are fixed with only 0.5% growth in the case of the population of working age and lagging behind the growth of the population group.
- According to the second method, in the case of the population over 5 years, the level of activity will not fall as it did in the nineties. As a result, the economically active population will exceed the 2000 level by 240,000 persons and the population of working age by 235,000 persons.
- The third method considers a slight equalisation of regional differences in the economic activity rates. The result is a further increase of the offer whereby an overall growth of 350,000 is projected (340,000 persons of working age).

## **2 EDUCATION AND TRAINING**

### **2.1 QUALIFICATION LEVEL OF THE POPULATION**

In broad terms over the last decade, the qualification level of the population has shown great improvements. By way of illustration, in the population within the 25-59 age-range that is the most significant on the labour market, the proportion of those who do not have higher than primary school education (i.e. 8 classes) has dropped significantly, while the proportion of those having secondary school and higher education has grown considerably. As a result, the average

education level of the economically active age group has moved closer to the EU average. While nearly half in 1990, by 1999 just over one quarter of this age group had only completed 8 classes of primary education (EU: 36%). The proportion of people with secondary education (including vocational) has increased in total from 40% to 60% while 41.9% (EU: 43%) passed a final secondary school examination (equivalent to GCSE) corresponding to an international 'upper secondary' level. Considering, however, the number of university graduates, the comparison is not so favourable. A spectacular expansion of higher education has not yet been reflected in the qualification pattern of the age group 25-59: the proportion of those having college or university degree has grown from 12.1% to 14.3% (EU: 21%).

<b>Table 1.2 Changes in the highest level of completed schooling (Percentage of the population aged 25 to 59 years by level of education, in 1990 and 1999)</b>		
	<b>1990</b>	<b>1999</b>
Primary school (8 <sup>th</sup> grade) or below	47.6	26.5
Apprenticeship schools	18.0	30.2
Secondary vocational and grammar schools	22.3	29.4
Graduate qualification	12.1	13.9
Total	100.0	100.0

Source: Central Statistical Office, Hungary (CSO)

<b>Table 1.3 Highest level of completed schooling (Percentage of the population aged 25 to 64 years) in 1990 and 2001</b>		
	<b>1990</b>	<b>2001</b>
Below primary school (below 8th grade)	1.0	0.6
Primary school (completed)	86.3	95.9
Secondary vocational and grammar schools (with GCSE)	32.5	41.9
Graduate qualification	11.5	14.3

Source: Central Statistical Office, Hungary (CSO)

## **2.2 SCHOOL-BASED EDUCATION AND TRAINING**

Within the European context, the Hungarian education system is rather well-developed while the schooling rates are high relative to the level of the Hungarian economy's development. The reverse ratio of public expenditures on education and training to GDP is slightly below the OECD average (the latter was 5.2 % in 2002). In the last decade, a notable performance improvement has been achieved by the education system; nevertheless, in a number of cases this increase has led to a lower quality of training (*see Annex 2, table 10*).

The Hungarian education system is largely decentralised; administrative control is shared among the central, regional and institutional levels. The local governments administer pre-primary, primary and secondary education. Individual institutions enjoy a fair degree of decision-making autonomy in terms of organisation, functioning and financing. For an overview of the structures of the Hungarian education system, see Annex 3.

### **2.2.1 Proportion of those involved in secondary and higher education**

In an international context, both the number and the proportion of people taking part in secondary and higher education have increased. In the academic year of 2002/2003 77% - in contrast with the 40% recorded a decade ago - of the relevant generation studied full time in



secondary schools providing GCSE level (EU average: 64%) and 23% in vocational schools. In the recent years, the number of pupils in secondary grammar schools ceased to increase while the number of young people in vocational schools started to increase gradually. The total number of those participating in higher education has multiplied almost by a factor of three and has grown from 102,000 to 381,000. Within this group, the participation of the 18- 24 year-old generation doubled reaching 15%. This is, however, well behind the EU average (23%). At the same time, the number of people applying to higher education institutions has increased (in 2001 – with 125 thousand 18-year old students – 149 thousand, in 2002 165 thousand) and remained unchanged in 2003.

The number of part-time students (evening classes, distance learning) has been increasing at a faster rate than the number of full-time students, clearly indicating that the adult population is increasingly motivated to pursue their education further.

**Table 1.4 Number of students in higher education institutions by type of study in terms of time and occupation (persons)**

	1990/91	2002/2003
Full time	76 601	203 379
Part-time (evening classes, distance learning)	25 786	178 181

*Source: Central Statistical Office, Hungary (CSO)*

### **2.2.2 Trends of development in vocational training**

Vocational training has also gone through a period of significant change. The age of compulsory education has been raised to 18 years of age while the system of professional training has also changed, postponing the internal specialisation of professional education. Vocational training for students of vocational schools begins at 16 years of age. Tangible changes also took place in the national administration of education and professional training with a view to deregulating (and generally decentralising) the system. At the same time, a National Qualifications Register (NQR) was created which currently includes more than 800 qualifications. The revision and simplification of the NQR system and the introduction of modular training will be essential to creating a flexible framework for lifelong learning.

### **2.2.3 Raising environmental awareness in education and training**

In accordance with the common requirements of the National Core Curriculum, environmental education has become a module within the scope of every subject and for every teacher. To this end, the knowledge of environmental protection and nature conservation has been integrated into training programmes at every level both within and outside the school system. In order to enhance environmental awareness, the partnership with actors in the economy, professional pressure groups, non-governmental organisations and the citizens is also in the course of development.

### **2.2.4 Points of tension**

Despite the results achieved, the contents and location pattern of public secondary and higher education (as well as formal training) do not have the capacity to adapt with sufficient speed and flexibly to the changing requirements of the economy and the labour market. The most relevant problems include the following:

*Insufficient harmony between the education and training system and the requirements of the economy*

Due to the lack of appropriate links between the education and training system and the economy, the level and nature of qualifications obtained by people graduating from the education and training system (training structure) do not properly correspond to the expectations of the labour market. By way of illustration, the content of the curriculum within certain fields of higher education (e.g. arts and natural sciences, teacher training, ) is not always conducive to labour market requirements – particularly in regions of dynamic development where there is a chronic shortage of qualified technicians. Moreover, as a result of the increase in the number of students involved in higher education, the number of contact hours declined which, in turn, affected the 'labour market quality' of graduates.

At a wider level, the system lacks institutions of professional training with the capacity to adapt to the economic environment or to engender self-development. To this end, there is recognition to give new policy impetus to render more effective the transition from education to working life.

<b>Table 1.5 Number of the employed and the unemployed according to the highest level of completed schooling in 2001</b>				
<b>Highest level of completed schooling</b>	<b>The employed</b>		<b>The unemployed</b>	
	Number (thousands)	Percentage of groups	Number (thousands)	Percentage of groups
Below primary school (completed 8 <sup>th</sup> year)	26.1	0.7	6.5	2.8
Primary school (completed 8 <sup>th</sup> year)	634.6	16.5	76.0	32.6
Vocational training school	1228.1	31.9	83.4	35.8
Apprenticeship school	41.5	1.1	3.2	1.4
Secondary Vocational school with GCSE	1249.4	32.5	54.2	23.3
Graduates with BCS	394.8	10.3	7.0	3.0
Graduates with MA	270.0	7.0	2.6	1.1
<b>Total</b>	<b>3 844.5</b>	<b>100.0</b>	<b>232.9</b>	<b>100.0</b>

*Source: Central Statistical Office, Hungary (CSO)*

At present, the education system lacks the capacity to provide people with skills and competencies needed for establishing a lifelong learning strategy, and for a successful entry into the labour market. For this reason, substantial deficiencies have been identified in the transfer of basic skills and key competencies as well as for social competencies, active learning and communication skills. Similarly, both students and the overall population lag behind in foreign languages and information technology – key aspects considering the needs of the knowledge-based economy and society. These structural weaknesses derive mainly from obsolete curricula, the lack of appropriate skills on the part of teachers and the inadequate material conditions of education. International comparative studies (OECD – PISA) have clearly indicated the degree of backwardness in relation to delivery mechanisms for imparting these skills and competencies.

*Deficiencies in the system of education of the young, particularly those exposed to social exclusion and requiring special training*

Heretofore, the education system has been unable to respond quickly and flexibly to the new phenomena due to social, political and economic changes. Considerable weaknesses remain in the promotion of social and labour market integration of the disadvantaged social groups, primarily the Roma population. In the case of the most disadvantaged families, the rate of pre-school education attendance is well below the average, predominantly due to the particular lack of access to pre-school education (kindergarten) in disadvantaged areas (e.g. small settlements or areas with low density of population). At later stages of the cycle, such disadvantaged children have fewer opportunities to remain in primary education. This phenomenon is predominantly

brought about by the segregating practices and inadequate quality of education in primary level mostly affecting Roma children and children with special educational needs. Approximately 9,000 Roma children are educated in Roma only classes in Hungary, while homogeneous Roma schools have also evolved in some areas. In this context, Roma children are unduly over-represented in special schools and classes for students with slight mental disabilities.

As a consequence, less than 10 percent of Roma obtain a general certificate of secondary education while only a very small number of Roma continue their studies in tertiary education. The other significantly disadvantaged group in terms of labour market success and schooling career are young people with special educational needs. In Hungary, the proportion of children classified as disabled is 5.3%, almost twice as high as the average in the EU, while their proportion in inclusive education is very low compared to the international average. Traditionally, disabled children have been educated in separate, specialised institutions within regional or national catchment areas, or have attended programmes operating in parallel with classes in regular schools, which are generally unable to offer even the minimum of additional support services (habilitation, rehabilitation, therapeutic procedures).

<b>Table 1.6 Drop-out rates at different stages of education compared to the initial headcount(%)</b>						
<b>Year</b>	<b>Primary school</b>			<b>Grammar school</b>	<b>Secondary vocational school</b>	<b>Secondary technical school</b>
	<b>4<sup>th</sup> year</b>	<b>8<sup>th</sup> year</b>	<b>Total</b>			
<b>1990/91</b>	2.8	1.1	3.4	11.9	16.7	23.0
<b>1996/97</b>	1.8	0.9	2.6	9.3	8.7	23.0
<b>1999/00</b>	1.7	0.9	2.4	8.5	3.0	31.6

*Source: 'Report on public education in 2000', Ministry of Education, Hungary*

### *Selectivity of the education system, inequality of opportunities*

Integration of disadvantaged children is made difficult by the inequality of opportunities that exist in the Hungarian education system as well as its strongly selective practices. According to the PISA 2000 analysis, the performance of students under the Hungarian education system is – compared to the OECD average - much more influenced by their socio-economic background. In Hungary, this background mitigates against the provision of equal opportunities to children coming from poor families with low education level and limited opportunities for a wider cultural participation. In recent years, more responsive programmes have been developed for this purpose but, in the absence of proper support and well-prepared adaptation, their development was restricted. Nevertheless, there remains a need to develop further and promote inclusive education through the adaptation and dissemination of integrated educational programmes supported by the development of related professional services. Addressing educational disadvantages and ensuring equal opportunities also require the training and in-service training of teachers in inclusive and differentiating pedagogy, as well as in the issues related to intercultural education.

### *Deficiencies in the policy of lifelong learning*

A comprehensive policy and practice of lifelong learning is presently under development and is designed to bring education and training, in addition to different forms and levels of formal and informal learning, into a coherent and integrated system. Existing structural weaknesses include the absence of a unique system of modular training based on the evaluation and acknowledgement of previously acquired knowledge; the lack of material and human experience

in the application of information technology, the limited proliferation of different forms of distance learning and the lack of a twin cycle higher education training system.

### *Poor quality of infrastructure*

In most areas, the quality of physical infrastructure of the vocational training and higher education institutions is behind the average of the EU Member States and far from the requirements posed by socio-economic changes and technological progress. The current condition of most education buildings fails to reflect the changed social and environmental situation. Moreover, there are strong variations across the types of settlement in the degree of access to specific levels or types of training, as well as the equipment necessary for education. It is partly due to the above factors that there are strong differences in the performance of students by types and size of settlement. At the same time, there is a deficiency of information technology equipment within vocational training and higher education institutions. The distribution of the existing equipment is also uneven while the quality and level of development of higher education infrastructure has not kept pace with the increasing number of students. The number of contact hours between professors and students has decreased highlighting the need for expansion of existing individual learning spaces. In addition, most of the existing higher educational institutions are not accessible for disabled people.

<b>Table I.7 Performance of students of the 8<sup>th</sup> grade in a breakdown by types of settlement 1999 (standard scoring*)</b>				
<b>Test</b>	<b>Villages</b>	<b>Towns</b>	<b>County Centres</b>	<b>Budapest</b>
Civic education	464	499	521	540
Cognitive abilities	470	504	523	540
Mathematics, algebra	471	497	517	524
Mathematical way of thinking	474	495	512	520
Reading – text comprehension	456	502	529	546
Information technology, software	512	537	554	578
Computing applications	511	542	558	574
Botany and zoology	473	500	508	499
Physics	483	496	505	513
Geography	475	496	503	507

*\*Note: 500 = average performance of the examined group of students*

*Source: 'Report on public education in 2000', Ministry of Education, Hungary*

### *Unsatisfactory efficiency of the education system*

There is a lack of consistent and efficient quality evaluation and assurance systems – in terms of the minimum requirements for improving efficiency – at the different levels and areas of education and training.

In relation to the cost efficiency of education, a major factor concerns the demographic processes whereby the continuous decrease of population at school age increases the costs per student but not necessarily results in improved education quality.

## **2.3 ADULT TRAINING**

At the beginning of the nineties, parallel to the radical restructuring of the labour market, the institutional system of adult training was reoriented and weakened under the combined influence of several factors including in particular:

- a substantial reduction in the number of jobs and employees enabled employers to

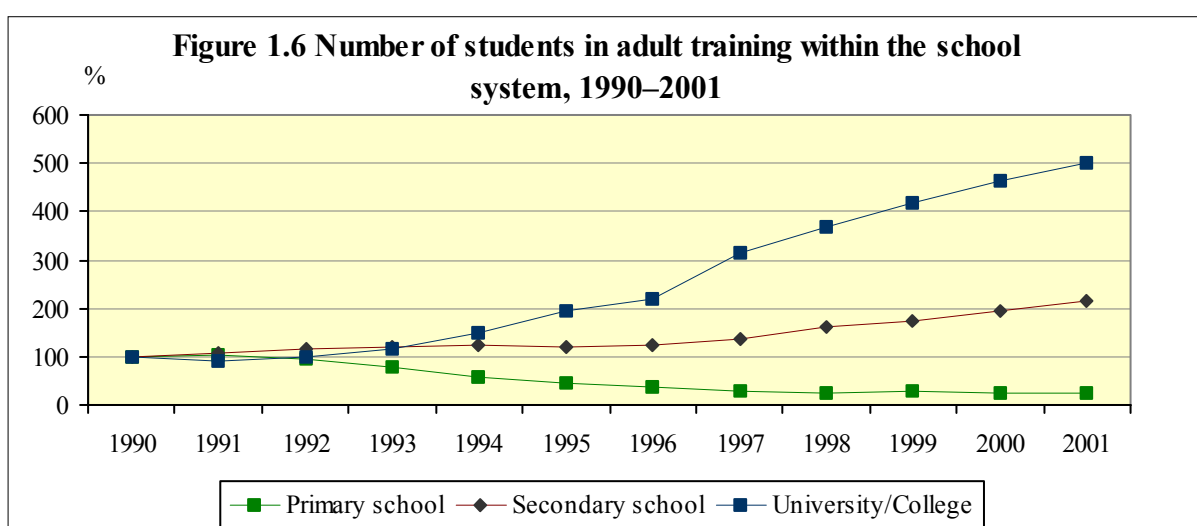
select employees from a larger field of candidates. This resulted in the composition and qualification level of the workforce being increased without major expenditure implications;

- the restructured ownership scheme, the privatisation programme and the articulation of large companies had a profound affect on the previously solid and strong institutional and corporate background of both professional training and adult training.

The system of adult training had, therefore to be re-established on new foundations, focusing as a first step on improving the employability of unemployed and redundant workers. In recent years, when lifelong learning has gained some relevance and the structural tensions of the labour market have become more stringent, a process started for funding adult training, developing the relevant institutional system and creating the appropriate legal framework. Thereafter, the first law was passed covering adult training both within and outside the formal system of education.

### 2.3.1 Adult education within the school system

Part-time and distance education offers a chance to those who, for social or other reasons, need more stages to achieve secondary or higher education level. It also provides a career adjustment option to people who embarked on ineffective forms of training. In addition, individuals with lower performance levels can avail of a further schooling adjustment option alongside regular education. Because the involvement of young people in education has increased significantly, the role of the part-time and distance education has been decreasing at primary education level and is shifting towards a kind of 'complementary training' in secondary schools. By the year 2001/2002, the number of people taking part in adult education at primary school level dropped below 3,000. As regards adult education in secondary grammar schools, the number of students has moderately increased: in the cycle of 2001/2002, just over 95,000 took part in this form of education. In view of these circumstances, part-time and distance education programmes have particular attraction in higher education: in 2001/2002, the number of students exceeded 156,000 persons while almost 18,000 obtained their diploma in that cycle.



Source: Central Statistical Office, Hungary (CSO), 'Data on Education, 2001/2002'

### 2.3.2 Labour-market-oriented training

Training and re-training play an important role in tackling and preventing unemployment. Between one fourth and one third of the expenditure on active measures is dedicated to this

purpose. In the last decade, 13-18% of the registered unemployed took part in this form of training. Approximately one third were young professionals starting their career (illustrating the lack of correspondence between training within the mainstream educational system and the requirements of the labour market). The number of trainees decreased at the highest unemployment level, and then started to grow again. In 2001, the number involved in subsidised training totalled 97,000 persons.

In addition to the creation of Regional Training Centres (See chapter 1.1.2.1), the training system underwent an important restructuring process, with an increase in the scope of training providers. A number of private training organisations have also emerged. The number of companies playing a role on the training market and dedicated to training in the longer term is estimated around five or six hundred. At present, NGOs providing training (foundations involved in the training of unemployed people, the network of cultural institutions, 'telehouses', etc.) play a less important role. At the same time, institutional networks do not include individual self-training or other forms of learning, the importance of which is likely to grow continuously over the coming programming period.

### 2.3.3 In-company training

In-company training courses have particular importance with regard to both economic growth and the prevention of unemployment. Corporate expenditure on development of human resources constitutes an indicator of increasing relevance as to the current and future potential efficiency and competitiveness of the company. The most important features of the training at the workplace are presented below based on a survey conducted in 2000.

The most frequent forms of training include training courses as well as education delivered at the workplace. In addition, distance learning and *e-learning* have gained more currency. The size of the company determines to a large extent whether further training is organised for the employees in a given year or not. In 1999, most (85%) of large companies employing more than 500 persons supported a professional training programme. This was the case where almost half of the companies with 50–249 employees took advantage of this option while less than one third (29.2%) of small companies (from 10 to 49 persons) participated. Taking into account the important role enterprises belonging to the two last categories play in employment, training policy and practice in relation to the small and medium enterprises is decisive in determining the training options available to most employees.

<b>Table 1.8 Enterprises providing training (by number of employees), 1999</b>		
<b>Number of employees</b>	<b>Number of enterprises</b>	<b>Share of enterprises providing training (percentage)</b>
10–19	13,149	29.2
20–49	7,310	36.6
50–249	4,184	50.8
250–499	563	75.3
500–999	268	85.1
More than 1000	131	86.3

*Source: Calculations by the Ministry of Employment and Labour based on data from Central Statistical Office (Main data of training at the workplaces, 2002)*

In addition to the size of the company, the share of companies providing training depends on the sector involved. Vocational training is provided mainly by companies within the service sector (finance, telecommunications, etc.), as well as the public utility companies (electric power, gas, water, etc.). Sectors well below average include the textile, clothing and leather industries gastronomy, as well as mining and construction. Companies providing their existing staff with training and re-training options generally come from sectors which have undergone rapid

technological and structural change in recent years.

According to the above-mentioned survey, some 12.3% of the employees of such companies participated in some form of traditional professional training in 1999. In this context, approximately 12.9 percent of male employees and 11.4 percent of female employees took part in some form of training. The balance of participation between men and women in training depended to a large extent on their respective 'share' across different sectors and occupations. Participation of women in training is more likely since they have a higher share in the service sector and in other related sectors where they hold financial and administrative positions subject to a higher participation in training courses.

<b>Table 1.9 Participants in traditional training courses, 1999 (according to the number of employees)</b>						
Number of employees	As percentage of the company's staff			As percentage of companies providing traditional training		
	Total	Men	Women	Total	Men	Women
10–19	6.8	6.5	7.4	37.9	38.0	37.8
20–49	6.8	6.8	6.6	27.8	27.6	28.2
50–249	8.8	9.0	8.6	22.6	22.1	23.2
250–499	12.4	13.3	11.2	20.8	22.3	19.0
500–999	16.6	19.4	13.3	24.4	26.4	21.6
Above 1000	25.7	27.3	23.4	31.3	32.2	30.0
Total	12.3	12.9	11.4	26.2	27.0	25.0

*Source: Calculations by the Ministry of Employment and Labour based on data from Central Statistical Office (Main data of training at the workplaces, 2002)*

On average, employees having participated in traditional training courses spent 38 hours in training (slightly less than an equivalent week of work). Differences between genders with regard to the size of the company and in the time spent in training were relatively small.

### **3 POVERTY AND SOCIAL EXCLUSION**

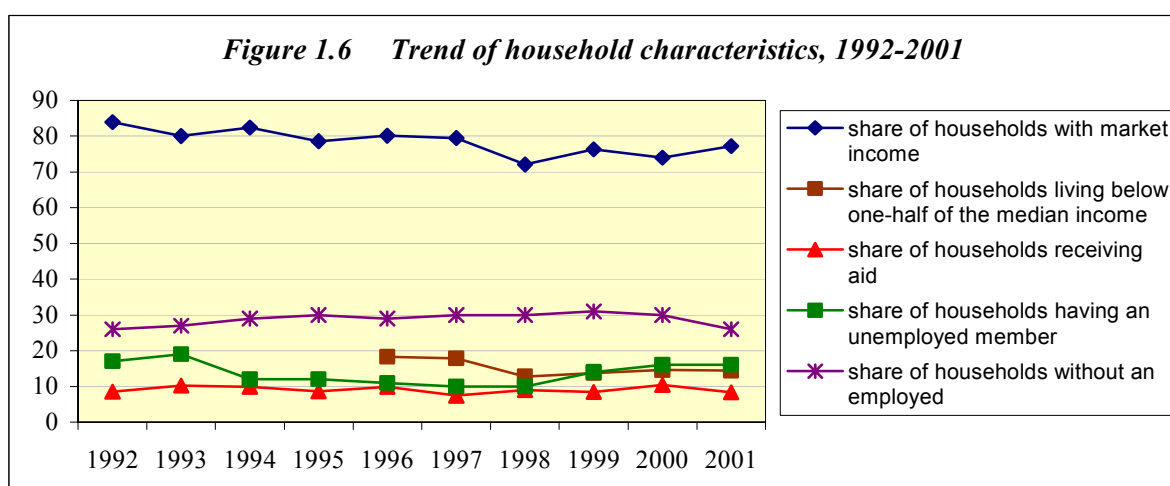
The socio-economic transformation that took place in the nineties put a heavy burden on the whole society, in particular through the increased risk of poverty and the lack of security which emerged for certain disadvantaged, especially susceptible groups. Such groups mainly include the Roma, the unemployed, people with low schooling and no qualification, people with disabilities, persons who have an inferior health status, addicts, disadvantaged children, single parents, the homeless and those who live under inferior dwelling conditions in disadvantaged settlements. The central element of the social exclusion of these groups is their marginal labour market position, but exclusion in a wider sense includes a lack of security, uncertainty of income generating capacity, limited possibilities to participate in society, low access to support systems all characterised by their low life opportunities. In Hungary, the data collection system does not as yet cover the comprehensive survey of phenomena falling into the range of social inclusion. As a result, in certain cases estimates are required on the basis of which figures for international comparison are only available on a limited basis.

#### **3.1 INCOME-RELATED INEQUALITIES**

The increase of income-related inequalities started as early as the early eighties. The 4-4.5 times

difference between the upper and lower brackets rose until 1997 and since then has stabilised at the 7.5-8 times level (roughly corresponding to the Community average). Similarly, the other indicators of income-related inequalities show values close to the EU average. In 2001, the income of the richest 20% of the population was 4.7 times (EU: 5.2) higher than that of the poorest 20%, and the 33% 'Gini coefficient' was also close to the EU's 31% average.

The income structure of households saw a substantial transformation in the nineties. With unemployment and inactivity rising, the number of households obtaining income from the labour market decreased, while the number of households receiving welfare aids grew. In 2000, 15.2% of the population had an income lower than 60% of the median level of the per capita net income, as against the EU where 18% of the population live below the poverty threshold. The growth rate and absolute amount of the minimum age-based pension, which serves as a basis for allowances, showed a significant deficit in comparison to the minimum wage (*see Annex 2, table 15*). Using a different approach, however, poverty is much more widespread; approximately one-quarter of the population live on an income which is below the so-called social minimum (in 2000: 25.6 thousand HUF/person).



Source: TÁRKI Social Research Centre Inc., Hungary, 2001

### Generation-based poverty risks

Regarding the income situation, the transformation did not influence the different generations in the same way. In the last decade, the proportion of older age groups within the poverty parameters dropped to less than one-half, while the poverty risk of children (families with children) doubled. The poverty risk of infants is one and a half times that of the disadvantaged adult group. The poverty risk of families bringing up four or more children (41%) and that of single parents (36%) is higher than the poverty risk of any social or demographic group.

### Regional differences

Except for central Hungary, incomes are reasonably well balanced on a regional level. In central Hungary, the gross income per capita is 17% higher than the nation-wide average and 36% higher than the figure in the northern part of the Great Plain, which is the most disadvantaged region. The risk of social exclusion and the re-generating of poverty is higher in the more underdeveloped regions, in disadvantaged small areas with small villages, in the 'slum' quarters of cities and at disadvantaged settlements that do not offer job opportunities. The social cohesion weakening effect of regional segregation lies in the fact that social needs appear in an accumulated way exactly at the poorest settlements with a low capacity to bear the economic



burden, where the socio-demographic composition of the population is more unfavourable than the average, and where the tools and welfare systems serving the handling of tensions are only available on a limited basis.

### ***3.2 RESOURCES, RIGHTS AND SERVICES – THE DIFFICULTIES OF ACCESS***

The responses of social services to increasing and changing requirements are insufficient. The institutional capacities of social support and assisting services are only partly in place. Concerning access, there are substantial regional and structural inequalities. There is accordingly a need to develop assisting and counselling services focusing on finding employment for actual target groups. This could relate to inclusion as well as return to the labour market.

The 'net' serving the prevention of learning difficulties or dropping out from school due to social and family problems is also weak. Assisting and supporting background services with the capacity to respond to the integration, behaviour and socialisation problems of the age group of 14-18 are lacking. At the same time, the lack of such preventive types of services significantly worsens the social and labour market inclusion of young people at risk. The social disadvantage of young people (the age group of 15-29), the unequal access to information and to information technology tools together leads to a 'citizen deficit' while (in parallel) skills requirements are not attained and are not generally 'compensated for' at a later stage of the cycle.

The institutional and professional conditions of an 'assistance culture' represented by the social economy are from many aspects incomplete. Responding to increasing and changing requirements in the field of training necessitates the acquisition of new skills and special knowledge. Inter-professional co-operation and co-ordination amongst the institution systems remains weak. The in-field activities of the social economy are weakened through little research and data acquisition, especially in relation to issues of social exclusion.

While the legal and organisational framework of social benefits are in place, the availability and quality of both the basic and the special care system exhibit significant differences (depending on the situation and potential of a region and a given settlement). The incompleteness of the institutional system providing welfare services to people with disabilities, addicts and the homeless, coupled with the outdated nature of the already existing welfare system further increases the labour market disadvantages of these groups. While the number of people cared for in institutions shows an ongoing increase, the capacities of such institutions (defined on the basis of financial/economic criteria) have not yet been accommodated to the real demand. Annually, some 15 thousand people apply for admittance to institutions providing ongoing care while the proportion of those who were actually accepted (on the basis of a justified demand) has decreased by nearly 30% over the past 10 years. At the same time, the quality of the infrastructure of the transitory institutions caring for the most handicapped groups (e.g. the homeless, the addicts) is even poorer than that of other (also overcrowded) institutions giving residential care (but which, however can be operated more economically from a financial point of view).

The legal regulation of the child welfare system meets the European standards. However, the assertion of children's rights and the social inclusion of disadvantaged children run into difficulties due to several factors. Family-assistance services, which are especially important for improving the labour market chances of disadvantaged single parents, have not been established to an appropriate extent and in an appropriate quality. Following a sudden decline in the early nineties, the previously wide-ranging nursery care service facilitating the employment of parents, primarily that of women, has stagnated in recent years. Although the conditions of the child

welfare special system are extremely unfavourable, a significant number of children's homes operate in outdated buildings unsuitable for creating a family atmosphere; this especially applies to institutions caring for children with disabilities.

### ***3.3 HUMAN RESOURCES IN THE FIELD OF SOCIAL SERVICES***

Over 60,000 specialists (workers) are active in the field of social services and management and they devote most of their time to the solution of complex, individual, family or (local) community problems that necessitate the co-operation of several different services and fields. Although the expectations of interpersonal co-operation are present in the regulation of the different sectors, special competences necessary for the labour market and social integration of groups threatened by exclusion (such as sectoral and institutional co-operation) are lacking. Special labour-market-related knowledge, including the elaboration of the methods of inter-sectoral work and the proper preparation of the experts for the increased support of the groups, represents a new challenge in the fight against social exclusion.

### ***3.4 THE EMPLOYMENT POTENTIAL OF THE SOCIAL ECONOMY***

Regarding the supply of experts, the biggest 'lag' is in the range of those employed in basic and daytime care. A demand for experts emerges with the establishment of new types of services (e.g. services that support people with disabilities) and currently missing special services. The need for services of a personal nature based on local needs will further increase as a result of changes occurring in the family structure, the ageing of the population, the employment of women, and the prolonged retirement age which also has a labour demand implication. Adjustment to the family and office requirements and their co-ordination also assume background services. As a result, developing the services entails a substantial local employment potential including at the level of local communities in promoting and strengthening social inclusion.<sup>5</sup>

### ***3.5 GROUPS ESPECIALLY AT RISK OF SOCIAL EXCLUSION***

One of the decisive factors in poverty and social exclusion is exclusion from the labour market, in addition to unemployment, especially long-term unemployment, and inactivity. This risk increasingly threatens certain disadvantaged groups of the society, primarily the Roma population and people with disabilities.

#### ***3.5.1 The Roma population***

The Roma are Hungary's biggest ethnic minority and also the fourth largest Roma community in Europe. According to authoritative estimates, the Roma population currently numbers between 450 000 and 600 000 people. Their number is growing against a dwindling non-Roma population, and according to demographic forecasts over the next 50 years their percentage ratio in the population will grow from 5% to 11%.

The Roma constitute the most disadvantaged group of the Hungarian society in terms of social-

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<sup>5</sup> Under the complementarity arrangements, there will be close coordination with the Social Economy measure under the Operational Programme for Regional Development.

economic situation. From a labour market perspective, the Roma are considered the 'biggest losers' of the transition to the market economy. In the late 1980s and early 1990s, over half of the working age Roma population, who were formerly used to regular employment, lost their jobs; as a result, all their employment indicators are far worse than those of the majority society. The primary labour market offers little pay-earning occupations for the uneducated and unskilled Roma, while they are also disadvantaged when they take up 'ad-hoc' work. Their level of employment is roughly half, their unemployment rate is three to five times higher and the number of dependants per earner is three times higher than the corresponding indicators of the non-Roma population. In such circumstances, family allowance and social benefits are the only source of existence for many of them, which leaves half of all Roma households living in long-term poverty. Long-term unemployment (now running for well over a decade), threatens more and more Roma with the prospect of sinking inexorably into inactivity which is gradually becoming the 'norm'. Their employment is hindered by various factors, such as the low levels of education, concentration in regions lagging behind and discrimination in the labour market.

At the same time, the Roma face significant disadvantages in terms of educational attainment compared to the non-Roma population. According to data from 1993/1994, 80 % of Roma men aged 15 to 59 not in full-time education have finished not more than 8 grades of basic education. Educational attainment is better in the younger age groups, but the gap remains significant compared to that of the non-Roma population. As a result, the objectives of actions aimed at improving the employability of the Roma must also include the promotion of their participation in secondary education. The objective of actions aimed at improving the employability of the Roma will address their segregation in the education system in special schools as well as promoting their participation in secondary education.

While the Roma live scattered in Hungary, the majority are concentrated in the underdeveloped Northern Hungary, Northern Great Plain and Southern Transdanubia regions. Accordingly, it is in those regions that their proportion is the highest among the population. Most of them live in small settlements with less than 1,000 inhabitants that offer scarce employment opportunities and worse than average conditions of living. They are over-represented in settlements with poor transport infrastructure and public transportation facilities where commuting to bigger settlements with better employment opportunities is relatively expensive compared to wages. The small villages of the regions with the highest share of Roma population constitute isolated and segregated communities characterised by the accumulation of social and economic disadvantage. A substantial improvement in the employment opportunities of people living in these micro regions could be achieved through the combination of various measures, including subsidies for job creation, improved transportation facilities, allowance to support transportation fees, upgrading community services (e.g. child care, education, health care), training and counselling.

### **3.5.2 People with disabilities**

People with disabilities belong to the most vulnerable groups in terms of social exclusion, and are especially disadvantaged when it comes to participation in the labour market. Although under the legislation on the rights and equal opportunities of people with disabilities<sup>6</sup>, they are entitled to integration, but for the presence of sheltered employment, their labour market presence<sup>7</sup> can be considered as marginal. According to a 2002 survey conducted by the Central Statistical Office among the population with long-term health problems, of the 656 thousand employable-age people fewer than 95 thousand were present in the labour market, of which almost 10 thousand of

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<sup>6</sup> Act XXVI of 1998

<sup>7</sup> Q2, 2002 data of the Central Statistical Office, Hungary

them were unemployed. The labour market opportunities of people with disabilities are heavily restricted. Among those employed, less than 1/5 were employed in special (so-called sheltered, supported) jobs while the majority of disabled people subsist on a disability pension or allowance.

Looking at the group according to type of disability, people with disabilities of the sensing organs (sight and hearing) are in a relatively more favourable situation (in fact 25 per cent of the 15-64 aged population with such problems are employed while the proportion of the unemployed is about 5% in this group). The employment rate of people with physical disability is only 12.2%, in contrast, 80% of them are inactive. People with intellectual disability are in a similarly disadvantaged situation with only 10% of them employed while 54% draw some allowance or welfare aid and 35% are dependant.

The shortcomings of the education system are also a factor also for the labour market disadvantage of people with disabilities, namely the inadequate availability of integrated education, the lack of hindrance-free access to the buildings, and the fact that the scope of those trades which are available in special vocational training is limited, on the one hand, and does not meet the expectations of the labour market, on the other. Besides, prejudice against people with disabilities is still perceptible in almost all walks of life, including the labour market.

There are only estimates for the number of people with disabilities employed in the open labour market but it can be established that despite the incentives in place, their number is very low. Sheltered organisations are important in the employment of disabled people, especially those special organisations where at least 60% of the employees are people with disabilities. However, there are other types of organisations providing sheltered employment which are predominantly non-profit organisations, for example foundations and associations.

In recent years, the Public Employment Service has developed special services adjusted to the particular needs of disabled people. The labour market integration of persons with disabilities is supported by a three-member rehabilitation group in every employment centre. Annually, some 40,000 people take advantage of these services across the country, and on average, one quarter of them find a job at the end of the process. At present, Rehabilitation Information Centres (RIC) operate in eight employment centres, offering complex employment promotion services to unemployed people with special needs in the labour market.

### **3.5.3 Addicts**

From the aspect of employment policy, an increase in the number of people becoming unemployed as a result of an addiction represents an important development. Reintegration programmes for addicts, including those cured from their drug dependence, are lacking. As a result, they are increasingly excluded from the labour market. It is also a growing factor that, among the homeless, the ratio of those who lost their permanent residence as a result of being an addict is very high, and approximately 10% of them did so as a result of drug dependence which has a natural impact on their working capacity and labour market situation.

## 4 THE HEALTH CARE SYSTEM

### 4.1 THE STRUCTURE AND PHYSICAL CONDITIONS OF CARE

One of the major characteristics of the present structure of the Hungarian health care system is that significant number of patients are not treated at a level corresponding to their condition, thus progressivity in health care is not applied appropriately. The system of *basic care* has been established and the privatisation of general practitioner districts has basically been completed and developed over the past 10 years. However, the fulfilment of its prevention and gateway role requires further impetus, which has already started from the beginning of 2003.

Patient turnover in *outpatient care* is significant, but in this area there is a lack of modern infrastructure which hinders the application of new and efficient treatment procedures. However, this area has a crucial role in the early recognition and prevention of diseases.

Concerning *inpatient care*, the Hungarian health care system is characterised by the concentration of hospitals (patients receive care at a level that is higher than required without justification in at least 30 % of the cases). The number of hospital beds is 832 beds per 100, 000 inhabitants (already the result of a 22% decrease over ten years), which is high by European comparison.

In addition to the above, a significant part of the present health care institutions are outdated for the adoption of modern technologies (40% of the buildings are in need of reconstruction throughout the country).

Moreover, there are significant disparities in the provision system between and within the regions. There is also inequality concerning the professional structure of health care as it doesn't follow the territorial morbidity and demographic characteristics. The establishment of the optimal patient paths and the accessibility of care is hindered - in many cases - by the settlement structure of the given region, the geographic position of services, the dominance of small hospitals and in certain regions by the lack of high-standard patient care. The creation of professional base institutions is at a very early stage throughout the whole country which hinders the co-ordinated health care provision based on the principle of progressivity and regional approach. As a consequence, as health expenditure increases, an inappropriate use of high-standard specialist care occurs, further increasing the problems of distributing funds between levels of care and territorial imbalances in access. Furthermore, the co-operation and communication between health care providers is not appropriate, which can be attributed to weaknesses in the efficient utilisation of the informatics infrastructure.

An additional problem is the lack of rehabilitation and nursing capacities. Currently, due to the low rehabilitation capacities, only a limited number of those in need receive appropriate care. The lack of sufficient nursing capacities also contributes to the decrease of the number of people employed in the labour market by those who provide care for their relatives at home. This shortcoming could primarily be resolved through the transformation of unutilised active hospital capacities.

In addition, the existing information technology equipment is not suitable for appropriate communication within and between institutions (recording examinations, forwarding information) thereby contributing to increasing the length of time required for setting-up the diagnosis for the patient and the curing of the disease. Only about half of the institutions have hardware resources that can allow connection to the national health care network. The lack of

appropriate material conditions and the deficiency of the communication between health care providers encumbers access to services in time, which could prevent the reduction of working abilities while reducing the number of premature deaths.

In order to improve the employability of the labour force, these issues must be addressed including improvement and modernisation of the structure and standard of care.

## **4.2 REGIONAL DISPARITIES IN HEALTH CARE**

Chapter 1.1.6 highlighted that the economically and socially most disadvantaged regions (Northern Great Plain, Northern Hungary and Southern Transdanubia) are also in a less favourable position in terms of the health status of the population. In the three regions, the life expectancy at birth falls short of the national average by 0.6-1.2 years in respect of both sexes (2001). The situation is similarly unfavourable as regards early death (where these regions show visibly higher figures): the number of deaths caused by heart and circulatory disease and malignant tumors exceeds the EU average twice and three times respectively, and is also above the national average.

The afore-mentioned regions are also lagging behind in terms of the health care system. This applies in particular to: accessing services in time and space, the modernity and standards of diagnostic and therapeutic equipment, the technical condition of the buildings and the capacities of specialist care compared to needs. In this context, the indicators for the Southern Great Plain, both in terms of the health status of the population and the health care provision system, are especially poor. However, due to the limited resources available in the present programming period, the measures only concentrate on three regions.

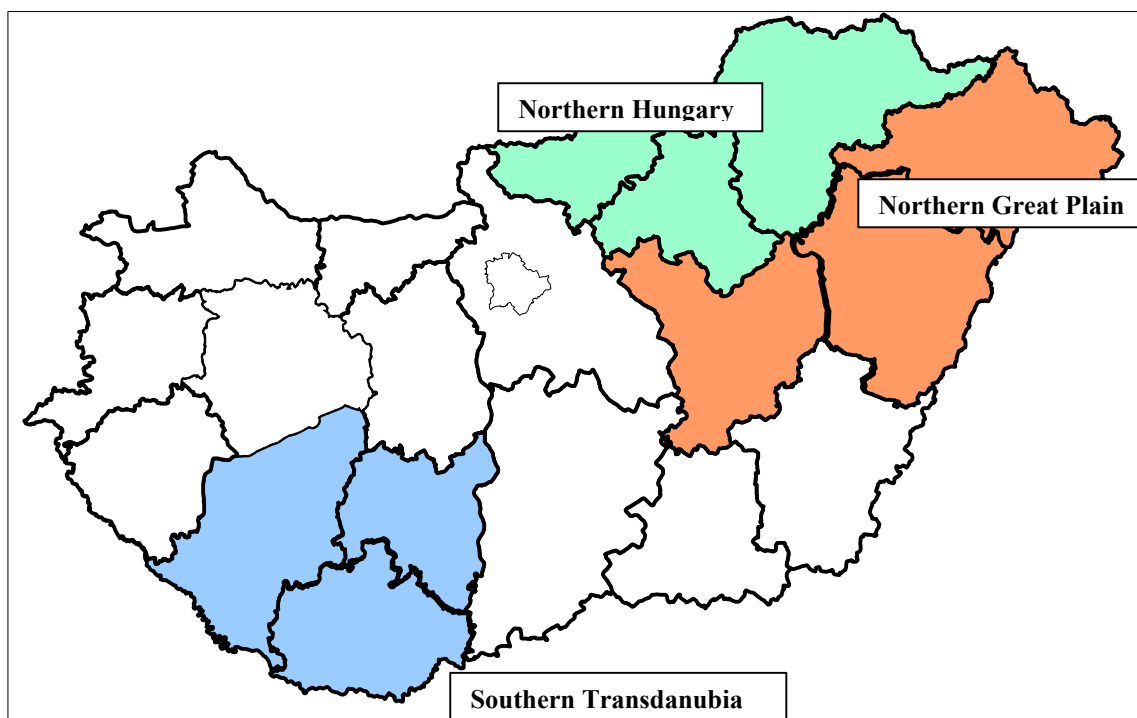
From the point of view of employment, the frequency of the newly disabled/ten thousand employees and the number of days spent on sick allowance/eligible in these regions is especially high (concerning the frequency of the newly disabled in 2000, the national average was 77, while in Northern Hungary it was 87, in Northern Great Plain 97.1, and in Southern Transdanubia 95.3 respectively. Concerning the number of sick-pay days in 2000, the national average was 11.8, while in Northern Hungary it was 14.4, Northern Great Plain 13.9 and in Southern Transdanubia 10.6). The major causes of disability remain those relating to heart and circulatory conditions as well as locomotor and tumor diseases.

However, the rehabilitation capacity of these regions is below the national average, (The rehabilitation bed capacity/10 thousand inhabitants is 4.9; 4.0; 3.0 respectively, the national average is 6.2) which contributes to the increase of the days spent on sick leave and the number of newly disabled.

Northern Hungary is the most disadvantaged among the three regions, as – due to the unfavourable settlement structure - health care is dominated by hospitals of small settlements. In this region, there is also a lack of an institution at university level with the result that the treatment of the high progressivity diseases is not assured (in the case of these types of needs, care is provided by the over-concentrated capital and by Northern Great Plain.)

Accordingly, the need for professionally organised and targeted health service development and prevention, as well as high standard diagnostic, therapeutic and rehabilitation activities is increasingly evident.

The map below indicates the target regions targeted by health-care- related measures of the Operational Programme.



### 4.3 ***HUMAN RESOURCES AND WORKING CONDITIONS IN HEALTH CARE***

The Hungarian health care system is staffed with professionals who have expertise at European standards. The output of training of doctors is also comparative, showing a similar trend in the long run. There are 362 doctors per 100,000 inhabitants, which is close to the Community average (375). However, the regional distribution of doctors is uneven; and in the regions that are lagging behind their number remains below the national average (Northern Hungary 24.4, Northern Great Plain 27.7, Southern Transdanubia 35.7). Due to the outdated and deficient infrastructure, doctors are unable to effectively apply their knowledge and skills.

Concerning nursing and ancillary staff, there is a significant shortage (30-40%) throughout the whole country (the number of nurses is half the number of the EU average). The conditions of the employees, who work under increased workloads, are further weakened by the absence of equipment that would facilitate the provision of adequate care. At the same time, outdated machinery and instruments not only reduce the reliability of diagnosis, but certain equipment (e.g. radiology equipment and sterilises) – due to their harmful effects – threaten the health of even health care workers themselves. In the long run, the deficient infrastructure and equipment can contribute to the reduction of working capacities, as well as to an increase in the shortage of health professionals and the incidence of work-related accidents.

In conclusion, the supporting provisions of the human resources programme package of the “Decade of Health” National Programme (including salary levels, loyalty awards and scholarships for nurses, vocational training and management development) will be a key to the future development of the sector. In this context measures such as salary increases within the

sector has ensured that the number of the educated workforce leaving the sector has decreased substantially.

## **5 EQUAL OPPORTUNITIES OF MEN AND WOMEN**

Equal opportunities for men and women represents one of the most important basic democratic principles of the legal system not only in the European Union, but also in Hungary. In this field, the Hungarian legal regulation is essentially in harmony with European standards. The Constitution, the Labour Code and other regulations specify the prohibition of different forms of discrimination, including the prohibition of discrimination on the basis of gender. However, in the field of law enforcement, practical problems are experienced similar to those prevailing in the member states of the community (e.g. complaint mechanisms, sanctions, indirect discrimination).

In Hungary, the situation of women is partly similar to that of the member states of the community but, because of a different historical development, in many areas their position is differs especially regarding their labour market access. The employment characteristics of women compared to men show a varied picture: certain labour market indicators are more favourable and others are less favourable than the European average. In this context, the employment level of women of the 15-64 age category has grown slightly more than that of men in recent years, and hence the difference between the two sexes has dropped to 13.7 percent, which is much lower than the 18.1% EU average. At the same time, the 49.8% employment rate of women is less behind the European level than that of men, while their full-time employment figure is approximately 4 percentage points higher than the EU average. The reason for this is that, while in the EU one-third of the women work part-time, in Hungary this rate is only 5-6%. The level of unemployment and its emergence as a general phenomenon had a smaller impact on women with the result that – as opposed to most EU Member States – their unemployment rate is lower than that of men (5.0% and 6.3%, respectively). The more favourable indicator for women is also explained by the fact that the economic transformation had a smaller impact on those sectors in which women characteristically work.

The employment of Hungarian women is characterised by both horizontal and vertical segregation (see also EQUAL programme for period 2004-2006). The former is indicated by the concentration and over-representation of female labour in services and in certain low prestige, low paid, conventionally female jobs. This is verified by the fact that, for example, in comparison to 50% of men, as many as 71% of women work in the service sectors while more than three quarters of the employed in health care and education are women. While the proportion of women among all the employed is 45% (EU: 45%), in clerical jobs it is 93%, or in assistance type of jobs (which nevertheless require higher education qualifications) the figure is 65%. The vertical segregation of women is indicated by their trade/employment structure, which is unfavourable in spite of the fact that their educational level is higher than that of men. In the private sector, for example, only approx. one-tenth of the managers representing the peak of the employment hierarchy, and 30% of the entrepreneurs, are women.

As far as wages are concerned, the difference between women and men decreased until the second half of the 1990s, and since that time has stabilised at a level lower than the community average. Women's gross average earnings are 19.5% (EU: 28%), and their net average earnings are 16% lower, and in the comparable jobs, about 13% lower than men's. (*see Annex 2, table 14*).

In addition to their lower chances on the labour market, as reflected by the statistical figures,



with certain groups of women a limited degree of latent discrimination can also be observed. This is illustrated by the difficulties encountered by working mothers with small children as well as in the case of women who want to return to employment after being away from the labour market due to child caring or other reasons. One of the underlying factors in this context is discrimination but, at the same time, the lack of opportunities for attaining and upgrading working capacity as well as competitive skills and competencies are also important.

Findings of a recent statistical survey show a clear correlation between inactivity and the number of children in the family.<sup>8</sup> While around 62% of women with one or two children were employed, the employment rate of women with 3 and 4 or more children is 27,2% and 16% respectively. Nevertheless, besides the number of children, the education level of the women is also a crucial factor. The activity rate of women with higher education starts to decrease sharply only after the birth of the fourth child, while women with lower education levels tend to become inactive after the birth of the third child. At the same time, the employment of women with lower education is hindered by the fact that jobs available for them are typically low-paid and with unusual working hours – i.e. beyond the working hours of childcare institutions – thus the potential costs of working often outweigh the benefits.

A basic requirement for the participation of women in the labour market, as well as harmonising family with employment, is the availability of services for childcare and care for family members. The number of places in day nurseries for children up to 3 years of age (up to 6 years in the case of disabled children) decreased dramatically in the beginning and then, at a smoother pace from 1990 onwards. However, no sufficient new services, such as family day-care or home children-care, replaced the eliminated places. As regards care services for sick or elderly family members (care at home based on a warning system, home assistance), the situation is characterised by weaknesses in the support structures and low levels of access.

## **6 PHARE PROJECTS IN THE FIELD OF EMPLOYMENT, EDUCATION AND TRAINING, 1994-2002**

In making preparations for planning and implementing the programmes to be financed with the support of the Structural Funds, the pre-accession funds play an important role. Of the pre-accession funds in the fields of employment and human resources development, the PHARE programme has been, and is still used, to support those projects whose experience is to be relied on in preparing and implementing projects in the framework of the Human Resources Development Operational Programme notwithstanding the differences between the regulations and operation of PHARE and the Structural Funds. In addition to gaining experience of the management of the programmes, the professional content and results of model projects implemented in the framework of the PHARE programmes are also relevant to the extent that they provide an important basis for future support granted by the Structural Funds.

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<sup>8</sup> 'Family in Transition 2001' (Central Statistical Office and UNDP)

## **6.1 BRIEF SUMMARY OF THE PROGRAMMES**

### ***Strengthening the links between education and the economy***

HU-94.05 (8 Million Euros)

This project was aimed at strengthening the co-operation between the main actors of the economy and education. The programme covered four major educational-economic areas:

- the development of co-operation between higher education and the economy,
- the creation of a new segment in the area of higher vocational training: an accredited school-based higher vocational training,
- the development of distance learning curricula,
- the secondary education of socially disadvantaged young people.

The project contributed to improving the quality of education and supported educational and vocational training courses to be conducted. In addition, this PHARE project can be considered to be the predecessor of the 1999 and 2000 PHARE projects.

### ***Social inclusion of disadvantaged youth, with special emphasis, on the Roma minority***

HU-99.04.01 (12.5 Million Euros)

This project, elaborated on the basis of the joint initiative of the Ministry of Education and the Ministry of Social and Family Affairs, was part of the 1999 PHARE programme.

The project consists of the following elements:

- 1 Reducing the number of drop-outs in primary school:
  - Elaborating, further developing and implementing special nanny training programmes,
  - Further developing and adapting teacher training and further training programmes,
  - Further developing and implementing primary school and kindergarten pedagogical programmes,
  - Improving the hygienic facilities of primary schools and kindergartens in Hungary,
  - School bus programme for the schools of small and sporadic settlements in Hungary.
- 2 Special secondary training:
  - Elaborating, further developing and implementing special school-based catching-up programmes and vocational training programmes,
  - Elaborating, further developing and implementing training, and training and employment programmes outside the school system,
- 3 Extending the opportunities for young Roma people to continue their studies:
  - Setting up and equipping two student hostels for Roma youth at Szolnok and Ózd,
  - Elaborating, further developing and implementing secondary school talent-care programmes and programmes for higher vocational training and for the preparation and support of studies in higher education.

### ***ESF-type experimental project for supporting the transition from training to the world of work***

HU-00.08.02 (5.33 Million Euros)

The purpose of the programme launched in 2002 is to promote economic and social cohesion through the development of vocational training, lifelong learning and adult training focussing on the three target regions identified in the Preliminary National Development Plan. The objectives of the programme are:

- to develop human resources and training policies, methods and institutional structures in

- harmony with EU specifications,
- to extend the opportunities of disadvantaged students and students struggling with learning difficulties in education and on the labour market,
- to adjust the secondary and higher vocational training system to the needs of the labour market,
- to strengthen regional co-operation among vocational training institutions and enterprises;
- to set up and develop a regional career orientation and counselling network for young adults and school-leavers.

The primary aim of the project is the promotion of employability and equal access to vocational training. The professional content and implementation structure of the project also serve the preparation for receiving funds from the European Social Fund. Within the three target regions, the project focuses on students and young adults who are most threatened by unemployment and on training institutions that could play a crucial role in resolving the problem. The project is in line with the implementation of the national educational policies and its future achievements are expected to cover other regions of the country as well and receive further national support.

### ***Promoting the employability and employment of disadvantaged groups***

HU00.08.03 (2.4 Million Euros)

This programme provides new type of support for those disadvantaged groups that face the biggest difficulties in entering the labour market and finding a steady job. The project supports the three PHARE regions (the southern and the northern parts of the Great Plain and northern Hungary). The sub-programmes serve the (re)integration of three disadvantaged groups: disadvantaged young people (including those with multiple disadvantages), people belonging to the Roma minority and people with disabilities.

### ***Roma Social inclusion Programme***

HU-00.02.01 (3.5 Million Euros)

The main objective of the programme is improving the social and economic circumstances of the Roma minority, primarily through micro-regional development plans and anti-discrimination activities and providing information more efficiently for Roma people on issues they are involved in. The project consists of three components which support the accomplishment of the following objectives: implementation of community welfare innovation experimental projects, anti-discrimination measures, information services – creating a central information database at the Office of National and Ethnic Minorities.

### ***Supporting the social inclusion of people with multiple disadvantages, primarily the young Roma people***

HU-01.01.01 (10 Million Euros)

The most important objective of the programme is supporting and providing equal opportunities for the socially disadvantaged, primarily Roma population, especially in the fields of education, training, community development, representation of interests and labour market opportunities. In harmony with the political directive of the European Union, the programme aims at improving the relationship between the majority society and the Roma minority, in order to strengthen social cohesion. The programme will provide funds for the establishment of a network of Roma community centres and information centres, and for launching educational programmes adapted to the needs and training courses that improve labour market opportunities. The programme consists of the following components:

- Establishing Roma community and information centres
- Training mediators for Roma community and information centres
- Adapting, further developing and applying alternative pedagogical programmes that serve the progress and catching up of disadvantaged, primarily Roma children
- Introducing Romologic studies and training for those participating in higher education and for the members of employee groups that are in touch with the Roma minority during their day-to-day activities.
- EQUAL-component: training courses for improving labour market opportunities.

### ***Strengthening of autonomous social dialogue***

HU-01.04.01 (2 Million Euros)

The general objective of this project is setting up a comprehensive and functioning system of social dialogue. This means the supplementation of the government-level social dialogue with a sectoral and operational-level dialogue. The project primarily focuses on strengthening sectoral dialogue – in the framework of which as many as 21 so-called sectoral committees will be set up, and the members of these committees will be trained on European Union affairs and negotiating skills in a comprehensive way. The programme is of the twinning type, i.e. it is going to be implemented in the form of a co-operation between 'twin institutions', which means that the implementation of the programme will be assisted by a partner institution from one of the Member States.

### ***Labour market reintegration of women***

HU-01.04.02 (4.175 Million Euros)

The general objective of the project is ensuring equal opportunities for men and women on the labour market through the labour market reintegration of economically inactive women. The programme consists of two components: one is the adoption of best European practices in the field of developing and implementing supportive measures – while the other one is the development of institutions with the assistance of a partner institute from one of the Member States. The second component is a call for proposals to which project proposals aimed at the reintegration and self-employment of women outside the labour market can be submitted.

### ***ACCESS - Strengthening the civil society***

HU-01.04.03 (2 Million Euros)

ACCESS supports the strengthening of the initiatives and institutional capacities of the non-governmental (NGO) and non-profit (NPO) (social/civil) organisations through co-financing in the form of a grant. The support aims at assisting projects that focus on the enforcement of the *acquis communautaire* and on the priority of certain social needs. In addition, the participation of non-government and social organisations in networks operating in the European Union could also receive support. The Implementing Agency is the CFCU while professional responsibility lies with MEH, the Prime Minister's Office.

### ***The systematic development of the set of tools available for employment rehabilitation***

HU-01.05.02 (6 Million Euros)

The objective of this project is promoting equal opportunities on the labour market for people with disabilities and for those with a changed working capacity in the 3 eastern regions of Hungary, by developing the tools of employment rehabilitation based on a systematic approach

and on modern technologies.

The project is implemented in the framework of a call for proposals. The groups of activities eligible for support in order to develop employment rehabilitation in a systematic approach are the following:

1. Developing the vocational training of people with disabilities and those with a changed working capacity.
2. Preparation by development, therapeutic employment.
3. Development of services and human resources in the field of employment rehabilitation.
4. Output-oriented transit employment in an integrated way or for a specified period.

### ***Fight against exclusion from the world of work***

HU-02.01.04. (10.8 Million Euros)

The objective of this project is supporting local initiatives aimed at providing periodical employment in local community and public services with simultaneous labour market integration, for the long-term unemployed and groups with multiple disadvantages living regularly on social benefits, especially the Roma. The project is implemented in the framework of a call for proposals to which local governments, partnerships of local governments and civil organisations are invited. The groups of activities eligible for support are the following:

- A labour market integration programme based on local initiatives, for the development of social services, especially the elaboration of new types of services, the improvement of the quality of the existing services, the development of the quality of services providing basic and special care, the extension of the range and to improvement of the quality of social services offered by civil organisations.
- Labour market integration programmes based on local initiatives and aimed at improving the living conditions and social inclusion of groups with multiple disadvantages, especially the Roma, with special regard to environmental, health and rehabilitation activities related to the environment, maintaining and developing the community's infrastructure, while renovating or liquidating colony type residential environments and providing social services.

### ***Developing entrepreneurial skills in secondary schools and higher education***

HU-01.05.03 (3.2 Million Euros)

This programme, to be implemented in secondary education, higher education, teacher training and adult training, intends to contribute to developing entrepreneurial skills and competence-based skills necessary for entrepreneurial activities, which, through strengthening the knowledge background of small and middle-sized enterprises, helps broaden the opportunities on the labour market and increase employment. The elements of the programme are the following:

- Development of entrepreneurial skills business management and entrepreneurial knowledge, establishing and operating model enterprises' in secondary education.
- Further training programme for secondary school teachers to establish the methodological foundations of developing entrepreneurial skills and knowledge, to develop entrepreneurial knowledge and skills and to organise model enterprises'.
- Elaborating and introducing a curriculum module for teaching business management and entrepreneurial skills in higher education and adult training.

***Modernisation of the Hungarian Public Employment Service***  
HU-02.02.02 (1.9 Million Euros)

The objective of the project is developing the institutions of the nation-wide labour market organisation by means of a twinning approach. With the help of experts from the Member States the Employment Office will develop its personal and information services: a new service model will be introduced in 21 local institutions (job centres in counties and towns), training will be organised for the employees about the application of the relevant system of the European Union and offices will be equipped with more modern facilities enabling the setting up of a more efficient servicing system.

**6.2 *EXPERIENCE RELATED TO PREPARING AND IMPLEMENTING THE PROGRAMMES***

Some of the programmes supported the implementation of employment and training projects in the framework of a system of calls for proposals, the elaboration and introduction of new methods, the pursuing of experimental activities, the elaboration of new services as well as the development of the human resources within the educational-training system including improving its infrastructural conditions. At the same time, the institutional development programmes served the updating and development of services of a given organisation, for example the labour organisation.

The elaboration and the preparation of the programmes were carried out with the involvement of representatives from partner ministries, target groups and regions, the organisations representing interests and other experts, depending on the character and professional content of each programme. As a general observation, it can be said that programmes were successful by the extent to which they adjusted to the medium or long-term strategy and development targets of a given sector or special field (and because this is the only way to ensure the sustainability of these programmes). An important experience regarding the planning of calls for proposals was that, in order to ensure the appropriate professional and technical preparation of the programmes, a bottom-up approach was adopted with special attention to the principle of efficiency when modelling the detailed conditions and the possible methods of using the support. The following elements were also surveyed in detail: eligible activities, the range of beneficiary organisations of the project (which are at the same time potential applicants in the call for proposals) that will be responsible for its implementation, the range of partner networks and associations (as well as the method of informing them), the needs of the target group, the approximate resources that the project requires (in view of the prevailing market conditions), the obligations stemming from proper implementation (e.g. obligation of supplying data to the monitoring system) and the possible obstacles. These factors were also specifically given consideration after modelling (and before actually planning) the call for proposals the wording of which only followed thereafter.

At the same time, the programmes based on calls for proposals have provided an opportunity for testing and adapting new type of approaches and methods in the system of education and training. For their part, the civil organisations have also played an important role in elaborating and implementing alternative experimental programmes. Based on experience gained from the calls for proposals, it became clear that, in order to increase the absorption capacity of non-profit and civil organisations and for the successful implementation and effectiveness of the support programmes, appropriate background assistance for the preparation and implementation of projects was a necessary pre-requisite. To this end, the potential participants in a call for proposals (especially those who have already participated in previous programmes but whose professional and technical standard was not appropriate and therefore rejected) must receive assistance in the form of services that support the development of the professional content of

training courses and projects, and in facilitating the elaboration of proposals.

Experience gathered in relation to measuring the results of the projects shows that, to measure the impact and results of activities performed in the framework of the programmes, appropriate quantitative and qualitative indicators are required; the elaboration and further development of these indicators is also necessary for measuring the results of subsequent programmes.

Some projects were still in progress or started in the period of planning of the Operational Programme; as a result, no comprehensive evaluation of such projects could be made to date. Nevertheless, a more in-depth evaluation of the projects and the analysis of their effects are necessary for elaborating the programme complement as well as in further preparing its implementation. Accordingly, in the first part of 2003, certain already-finalised programmes (considered as antecedents to the Operational Programme) will be evaluated.

## **II    PROGRAMME STRATEGY**

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### **1     SWOT ANALYSIS**

The SWOT analysis summarises the strengths, weaknesses, opportunities and threats to the labour market and human resources development in Hungary and serves as a basis for identifying the objectives and priorities of the development strategy.

#### ***1.1   STRENGTHS***

- The number of people participating in secondary and higher education is continuously increasing.
- The qualification level of the employed is increasing on an ongoing basis.
- In numerous special areas, the labour force has competitive and internationally recognised skills.
- The qualification of women is high by European comparison.
- The number of employed in the service sector is increasing.
- The Public Employment Service has a well-established institutional framework.
- An organisational framework for an up-to-date system of services has been established in the social, child care, and family support fields as well as in ensuring equal opportunities for people with disabilities and in employment rehabilitation.
- High quality professional skills in certain occupations e.g. the number of medical doctors per 100,000 citizens is around the EU average.
- The importance of partnership is widely recognised and the involvement of pressure groups and interest representation organisations in decision making is getting stronger.

#### ***1.2   WEAKNESSES***

- The education and training system does not appropriately ensure the attaining of skills and competencies which are required in the labour market.
- A substantial number of young people enter the labour market without having qualifications and skills which meet labour market requirements.
- The level of economic activity and employment is low.
- In spite of high levels of inactivity, shortages of qualified labour prevail in certain professions and regions while mobility in the labour market remains at a low level
- A substantial part of the working age population does not participate in the labour market.
- The extremely bad health status of the population seriously restricts the potential supply of workforce and reduces its competitiveness.



- The Roma population is especially affected by low education levels, unemployment and permanent exclusion from the labour market.
- There are significant disparities in the labour market among and within the regions.
- Regarding the availability and accessibility of social services, significant regional inequalities (differentiated regionally and by type of settlement) prevail, and social institutions are not adequately supported through material and human resources.
- Within the system of education and training, the mechanisms that would continuously adjust the training curriculum to the requirements of the economy have not been adequately developed.
- The reconciliation of family life and work is made difficult by the scarcity of flexible employment opportunities and by an unbalanced access to welfare services.
- The educational infrastructure is incomplete and outdated, exhibiting substantial differences in various areas and types of settlements.
- The infrastructural conditions of services that assist the integration of socially disadvantaged groups or those struggling with special problems in integrating into society are particularly inadequate.
- The structure and system of social welfare are not adjusted to the increasing and diversifying welfare needs.
- The number of patients treated in hospitals is unjustifiably high due to the insufficient development and availability of the out-patient service.
- The quality, equipment and accessibility of health care service show significant regional inequalities.

### **1.3 OPPORTUNITIES**

- The increase of resources that can be devoted to human resources development extends the scope and potential for formulating a more pro-active employment policy.
- With the broadening of knowledge-intensive industrial sectors, education and training will have a higher value.
- With the principle of lifelong learning gradually gaining ground, the competitiveness of labour will improve while the inequalities in opportunities available to the different strata of the population will be reduced.
- The adoption of European Union standards will result in improved quality in the field of health and safety at work.
- The increasing role played, and the broader tasks performed, by civil organisations in the field of public services will enhance their flexibility and efficiency.
- The stronger social solidarity and the struggle against prejudices will increase the integration opportunities of the most excluded groups.
- The spreading of information and communication technologies will improve the quality and availability of services.
- The stronger social solidarity and the combating of prejudices will increase the integration

opportunities of excluded groups.

## **1.4 THREATS**

- With increasing labour costs, the relative competitiveness of Hungarian labour is weakening.
- The scarcity of jobs hinders the raising of the employment rate and leads to a growing share of long-term unemployment.
- With unfavourable demographic trends becoming permanent, the share and number of the economically active members of the population will fall in the long term.
- A more open labour market increases the migration of the highly qualified.
- Insufficient in-company training of employees weakens the adaptability of the workforce, especially in the case of the employees of SMEs.
- With unemployment becoming permanent, long-term unemployment can be factor in the case of younger generations.
- With the increase of social disparities, solidarity will further weaken while prejudice will grow in particular towards the Roma population.
- The prevalence of poverty risks leads to regenerating social inequalities and to the deterioration of the condition of public health.

## **2 SPECIFIC OBJECTIVES**

As a conclusion of the analysis and the SWOT, the programme strategy addresses the following key challenges in the field of human resources development:

- In order to improve the competitiveness of the economy, the increase of economic activity and the mobilisation of as large a share of the potential workforce as possible must be ensured.
- Meeting the challenges of a knowledge-based society demands an increased adaptability of the workforce.
- In order to mitigate regional labour market disparities stemming from uneven economic development, active labour market policies should address more efficiently the problems of the local labour market.
- The education and training system must deliver the skills and competencies which are key to labour market requirements.
- The promotion of the labour market and social integration of the most disadvantaged strata of society must be a key element of the employment and human resources development strategy.
- In order to ensure equal opportunities for the most disadvantaged groups, particularly the Roma and people with disabilities, appropriate action must be taken in the fields of employment, education, training and in the system of social services.

- The precondition of a successful and efficient educational system, and provision of social effective services is a regionally balanced education, training and social infrastructure to an appropriate standard, available to all.

The low level of employment and high rate of inactivity call for actions that, on the one hand, will create new opportunities for employment and, on the other, will ensure that the available workforce have the skills and competencies that meet the requirements of the economy. Accordingly, ***increasing the level of employment*** requires measures on both the supply and demand sides of the labour market. This is in line with current strategy of the Hungarian employment and human resources development policies formulated in the framework of the JAP process which has identified the overall increasing of the employment rate as the most important objective of employment policy.

On the demand side, increasing employment assumes the creation of new jobs Which should be promoted through the establishment of an employment friendly environment, the gradual reduction of labour costs, the increasing and strengthening of the employment potential of SMEs, and the setting up of an effective financial and legal environment which enhances the security of smaller enterprises. In addition, human resources development may also promote job creation, and thus the extension of employment, by supporting training programmes related to investments as well as direct and indirect support for self-employment and business start ups.

Primarily, it is the service sector that has an employment potential that is currently not fully exploited. The expanding of the service sector is expected to contribute significantly to the growth of employment. Micro, small and medium enterprises, concentrated primarily in the service sector, play an important role in employment, providing jobs for almost 40 percent of the employed. Accordingly, from the aspect of increasing employment, it is especially important to improve the competitiveness of these enterprises and strengthen their employment capacity.

The extension of the service sector and promoting entrepreneurial activities may significantly contribute to enhancing the participation of women in the labour market, so positive actions, besides helping the return of women to the labour market, should focus on improving entrepreneurial skills as well as helping the starting up of new businesses. These actions will also enhance a more balanced participation of women and men in the budgetary and competitive sectors, and thus, reducing vertical and horizontal segregation in the labour market.

An increase in the rate of employment will also be promoted by helping the unemployed and inactive population to return to the labour market. This will require employment services that are based on a more active and employability-oriented approach. The number of unemployed involved in active measures should be further increased, and at the same time, the effectiveness and quality of these measures should be upgraded. Active policies should also target those returning to the labour market after a period of absence, particularly women who want to return to employment following a period of parental leave. At the same time, preventing youth unemployment calls for actions to improve the employability and employment opportunities of young people. This will require a better adaptation of education and training to the economy and in helping the transition from education to the world of work, as well as employment services based on a more comprehensive and better-targeted approach for young job-seekers.

Recent developments show that a new period of structural transformation has started in the labour market: the number of jobs requiring unskilled labour is decreasing, while jobs requiring high skilled labour is on the rise. In certain regions and occupations, a shortage of skilled workforce is emerging. Besides the lack of job opportunities, the expansion of employment in these regions is hindered by a 'mismatch' of labour supply and demand. Accordingly, on the supply side of the labour market, increasing investments in human resources development is of particular importance.

Human resources are a crucial factor for long-term growth. Despite the high level of educational attainment of the labour force, existing skills will prove inadequate to the needs of a market economy that is increasingly based on high value added activities and not on low skills and low wages. In order to ensure that economic development is not restricted by the lack of knowledge or skills and competencies, there is a need *to improve the competitiveness of the workforce*. Meeting the challenges of a knowledge-based society demands the permanent upgrading of skills and adaptability of labour. This should be promoted through an appropriate framework of lifelong learning which helps people to renew their knowledge, and improve labour market participation by tackling skills obsolescence and improving employment prospects.

In order to ensure a supply of labour which has the skills and knowledge required by a competitive economy, the upgrading of the quality of education and training should be ensured while the links between the system of education and the economy should be strengthened. In the information society, digital skills represent a key factor of competitiveness and the improvement of these skills is an important condition for employability and adaptability.

The health status of the workforce is also a key element of competitiveness. The poor health of the population seriously restricts the employability of the workforce, and results in high inactivity as well as leading to a shorter working life. As a result, actions to improve and preserve health and working capacities are also needed in order to foster a more competitive workforce.

Participation in the labour market has also to be enhanced by *promoting social inclusion* through the provision of integrated socio-economic support to the members of socially disadvantaged communities, increasing their participation in basic and secondary education and training to improve their labour market situation. The improvement of access to training and employment for the most disadvantaged groups, particularly the Roma and people with disabilities, is a prerequisite to a further increase in employment. At the same time, improving the employability and helping the labour market participation of the most disadvantaged groups require specific measures based on a comprehensive approach. In order to ensure equal opportunities for all in accessing the labour market, efforts should be made to prevent exclusion in the field of employment, education and social services. In particular, the integration of those at a disadvantage in the labour market requires well-targeted measures to improve their employability and create adequate job opportunities.

There are significant labour market disparities both between and within regions while exclusion from the labour market has a strong local dimension. Regional disparities and exclusion should be addressed through promoting employment initiatives at regional and local level. In addition, regional inequalities should be eliminated also by improving the accessibility of education and training, as well as social and health care services.

In conclusion, the **specific objectives of the programme** are summarised as follows:

- 1 To raise the level of employment,**
- 2 To improve the competitiveness of the workforce, and**
- 3 To promote social inclusion.**

These objectives are in line with the objectives of the JAP and its Progress Reports: to increase employment, to promote the labour market integration of the unemployed, the inactive and the disadvantaged people, to increase investment in human capital, and to ensure an appropriate institutional framework for the implementation of employment policy. In this context, the HRD OP represents an important instrument in seeking to increase the overall employment rate in line with the objectives set out in the JAP as well as to close the 'gap' with the EU average rate. In addition, a more 'inclusive' approach will be key to establishing greater education, training and

labour market access for the more disadvantaged and lowly qualified.

The objectives of the HRD OP are consistent with the strategy of the National Development Plan (NDP) which sets the major development policy objectives and priorities to be supported from the Structural Funds in Hungary in 2004-2006. The overall objective defined by the NDP is *to reduce the income gap relative to the EU average*. To achieve the overall objective, the NDP identified as specific objectives the achievement of: 1. *an increased competitiveness of the economy*; 2. *an improved use of human resources*; 3. *a better environment and a more balanced regional development*.

The strategy of the NDP also underlines that the competitiveness of the economy and the better use of human resources are mutually reinforcing. In the same context, improving economic competitiveness should go along with an improved human capital and a better and a more efficient use of the existing labour force. A competitive economy raises the demand for skills and knowledge while also contributing to an increase in employment and the activity rate. At the same time, the successful integration of people in the labour market and the improvement of their skills promote economic competitiveness and higher value added activities. As a result, promoting employment through investing in human capital will significantly contribute to both a more competitive economy and a better use of human resources.

Addressing regional labour market disparities is a pre-requisite to ensuring a more balanced regional development as well as promoting a better use of human resources at regional and local level. In addition, improving access to education, social and health care services and mitigating regional inequalities in the quality of their infrastructure will also contribute to a reduction in regional disparities.

*The NDP strategy has identified the following priorities for 2004-2006 that will promote the reduction of the real income gap and contribute to the achievement of specific objectives:*

- A more competitive productive sector,
- Increased employment and human capacities,
- Better infrastructure and cleaner environment,
- Strengthened regional and local potential.

The Human Resources Development Operational Programme will implement the priority entitled *Increased employment and human capacities*. This priority is supported by the European Social Fund and the European Regional Development Fund.

Based on the appraisal of the National Development Plan, the European Commission has prepared the Community Support Framework (CSF) containing the strategy and priorities for action under Objective 1 of the Structural Funds in the programming period 2004-2006.

Regarding the objective of improving the use of human resources, the CSF reinforces the fact that greater focus will have to be placed on developing more active labour market policies. It also places a high premium on skills and knowledge acquisition which respond more effectively to the needs of a labour market undergoing structural change in line with the new and more competitive-based economy. At the same time, the mobilization of the existing high levels of working-age inactive and socially excluded (including the Roma minority) will need to be given priority in the framework of exploiting their development capacities and promoting a more inclusive society. Strengthening the effectiveness and responsiveness of the education and training systems is also considered as a key issue to be addressed. To this end, a comprehensive life-long learning framework needs to be established which fosters the development and potential of the Hungarian labour force in order to render it more responsive and adaptable to the

requirements of a modern and flexible labour market in line with the new European Employment Strategy.

### 3 PROGRAMME STRATEGY

According to the strategy outlined by the CSF, increasing economic competitiveness requires a more effective utilisation of human resources. In response to structural labour market problems linked to low participation rates and a lack of skilled workforce in specific regions and occupations, a strong focus will be given to the promotion of human resource development across the labour force as a whole. Accordingly, in line with the revised European Employment Strategy and the conclusions drawn from the Joint Assessment Paper (and its follow-up Progress Reports), high priority will be attached to delivering active labour market policies which target the unemployed (including older workers), the low skilled, the disadvantaged as well as the inactive population.

Increasing the level of employment represents a key challenge for Hungary which will require both demand side and supply side interventions over the programming period. In response, however, to the strategy described earlier in this chapter, this priority will primarily focus its support on actions oriented towards the supply side, particularly insofar as they seek to mobilise the overall potential of the workforce as well as providing a well-trained labour force with the capacity to adapt to continuous economic change. In parallel with this priority approach, increasing the level of employment will seek to foster a more effective use of human resources, while strengthening the overall competitiveness of the economy.

As a key component to increasing the level of employment, measures will focus in particular on enabling the unemployed and the inactive to increase their accessibility and prospects for labour market reintegration. The most important tool in this respect is improving employability through supporting the attainment of qualifications and skills corresponding to the requirements of the economy and the provision of services that are matched to individual abilities, needs and opportunities. The employability-oriented actions should be based on ***promoting active labour market policies*** aimed at preventing unemployment, helping the unemployed back to work and preventing the drift into long-term unemployment.

To ensure that unemployment is prevented, emphasis should be laid on enhancing effectiveness in addition to a further increase in the number of unemployed participating in active programmes and the ratio of input. In order to achieve sustainable results, job brokering and counselling must be developed as key elements of the activities of the employment service. Planning, management, monitoring and evaluation should rely on an adequate information system to ensure the success and efficiency of the programmes. At the same time, services should reach every unemployed and inactive person including those who today are out of the reach of the employment service. Promoting and improving active labour market policies, preventing and tackling unemployment and the strengthening of labour market institutions together contribute to a higher level of employment.

In order ***to fight the shortage of labour*** emerging in certain occupations and regions, the occupational and regional mobility of workers should be facilitated and encouraged including through improving the effectiveness of the job brokering activity of the Public Employment Service and providing up-to-date information on jobs and learning opportunities.

Under the process of developing and implementing active policies, special attention should be given to ***promoting the participation in and (re)integration of women to the labour market***.

Improving entrepreneurial skills and helping the starting up of new businesses should be an important element of positive actions focusing on women. These actions, in addition to promoting the participation of women in the labour market, will promote a more balanced participation of women and men in the public and competitive sectors, and will contribute towards the combating of horizontal segregation in the labour market. Services supporting the reconciliation of family and work will also contribute to the increase of participation of women in the labour market. Accordingly, care services for children and older family members need to be improved and extended. There is also a need for developing a differentiated and high-quality service system, which may create new jobs for women.

The knowledge-based economy requires a workforce with the capacity to adapt to social changes and to the new challenges of the labour market. In this context, the quality of school education has a decisive influence on the employment chances and opportunities of young people entering the labour market. Accordingly, through ***developing the system of education and training***, young people can acquire within the school system the key skills and competencies as well as the knowledge which is indispensable for successful integration in the labour market. Key competences are also a prerequisite for lifelong learning and, to this end, it is necessary to ensure that they are acquired already at primary education level. Teacher in-service training and the development of curricula are also an essential element for improving the quality of education and training. From the aspect of preventing unemployment on the one hand, and ensuring a workforce with appropriate qualifications on the other, ***strengthening the links between the education system and the economy*** is of strategic importance. The structure of the education system and the knowledge and skills it provides must be adjusted to the requirements of the labour market on an ongoing basis. Efforts supporting the transition of young people from training to the world of work must also be assisted. Measures aimed at increasing the standard of education and improving the efficiency of education and training should cover all levels and forms of education and training including primary and secondary education, vocational training, post-secondary education and higher education, as well as adult training.

To ensure that employees can acquire and continuously update their skills and knowledge necessary for participation in the labour market, ***lifelong learning*** must be made available to all through offering training and further training adjusted to the requirements of the labour market. Ensuring a competitive and employable workforce involves the development of adaptability and entrepreneurial skills through a system of adult training accessible to all. Regarding the high rate of employment opportunities ensured by micro, small and medium enterprises, it is crucial to improve the competitiveness of these firms through upgrading the skills and adaptability of their managers and employees.

ICT skills are also key factor of competitiveness and the development of these skills is an important condition for employability and adaptability. ***Raising digital skills*** should be promoted at all levels of education and training, including adult training. Particular emphasis will be laid on promoting the participation of SMEs in *e-business*. Actions promoting the participation in the information society will comprise improving ICT skills, the elaboration of new curricula and methodology, as well as the improvement of ICT infrastructure of education and training.

Moreover, in a knowledge based society, training in ICT has an important role to play in ***ensuring that no one is excluded from taking economic and social advantage of the new technologies***. Those in a disadvantageous position have a much more limited access to information technology, and this lag is constantly increasing due to rapid technological change. In this respect, particular attention should be given to the needs of people with disabilities.

The development of education and training infrastructure is indispensable in order to ensure that the workforce has a qualification base in line with the requirements of the economy and an

education and training system which enables the acquisition of the knowledge and skills required by the information society. Upgrading the physical infrastructure of vocational training and higher education institutions is a prerequisite for the implementation, sustainability and long-term success of the developments aimed at the modernisation of the training system.

The health status of the workforce is also a key element of competitiveness. The poor health of the population seriously restricts the employability of the workforce, and results in high inactivity and leads to shorter working life. Accordingly, ***actions to improve and preserve health and working capacities*** will be a particular priority in fostering a more active and competitive workforce. In investment terms, the planned actions will seek to bring about a considerable improvement in the effectiveness of the health service, particularly in those regions lagging behind. Such actions will also enable the system to respond more effectively to the serious work-related health problems of the workforce and will be instrumental in tackling the existing regional disparities in terms of access to health care services.

Participation in the labour market is an important tool in ***promoting social inclusion*** and in preventing exclusion and poverty. To this end, fighting social exclusion should be based on ***facilitating access to the labour market*** and helping people back to the world of work. Being part of the world of work, in addition to having earnings, also ensures the establishment and safeguarding of social cohesion. At the same time, in addition to employment, the fight against exclusion of those with special training needs must be facilitated by launching training programmes that meet such needs, and by providing social services that help to change circumstances that hinder successful participation in education.

In order to prevent young people from unemployment and their exclusion from the labour market, efforts must be made to prevent school drop-outs and encourage return to education and training. In this context, primary attention must be paid to supporting children and young people who live in families with multiple disadvantages and those requiring public care. ***Addressing educational disadvantage in the context of promoting equality of access*** will also require the adaptation of the educational system to respond more effectively to the needs of children, in particular those most exposed to social exclusion as well as those residing in the least developed regions. At the same time, actions to prevent school drop out will be accorded particular focus.

To help the most disadvantaged groups of the society (the unskilled, people with disabilities, those belonging to the Roma minority, the homeless, people living in disadvantaged regions, addicts, ex-offenders, released prisoners) enter or return to the labour market, a ***comprehensive approach*** will be required which takes into consideration the complexity and accumulation of problems stemming from the disadvantageous social and economic situation. In this context, programmes aimed at improving employability must be coupled with individualised services in order to foster the development of multi-faceted support.

***Improving the delivery of social support services*** will also be key to increasing participation levels for those excluded from the world of work as well as those at risk of social exclusion. Though a combination of ESF and ERDF assistance, the training and development of social care professionals, allied to the overall strengthening and upgrading of the support structures targeted at the most excluded groups, will render the service to these groups more efficient and, in particular, will strengthen their labour-market re-integration prospects as well as reducing regional labour market disparities. Furthermore, actions will comprise promoting crime prevention by training of human resources in the field of crime prevention and services promoting the reintegration of ex-offenders.

Considering the main factors of the socio-economic status, the Roma are the most disadvantaged group of Hungarian society. Accordingly, ***ensuring equal opportunities for the Roma and improving their employability*** will be a horizontal objective across the Operational Programme.



Promoting the participation of Roma people in education and training and on the labour market will require a comprehensive approach and the combined support of a range of different services.

## **4 PROGRAMME LEVEL INDICATORS AND IMPACTS**

The indicators and targets related to the specific objectives of the Programme are the followings:

### **1 To raise the level of employment**

*Indicator:* Employment rate

- *Baseline (2002):* 56.2%
- *Target (2008):* 60.0%

### **2 To improve the competitiveness of the workforce**

*Indicator:* Percentage of the population aged 25-64 participating in education and training

- *Baseline (2002):* 3.3%
- *Target (2008):* 4.0%

### **3 To promote social inclusion**

*Indicator:* Rate of long-term unemployed

- *Baseline (2002):* 2.6%
- *Target (2008):* 2.2%

When assessing the expected impacts of the Programme, it should be taken in to account that the implementation period will be extremely short. It is expected, however, that the measures supported by the programme will contribute to the achievement of the following:

- The number of people in employment increases and the rate of employment grows,
- The number of people participating in labour market programmes grows,
- The rate of youth employment improves,
- The rate of people finding employment with the help of the Public Employment Service increases,
- The rate of women entrepreneurs increases,
- The rate of the long-term unemployed is reduced and the average length of time spent without a job is shortened,
- The educational level of youth leaving the educational system improves,
- The range of training programmes is extended,
- The number of teachers taking part in further training increases,

- The number of drop-outs from the school system is reduced,
- The number of employees taking part in adult training/educational programmes significantly increases,
- The capacity of adult education improves,
- The health status of the workforce improves,
- The accessibility of health care services and the quality of services improve in deprived regions.

### III PRIORITIES AND MEASURES

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#### PRIORITY 1: SUPPORTING ACTIVE LABOUR MARKET POLICIES

Active labour market policies will contribute to an increase in the level of employment (*specific objective 1*) by improving the employability of unemployed and inactive people. Improving employability necessitates that the knowledge and skills of the unemployed, those at risk of becoming unemployed and the inactive must be strengthened in order to prepare them for employment. In policy and operational terms, the approach will comprise those instruments and services which encourage the individuals to take up a job and (where appropriate) to assist them in finding one. This priority will cover both aspects through supporting active labour market programmes, on the one hand, while upgrading the range of services provided by the Public Employment Service, on the other. Labour market-oriented training and employment services will be geared towards the skills and knowledge required by the economy thus improving the competitiveness of the workforce (*specific objective 2*). Moreover, the active labour market measures put in place will serve as a means to facilitate the access of people at a disadvantage in the labour market and will also play an important role in promoting their social inclusion (*specific objective 3*).

The objectives of the priority are:

- to promote the prevention of unemployment and the integration of unemployed people in labour market;
- to improve the efficiency and effectiveness of employment services; and
- to promote the participation of women in the labour market.

Actions under this priority will focus on the unemployed and the inactive (including inactive women). In order to prevent unemployment and promote the reintegration of the unemployed and the inactive to the labour market, the Public Employment Service will be required to provide targeted and more efficient assistance to job seekers, including job brokering, guidance and counselling. At the same time, the service must ensure that adequate knowledge and skills can be obtained through appropriate labour market-oriented training.

The Joint Assessment Paper (JAP) identified the modernisation and development of the Public Employment Service, including the improvement of the job brokerage system, as one of the main challenges. This is also in line with the (new) Employment Guidelines which require Member States to modernise and strengthen their labour market institutions, in particular their employment services. To improve the effectiveness and quality of the services offered by the Public Employment Service, a comprehensive development of the existing service system is required. This should cover both the methodology as well as the digital support instrumentation which are essential to render the service effective, in particular with regard to job brokering. To this end, an upgraded and extended job brokering system will facilitate the mobility of workers

thereby contributing to the process of addressing labour shortages and regional disparities.

Ensuring equal opportunities for women and men is a horizontal priority in the National Development Plan as well as in all the Operational Programmes. Nevertheless, specific measures are also needed to improve the employability and labour market position of women. Due to their family obligations, the incidence is higher in the case of women who are required to disengage from the labour market often for long periods. This being the case, their return to the labour market is made more difficult by the fact that the time spent in inactivity may often lead to the erosion of working capabilities, knowledge and skills that are necessary to carry out a job. Such absences may also result in the loss of motivation and self-confidence. Accordingly, in order to promote the participation of women in the labour market, this priority will support activities aimed at enhancing the employability of women as well as developing their entrepreneurial skills.

A further precondition for decreasing the extent to which women become inactive involuntarily (thereby precluded from the benefits of a more balanced working environment) is the reconciliation of duties in the family and at the workplace. In order, therefore, that women looking after young children, or other dependants, are in a position to participate in training programs, obtain employment or pursue entrepreneurial activities, flexible care systems need to be provided which meet the demands of parents while ensuring that such family members can have access to quality care. In this context, employers and local governments can also support a more family-friendly working environment by offering, amongst others, flexible working hours, implementing family friendly services.

At a wider level, horizontal and vertical segregation of women is also a barrier to equal opportunities of women and men in the labour market. This issue will be addressed separately under the EQUAL Community Initiative Programme.

<b><i>Priority 1: Supporting active labour market policies</i></b>	
Source of Structural Funds contribution:	<b>ESF</b>
Overall budget of priority (indicative):	160.1 M €
Share of priority within the OP:	21.3 %
Share of priority under ESF assistance to the OP:	31.1 %

### ***MEASURE 1.1: PREVENTING AND TACKLING UNEMPLOYMENT***

The objectives of the measure are:

- to promote the integration of young people to the labour market;
- to help the return and sustainable integration of the unemployed and the inactive to the labour market;
- to prevent the inflow to long-term unemployment; and
- to promote the participation of older workers in the labour market.

Assistance under this measure will be directly allocated in support of active labour market programmes delivered by the Public Employment Service. In line with the new Employment Guidelines, the measure will be targeted at both the unemployed and the inactive focussing, in particular, on the following groups: school leavers and/or unemployed young people,

unemployed people (particularly the long-term unemployed), those above 45 years of age and people moving out of entrepreneurial activities.

Active labour market programmes will be based on a 'tailor-made' approach and will be adjusted to the specific individual needs of the above target groups. Based on an assessment and identification of needs, personalised action plans will be developed which will include training, vocational training, re-training and other employment services (such as counselling and guidance, assistance in job seeking, work-based practice, etc.).

The provision of training programmes will be designed in compliance with actual labour market demands. In this context, the scope of services and support for the target groups will be extended in order to prevent long-term unemployment and promote the return of inactive people (as well as those giving up entrepreneurial activities) into the labour market. To ensure that sustainable results are achieved, such training programmes will be linked to other labour market services (e.g. counselling, job matching, work trial, etc.). The participation of older people in the labour market will also be promoted through renewing their skills and professional knowledge as well as by providing new training opportunities.

Active labour market programmes will ensure that the unemployed are offered a 'new start' before reaching 6 months of unemployment in the case of young people and 12 months of unemployment in the case of adults. In order to prevent and successfully tackle long-term unemployment, the services allowing for early identification of the risks of unemployment will also be further developed.

Developing ICT knowledge and skills will be considered as a 'crosscutting' activity for each of the above target groups.

### **Activities**

- Training, including vocational training, practice-oriented training, re-training,
- Development of entrepreneurial knowledge and skills,
- Development of ICT skills.
- Development and implementation of individual action plans,
- Work practice and employment aid,
- Personalised information services and guidance,
- Employment services, including job brokering, job search assistance, counselling and career-orientation.

### **State aid rules applied**

In case the beneficiaries of the aid are undertakings aid to employment can be granted in line with the Guidelines on aid to employment (OJ C 334, 12/12/1995).

## ***MEASURE 1.2: DEVELOPING THE PUBLIC EMPLOYMENT SERVICE***

The objective of this measure is to improve the quality and efficiency of the services provided by the Public Employment Service. The measure will be targeted at the National Employment Office, the Labour Centres and its branch offices and will serve the continuation and extension of

developments realised in the framework of the PHARE project ('Modernisation of the Public Employment Service).

In order to improve the efficiency of the job brokering system, counselling and job-searching services will be extended. In this context, job brokering services will offer up-to-date information on local and regional workforce demand and supply to a wider range of individuals searching jobs and employers. To this end, the labour centres and branch offices will be equipped with an integrated electronic registering system, as well as with a self-service computerised information system.

The improvement of the quality of employment services will be enhanced through the training of the staff of the PES. Taking into account that a great number of the clients of the PES are Roma, these training and re-training programmes will seek to promote the involvement of Roma staff in the design and delivery of services.

The development of effective labour market analysis requires the creation and development of systems with the capacity to anticipate changes in the supply and demand of the workforce, conduct economic and labour research as well as prepare national, regional and local labour market and corporate forecasts. Research and study on employment trends will also include the assessment of the impact of these trends on genders and equal opportunities. To ensure a labour supply that meets the demand of the labour market, the information flow between education and training institutions and enterprises also will be facilitated.

In order to ensure that up-to-date labour market information is available for school leavers and employees, services of career guidance and information on training opportunities will also be improved. At the same time, this will provide the employment service with up-to-date information on the demand for, and supply of, training, vocational training, and re-training programmes. By developing co-operation between regional and local youth offices, providing training for its staff, and developing their information and knowledge concerning the labour market, a wider service system can be established. Co-operation between the employment service and enterprises, municipalities and other local organisations (including non-governmental organisations) will also be promoted.

In order to improve the efficiency and quality of the training programmes and services provided by the Public Employment Service, an adequate quality management system will be developed and introduced.

### **Activities**

- Training and further training for the staff of the PES, including training in ICT,
- Extending and improving the efficiency of job brokering,
- Developing an information system on local and regional workforce demand and supply,
- Creating a self-service computerised information system at labour centres and branch offices,
- Developing a systems to anticipate changes in the demand and supply of labour,
- Supporting the information flow between educational and training institutions and enterprises,
- Developing an information system on training demand and supply,
- Strengthening regional and local co-operation with enterprises, NGOs and other service providers,
- Development of a quality management system for the training programmes and services

provided by the PES.

### **State aid rules applied**

The beneficiaries of the support to be granted under this measure are not undertakings, but they are organizations belonging to the sub-system of the state budget. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

### ***MEASURE 1.3: PROMOTING THE PARTICIPATION OF WOMEN IN THE LABOUR MARKET AND THE RECONCILIATION OF WORK AND FAMILY LIFE***

The objective of this measure is to promote the participation of women in the labour market by supporting training and entrepreneurship as well as by supporting the reconciliation of work and family life.

The measure will improve the employment opportunities of women through interventions on both the supply and the demand side of the labour market. On the one hand, the employability of women will be improved, while on the other, new jobs will be created through the extension and development of care services. The enhancement of these services will also serve a greater 'exploitation' of the employment potential of the service sector.

Training, distance learning programmes, employment services and counselling will be delivered to ensure the updating of knowledge and skills necessary to secure employment. Business start-ups and self-employed will also be assisted through advisory services and the development of entrepreneurial skills. The potential to broaden opportunities for women pursuing entrepreneurial activities in the servicing sector will also be exploited.

To ensure that women with young children (or caring for other dependant relatives) can participate in training programmes, seek a job or pursue entrepreneurial activities, care services are often an essential pre-requisite. To this end, support will be given to the provision of such services, particularly when they facilitate employment and/or participation in education and training to unemployed and inactive women.

### **Activities**

- Training, skills development, distant learning, etc.,
- Tailor made labour market services to facilitate reintegration into the labour market;
- Supported employment,
- Training programs tailored to different educational levels in order to develop entrepreneurial knowledge and skills,
- Providing, developing and establishing flexible and alternative services to look after children and/or other dependant family members of beneficiaries;
- Supporting employers' initiatives to facilitate equal opportunities for men and women at the workplace, to develop a family-friendly company policy and to establish and promote flexible working arrangements and career-planning for women;
- Supporting local governments in elaborating, implementing and promoting the harmonization of local services as part of promoting reconciliation of work and family life.

## State aid rules applied

In case the beneficiaries of the aid are undertakings aid to employment can be granted in line with the Guidelines on aid to employment (OJ C 334, 12/12/1995).

## **PRIORITY 2: FIGHTING SOCIAL EXCLUSION BY PROMOTING ACCESS TO THE LABOUR MARKET**

In accordance with the Employment Guidelines, employment is a key means of promoting social inclusion (*specific objective 3*) while employment policies should facilitate participation in employment through promoting access to employment for all women and men who are capable of working. Furthermore, the challenge of raising the rate of employment (*specific objective 1*) also calls for actions to improve the employment opportunities of disadvantaged people and to develop 'pathways' towards the labour market. This requires a comprehensive approach involving a range of activities in the field of education and training, employment and social support services.

This priority will support initiatives aimed at enhancing the access to education, training and employment of the most disadvantaged people, including the Roma, disabled people, the long-term unemployed, people with low levels of education, people living in regions lagging behind, released prisoners, ex-offenders, etc. The specific objectives of the priority are the following:

- to prevent and tackle educational disadvantages of the Roma pupils and children with special needs;
- to improve the employability of people at a disadvantage in the labour market;
- to improve the efficiency of services promoting social and labour market inclusion through the training of professionals.

Education is a key means of preventing the risks of social exclusion and an important way of facilitating the integration of the most disadvantaged people to the labour market. Educational disadvantages are mainly due to selective and segregating practices in schools, already prevalent at the primary level. Segregation and inequalities affect primarily Roma pupils and children with special needs, who have significantly fewer chances of successful participation in education, and thus, of successful integration to the labour market.

Addressing educational disadvantages and ensuring equal opportunities require the adaptation of the educational system so that it successfully responds to the needs of children from disadvantaged backgrounds, as well as actions to prevent young people from 'dropping out' of the school system. An inclusive system of education and training will be promoted through the training of teachers, the development of curricula and methodology and the identification, dissemination and adaptation of best practices. In order to develop effective intervention at an early age, these activities will focus on pre-school and primary education (and will complement activities carried out under Measure 4.1 of the OPRD).

Taking into account the fact that the Hungarian educational system is largely decentralised, and local authorities have a strong influence on the operation of schools, eliminating discrimination and segregation related to participation in education will also require the training of local decision makers.

In the case of the long-term unemployed and inactive people, their links with the 'world of work'



and their ability to work progressively weakens during the period spent outside the labour market. Accordingly, actions aimed at improving the employability of people at a disadvantage in the labour market should be based on a comprehensive approach that will take into consideration the complexity and accumulation of problems arising from social and economic disadvantages. Assisting these people back to the labour market will be a longer-term process that will require a 'pathway' approach involving various elements including counselling, training, subsidised employment, etc. Special emphasis will also be given to strengthening the motivation to participate in training and employment.

People who are most distant from the labour market are often not reached by the PES and other mainstream services. As such, their labour market integration will be promoted through “alternative” employment services and training opportunities adjusted to their needs and potential.

Improving the delivery of social support services is also an important means to promote participation in the labour market of people excluded from the world of work and those at risk of social exclusion. This will be achieved by making professionals working in this field 'more sensitive' to the needs of people suffering exclusion through in-service training, developing expertise related to labour market integration and developing the human resources of service provider organizations.

The development of a 'pathways' approach to the labour market calls for an integrated approach which responds to the totality of people's needs rather than according to institutional demarcation. To that end, this priority will promote the co-operation and partnership between service providers in the social field, including both the public and the non-governmental sector, and employment services.

Across the priority as a whole, special emphasis will be given to improving the employability of Roma people, who are facing significant disadvantages in accessing the labour market. The Roma population is characterised by an especially high percentage of unemployment and long-term unemployment. Their disadvantages in educational attainment are mainly due to discrimination related to participation in education and training and early school leaving as well as the lack of appropriate methodologies and expertise of inter-cultural education. Improving their employment opportunities is also made difficult by the fact that a significant part of the Roma population is concentrated in small, backward settlements, which are 'cut off' from the labour market of nearby cities. The accumulation of various disadvantages highlights the fact that the enhancement of Roma employment chances and possibilities presupposes a comprehensive approach combining a wide range of different services. Improving their employability requires promoting participation in education and training, preventing drop-outs and helping early school leavers back to education and training.

Activities implemented under this priority will be complemented by actions under the Operational Programme for Regional Development (OPRD) that will support the development of new sources of employment through activities related to the social economy, as well as local employment initiatives. In addition, the EQUAL Community Initiative Programme will support the development and testing of innovative approaches to eliminate all forms of discrimination in the labour market.

<b><i>Priority 2: Fighting social exclusion by promoting access to the labour market</i></b>	
Source of Structural Funds contribution:	<b>ESF</b>
Overall budget of priority (indicative):	87.0 M €
Share of priority within the OP:	11.6 %
Share of priority under ESF assistance to the OP:	16.9 %

## ***MEASURE 2.1: ENSURING EQUAL OPPORTUNITIES FOR DISADVANTAGED PUPILS IN EDUCATION***

The main objective of this measure is to ensure equal opportunities within the education system for disadvantaged pupils, primarily Roma children and children with special educational needs, and thus, to put in place 'pathways' to successful integration in the labour market. Accordingly, the measure aims:

- To prevent school failure and drop-outs;
- To promote the inclusive education and, thereby, the labour market prospects and social integration of disadvantaged, especially Roma pupils and pupils with special educational needs;
- To eliminate segregation in the public education system, and to disseminate non-discriminatory educational practices.

These objectives are in line with the Lisbon Strategy as well as the Hungarian Mid-term Public Education Development Strategy launched by the Ministry of Education (*see Chapter IV, section 3.2*).

The measure will support the development and dissemination of inclusive educational practices targeting mainly the pre-school and primary levels of education (ISCED 0,1,2 and 3). To this end, “inclusive education” will serve, on the one hand, to eliminate a wide range of discrimination and inequalities related to participation in education, as well as combating school-failure preventing drop-outs through early intervention, on the other.

The measure will be implemented through two sequential components. The first component will support teacher training and in-service training courses designed to help teaching staff to gain the competences necessary to work efficiently with disadvantaged pupils and to prepare teachers for the adoption of inclusive educational practices. Activities will involve the development of curricula and methodology which is a pre-requisite to the implementation of appropriate training of teachers. With a view to prevent and eliminate discriminative practices, training on intercultural education and awareness-raising activities will also target decision makers (e.g. local governments) and other actors within the educational system. In order to tackle the problem of drop-outs, new approaches will be elaborated allowing for the early identification and prevention of the risk of dropping out. Taken together, these activities will seek to create an appropriate basis for the implementation of inclusive educational programmes at the local level.

The second component of the measure will support the adaptation and implementation of inclusive educational programmes at the level of individual institutions in order to ensure that these institutions have the appropriate pedagogical and methodological means and capacities necessary for the implementation of programmes elaborated under the first component. Special attention will be given to assist schools operating in the most disadvantaged regions and small settlements.

### **Activities**

- Developing teacher training curricula and methodology,
- In-service training for teachers and experts on inclusive education and issues related to intercultural education,
- Training of local decision-makers and awareness raising,
- Developing new ways of preventing early school leaving and promoting the early

identification of the risk of dropping out,

- Identifying and disseminating good practices of inclusive education through setting up professional and thematic networks and developing a methodology databank,
- Adapting and implementing models of integrated education at the level of individual institutions.

### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings, but they are organizations belonging to the sub-system of the state budget. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

## ***MEASURE 2.2: PROMOTING SOCIAL INCLUSION THROUGH THE TRAINING OF PROFESSIONALS WORKING IN THE SOCIAL FIELD***

The objectives of the measures are

- to increase the efficiency of services promoting the social inclusion of disadvantaged people through the training of professionals and volunteers working in the social field,
- to improve the quality of care services promoting the reconciliation of work and family life,
- to strengthen the co-operation between social and employment services.

The measure will support a wide range of training activities targeted at professionals working for organisations providing social services offered to disadvantaged people, including the Roma, people living in poverty, young people at risk of social exclusion, disadvantaged families, single parents, the long-term unemployed, people living with disability, addicts, psychiatric patients, released prisoners, homeless people and young people leaving public care. Furthermore, the scope of activities will cover training related to care services for children and other dependants. Service providers may include both public and non-governmental organisations.

Training activities will involve training in knowledge and skills related to helping disadvantaged people back to the labour market with a view to ensuring that social support services not only meet the primary needs of their clients, but also prepare and enable them to adapt to and participate in the labour market and/or training.

This approach will, at the same time, strengthen inter-sectoral and inter-professional co-operation, primarily between the social sector and the employment services, that may allow for a more comprehensive and tailor-made, and thus more effective approach, to these services. In addition, activities will include the training of professionals working in the field of crime prevention, particularly those of the probation service.

As a complementary activity to the Measure 1.3 entitled ‘Promoting the participation of women in the labour market and the reconciliation of work and family life’, this measure will promote the training of professionals workers in care services for children and other dependants thereby contributing to improving the quality of services while promoting reconciliation between work and family life.

In addition to training in professional knowledge and skills, the measure will support general training in the social sector, including training in ICT.

## **Activities**

- Training to improve the professional knowledge and skills and to facilitate the adaptation of new methods and approaches,
- Training on psychological support, supervision, conflict resolution and mediation,
- Facilitating the co-operation with other service providers (e.g. employment services),
- Design of training programmes, including needs assessments, elaboration of curricula, methodologies,
- Identifying and disseminating best practices of promoting the integration of disadvantaged people to the labour market through social support services,
- Training of professionals working in the field of crime prevention including probation officers,
- Training of professionals working in care services promoting the reconciliation of work and family life,
- Development of ICT skills.

## **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

## ***MEASURE 2.3: IMPROVING THE EMPLOYABILITY OF DISADVANTAGED PEOPLE, INCLUDING THE ROMA***

The objective of this measure is to facilitate the integration of people excluded from the labour market through improving their employability. Actions will be targeted at the most disadvantaged people, including Roma people, unskilled young people (16-25 year olds), early school-leavers, older workers, people with disabilities, addicts, prisoners, unemployed people with low levels of education, as well as those living in disadvantaged regions. The measure will promote the dissemination of best practices, including those elaborated and tested by the National Employment Foundation as well as those developed in the framework of PHARE projects.

Mainstream services often fail to reach the most disadvantaged people or to meet their special needs. In this context, the unemployed and the inactive, who are most distant from the labour market, can often only effectively be reached through “alternative” employment services and training opportunities tailored to their individual circumstances. This measure will support the initiatives of non-governmental organizations and other local players acting in the field of education and training and social services. In order to strengthen and promote local partnerships, co-operation between NGOs, enterprises and local governments will be encouraged.

In the case of the most disadvantaged, the improvement of employability should be based on a comprehensive approach combining a range of activities, such as training, counselling and employment, with a view to facilitating their integration to the primary labour market. Actions will include the elaboration and implementation of individual action plans while the core element of each project will be practice-oriented training and counselling.

Ensuring equal opportunities for Roma people and enhancing their employability is a horizontal priority of the programme. Accordingly, while implementing this measure, special attention will be given to ensure that a substantial number of Roma people are involved in the supported projects through an appropriate selection process. At the same time, training programs will provide a new opportunity for Roma young people who have dropped out of mainstream education to continue their studies in “alternative” training programmes adapted to their needs and circumstances. Alternative employment services facilitating the integration to the labour market of the long-term unemployed and people with low levels of education will also be targeted primarily at Roma people.

The experiences of PHARE projects show that assistance and support in project development and implementation is needed for the increase of absorption capacity of the non-governmental sector and for the successful implementation of projects. Consequently, in the course of implementation of this measure, special emphasis will be laid on the training of potential applicants, supporting the elaboration of projects, providing continuous support and counselling for the project staff and facilitating co-operation among the various local actors. In order to improve social and employment services, a quality management system for organizations operating in this sector will also be developed and introduced.

### **Activities**

- Vocational training linked with employment/work practice,
- Training for people with low levels of education with a view to obtain basic qualifications and create pathways to vocational training,
- Training on ICT, with special regard to people with disabilities,
- Alternative employment services including counselling, social support services, assistance in job search, etc.,
- Assessment of individual needs and potentials, elaboration of individual action plans,
- Introduction of alternative approaches and working methods facilitating the employment of people with disabilities,
- Education and training of prisoners to enable them to access employment opportunities on release from prison (ex-prisoners will also be targeted),
- Training of project staff, facilitating and strengthening partnership and co-operation among organizations involved in the implementation,
- Adaptation and introduction of quality management specific to organizations operating in the field of training and employment.

### **State aid rules applied**

In case the beneficiaries of the *aid* are undertakings aid to employment can be granted in line with the Guidelines on aid to employment (OJ C 334, 12/12/1995).

## **PRIORITY 3: PROMOTING LIFELONG LEARNING AND ADAPTABILITY**

Dissemination of lifelong learning practices and improvement of the adaptability of the workforce will have an important role to play in contributing to the achievement of the objectives of the Operational Programme. The acquisition of skills and competencies required by the labour market and laying down foundations of lifelong learning are vital for improving the competitiveness of the workforce and meeting the demands of a knowledge-based society (*specific objective 2*). Efficient and flexible educational and training systems responsive to labour market needs will, on a longer term, contribute to increasing the level of employment (*specific objective 1*). In addition, education and training is a key means to address inequalities and promoting social inclusion (*specific objective 3*).

The priority will cover several different levels and forms of education and training, including preliminary and secondary education, vocational training, post-secondary education and higher education, as well as adult training. The objectives of the priority are the following:

- To promote the development of skills and competences necessary for lifelong learning,
- To strengthen the links between education and training and the economy,
- To improve the adaptability of the workforce through promoting adult training.

These objectives are in line with the revised Employment Guidelines that call the Member States to implement lifelong learning strategies, including through improving the quality and efficiency of education and training systems, in order to equip all individuals with the skills required for a modern workforce in a knowledge-based society, to permit their career development and to reduce skills mismatch and bottlenecks in the labour market. Furthermore, it emphasises the need for increased investment in human resources and in the training of adults with a view to promoting productivity, competitiveness and active ageing.

Adapting basic education and vocational training to labour market needs, strengthening the links between education and working life, increasing the standard of education and improving the efficiency of training and vocational training were identified as key challenges of the Hungarian employment and human resources development policies already in the JAP.

The Operational Programme will support these challenges by intervening in the following fields:

- creating an appropriate methodological and pedagogical basis for the development of basic skills and competences,
- improving the system of vocational training so that it better responds to the needs of the economy,
- facilitating the adaptation of higher education to the requirements of the knowledge-based society and the changing demands of the economy,
- promoting adult training including, among others, in-company training and the development of entrepreneurial skills.

The initial stages of formal education should efficiently ensure the acquisition by young people of basic skills (numeracy and literacy) as well as skills and competencies (ICT skills, foreign language competencies, career building ability, etc.) required by the labour market and

facilitating their labour market integration. This requires a comprehensive development and large-scale inception of pedagogical tools facilitating the delivery and acquisition of these skills and competencies. These include the development of new pedagogical programmes, curricula focused on the delivery of these skills and competences, the in-service training of teachers, and school managerial staff, the development of appropriate quality management systems.

The overall improvement of the Hungarian VET system will require first of all the development and large-scale introduction of training programmes better responding to employers needs. For bringing closer the vocational training system to labour market needs the Priority will contribute:

- to the development of the National Qualifications Register (NQR) on a competence-based approach, and to the development of practice oriented training programmes matching the new qualification structure,
- to ensuring organisational and human resources conditions for a large-scale introduction of the new programmes. To this end, a network of integrated multi-professional vocational training centres will be established, and their managerial and teaching staff will be accordingly retrained.

Making higher education better and faster respond in the context of the knowledge based society to the growing needs of the labour market in highly qualified workforce, requires the adaptation of the sector to the rapidly changing socio-economic environment. The Priority will support and facilitate the achievement of this objective by offering in a lifelong learning approach a demand driven supply of further education and retraining opportunities, as well as by developing and introducing academic and professional degrees in agreement with the objectives of the Bologna Process.

The mismatch of labour demand and supply calls for actions aimed at increasing the number of employees participating in training and ensuring more and better opportunities for workers to improve their skills. To this end, the priority will support, on the one hand, adult training programmes targeted at firms including in-company training and, on the other, the development of the system of adult training. These activities will be complementary to the measures of the Economic Competitiveness Operational Programme (ECOP), and are considered as key elements for the success of investments to be supported under that programme.

To improve the competitiveness of the workforce and to facilitate its adaptation to technological change, it is indispensable to raise workplace-relevant skills and the competences of the employees and to develop an appropriate framework for lifelong learning. Training associated with job creating investments and aiming at the improvement of competitiveness of enterprises will play a significant role in the development of adaptability of employees and enterprises.

Taking into account the employment potential of micro enterprises and SMEs, improving the competitiveness and adaptability of these enterprises is of strategic importance from the point of view of increasing employment. The growth of SMEs is greatly influenced by the skills and knowledge of their managers and employees. In order to improve the competitiveness of SME, this priority will support general training programmes on obtaining and developing entrepreneurial knowledge, including the development of ICT skills, the obtaining of up-to-date business know-how as well as EU related knowledge.

In addition to these, activities to enhance the development SMEs will be supported by other Operational Programmes, such as the Economic Competitiveness OP and the Operational Programme for Regional Development (OPRD). To avoid potential overlaps, activities directed at SMEs in the HRDOP will be limited to general training programmes, including in ITC, business know-how and EU related knowledge, while the OPRD will support vocational training

related to certain high demand sectors of the regions. The ECOP will support services providing basic information needed to organise efficient business administration as well as consulting services. These services will be excluded from the HRD OP. *(For details see Chapter IV 3.7).*

In order to increase the efficiency of interventions supported under this priority will be complemented by investments in the infrastructure of education under Measure 4.1 of Priority 4.

<b><i>Priority 3: Promoting lifelong learning and adaptability</i></b>	
Source of Structural Funds contribution:	<b>ESF</b>
Overall budget of priority (indicative):	229.3 M €
Share of priority within the OP:	30.6 %
Share of priority under ESF assistance to the OP:	44.6 %

### ***MEASURE 3.1: PROMOTING THE DEVELOPMENT OF SKILLS AND COMPETENCIES NECESSARY FOR LIFELONG LEARNING***

Basic skills and competences are the foundations of lifelong learning, and also of successful integration to, and participation in, the labour market. Accordingly, the objective of the measure is to promote the development of these skills, competencies and abilities in pre-school and school education by supporting in-service training of teachers and experts, thereby enabling the delivery of competency-based education and training. The early stages of initial education play a particularly significant role in the delivery of the skills and competencies necessary for the achievement of these objectives. Consequently, there is a growing need to improve the school system in a way which ensures a more efficient delivery and acquisition of these skills and competencies.

This measure will promote the teaching and learning process of skills, competencies and abilities required for lifelong learning through, on the one hand, developing the tools necessary for competency-based education and, on the other hand, supporting schools in meeting the pedagogical and methodological requirements for the successful implementation of these programmes.

The measure will support:

- *at pre-primary and primary level* (ISCED 0,1 and 2), the development of basic skills (literacy, numeracy), social competencies, general ICT-skills and basic career-building competences;
- *at secondary level* (ISCED 3), the further development of basic skills, as well as foreign language communication skills, ICT-skills and those 'career-building' competences that can be capitalised on in the labour market.

The measure will consist of two main components fully consistent with the basic policy orientations of the recently adopted Mid-term Public Education Development Strategy of Hungary *(see Chapter IV, section 3.2).*

The first component of the measure will focus on the in-service training of teachers and educationists with a view to ensuring that the methods of competency-based education will be successfully applied and implemented. It will also include the development and introduction of new curricula, teaching program packages, pedagogical and teaching methods and the curricula for teacher training. These are essential elements for adopting competency-based teaching



content and practices in primary and secondary education. In order to enhance the quality of education, it is necessary to develop an expertise in the area of quality management specific to education and to train specialists, experts and managerial staff of educational institutions on quality assurance methods and activities. Activities will include the development of new methods and curricula related to environmental education.

The second component will support the implementation of the competence-based educational concept at the level of individual educational institutions. It will comprise the adaptation of the teaching programmes and methods developed under component 1 to the specificities of the institution concerned and to local needs. To enhance the adaptation and implementation of new approaches, the institutional development of schools and the introduction of measurement and quality assurance methods specific to competence-based education will also be supported.

The target group of the measure are teachers and other educationists, managerial staff of educational and training institutions and maintainers as well as pupils.

#### **Activities**

- Developing teacher training curricula and programmes,
- In-service training for teachers on skills and competence-based education,
- Developing curricula, teaching programme packages, teaching materials and methodology related to the development of skills and competences,
- Training of the managerial staff of educational and training institutions, that of school maintainers including advisory bodies and experts responsible for the implementation of the measure,
- Adaptation and implementation of the new methods and programmes,
- Developing and adopting new methods of evaluation and measurement specific to competence-based education.

#### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings. Therefore the support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

### ***MEASURE 3.2: DEVELOPING THE CONTENT, METHODOLOGY AND STRUCTURE OF VOCATIONAL TRAINING***

The measure will develop the vocational training (VET) system to make it more flexible and responsive to labour market needs and to prepare young people for lifelong learning.

The specific objectives of the measure are:

- To strengthen the effectiveness of the National Qualification Register (NQR),
- To develop and introduce a modular training system, and
- To establish integrated vocational training centres in order to better meet local labour market needs.

The measure will consist of two components. The first component will promote the revision of the NQR, which is a key means to develop a flexible and appropriate framework for lifelong

learning. Currently, there are more than 800 professional qualifications included in the NQR. The high number of qualifications hinders the transparency and the regular updating of the contents of the training programmes. Accordingly, the modernisation will comprise a systematic review and analysis of the qualifications and development requirements of a modular system of vocational training. The review will cover the whole system, while the development of modular training will initially be accomplished in at least 2 trade groups. The selected trade groups (mechanical engineering; and trade marketing and business administration) offer the highest proportion (1/5) of professional qualifications while attracting approximately half of the students.

Competence-based training units (modules) will lead to the new qualifications under which criteria and content will be derived from occupational analyses. The qualifications will be defined in consultation with the employers' representatives while the whole process should result in a reduction of the number of qualifications as well in the revision of small "satellite" qualifications. The new qualification structure will establish a 'new hierarchy' of qualifications. In line with the Copenhagen process it will facilitate:

- career pathways,
- prior learning assessment,
- transitions from training to work and re-entry into training,
- transparency,
- links to the credit system of higher education,
- bridging the gap between formal, non-formal and informal learning.

The second component will address the fragmented structure of the vocational training system. In particular, it will aim to ensure an appropriate co-ordination of vocational training supply at regional and local level through establishing 16 "integrated vocational training centres" (2 per each NUTS II regions + 2 in the capital) on the basis of the existing institutions at ISCED 2, 3 and 4 levels (some of these institutions may have activities at ISCED 5 level.). Each integrated centre is to be established as a 'network' encompassing 6-8 VET institutions of the region, out of which one will operate as a 'leader', whose task will be the coordination, tutoring, overall orientation and supervision of all activities involved. The operational area for each centre will include a limited number (maximum 4) of bordering NUTS III regions, but will not cover the whole territory of NUTS II regions.

Within the framework of these new centres, training institutions will closely co-operate within a harmonised management system on a basis of formal co-operation agreements. The new institutions will contribute to the harmonization and extension of the training supply in line with the labour market needs while fostering a more effective and efficient operation in the case of smaller institutions. The newly developed programmes of the modular training system (elaborated under the first component of the measure) will be introduced in these centres. Due care will also be taken to create conditions for the smooth and fast implementation based on a schedule of phased introduction. The contribution of the Structural Funds in the programming period 2004-2006 will support only the first phase of the modernisation of the entire system of vocational training institutions. The continuous implementation of the concept of integrated institutional operation will lead to a system-wide effect in the long run, since it is intended to establish additional training centres in further sub-regions in the future.

The target groups of the measure are managers, counsellors, teachers and students of vocational training institutions as well as of higher education institutions (in the case of high-level qualifications, trainers involved in practical training at enterprises, representatives of VET institution maintainers, students threatened by drop-out and their families, social partners and

representatives of economic chambers).

### **Activities**

- Development of the system of modules, partial qualifications, vocational qualifications;
- Elaboration of proposals for strengthening the effectiveness of the NQR;
- Development of teaching material for training centres involved in career-orientation and counselling, basic professional training and further training, practice-oriented tertiary education as well as teachers' training;
- Career guidance, career orientation (marketing activity towards parents, students);
- Training of teachers, tutors, trainers to assist students with coaching and counselling;
- Establishment of institutional links between vocational education institutions and economic chambers and maintainers, social partners;
- In-service training of maintainers of the regional centres, educational managers, counsellors and trainers involved in practical training at enterprises.

*Links with other measures:* Investment in the infrastructure of the integrated vocational training centres will be supported in the framework of measure 4.1. The competence-based trainings to be developed under measure 3.1 may also be introduced in the integrated training centres. The development of a modular system of tertiary qualifications (ISCED 5) will be completed in the framework of Measure 3.3 (higher education).

### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings, but they are organizations belonging to the sub-system of the state budget. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

## ***MEASURE 3.3: DEVELOPING THE STRUCTURE AND CONTENT OF THE HIGHER EDUCATION***

The objective of the measure is to promote the adaptation of higher education to the requirements of the knowledge-based society and to the changing demands of the economy. It will focus in particular on the development of the structure and content of higher education (ISCED 5 level) aimed at:

- promoting the adaptation to the demands of the socio-economic environment,
- offering a supply of further education and re-training,
- ensuring the EU-compatibility of the academic/professional degrees (following the principles of the Bologna Process).

The measure will consist of three components. The first component will support the development of the structure and content of the higher education system in line with the Bologna process, and is in harmony with the Hungarian Higher Education Development Strategy aimed at preparing Hungary for the European Higher Education Area. As part of the efforts to develop a 'linear' training system that will serve the demands of high quality mass education, the measure will assist the launching of higher vocational and Bachelor programmes, (excluding Master programmes), which are more adaptive to the needs of the labour market. Priority will be given

to programmes in the fields of economics and business education, informatics, teacher training, humanities and sciences education.

The second component will support re-training, further education programmes and short cycle competence courses with a view to ensuring that graduates having a “less-marketable” qualification gain further qualifications that better meet actual labour market demands.

The third component of the measure aims, on the one hand, to develop the management capabilities of the managers and the academic and research staff of higher educational institutions to enhance a quality centred institutional operation and to create an institutional quality culture. On the other, activities will involve supporting and expanding human resources for R&D. These activities will be complementary to investments in infrastructure related to R&D financed under the Economic Competitiveness Operational Programme.

The measure contributes to the transformation and development of the training capacity in higher education through supporting the development of new curricula, training courses and institutional system development.

The target group of activities will include higher education institutions and their students, academic, research and management staff, professional organizations, chambers and non-governmental organizations.

#### **Activities**

- Converting existing programs/curricula into more practice-oriented training,
- Launching new training programs at higher vocational education and Bachelor levels (including the elaboration of the necessary background studies),
- Developing teaching material,
- Retraining and further education of employees with qualifications that may not be competitive at the labour market,
- Development and delivery of short cycle competence courses,
- Delivering programmes leading to new teaching qualifications,
- Developing methods and curricula supporting the institutional managers’ activity, delivering training programmes for institutional leaders,
- Development of curricula and methodology and delivery of training related to the field of R&D,
- Training of academic and research staff (including quality focus, innovation management, project management).

#### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

### ***MEASURE 3.4: TRAINING PROMOTING JOB-CREATION AND THE DEVELOPMENT OF ENTREPRENEURIAL SKILLS***

The objective of the measure is to improve the adaptability and competitiveness of firms through supporting:

- training related to investment and technological change, and

- training related to entrepreneurial and management skills.

The measure will consist of two components. In the case of both components, the primary target group will consist of employed people including employees and managers of enterprises.

Component 1 will support training related to investments creating new jobs and in-company training. The content and structure of training will be specific to the investments and will be elaborated in accordance with the requirements of the employers. Training will promote the adaptation to the use of new technologies.

Component 2 will support training activities related to SMEs. The competitiveness and growth opportunities of small and medium-sized enterprises are strongly influenced by the skills, strategic thinking, openness to innovation and the ability of the managers to recognise development opportunities. A significant number of managers of Hungarian small and medium-sized enterprises lack knowledge or skills necessary for the successful operation of businesses. In order, therefore, to strengthen the adaptability of enterprises, training programmes are required which provide an opportunity for managers and employees of SMEs to acquire and improve entrepreneurial and management skills and knowledge.

In the period following accession to the EU, it will be increasingly important to facilitate the adaptation of enterprises to the changed conditions and new challenges of the European market. To that end, the measure will support training on EU related knowledge. Compliance with new expectations emerging under the information society will also represent an important challenge for SMEs. Improvement of adaptability will necessitate training programmes which promote the development of knowledge and skills of managers and employees necessary for the successful participation in an electronic economy and in the application of information technology devices. In addition, strengthening the adaptability of SMEs will be promoted through training related to health and safety at work.

This measure will support, among others, training related to the investments supported under the Economic Competitiveness Operational Programme (ECOP). The arrangements for the co-ordination between the two Operational Programmes will be included in the Programme Complement.

### **Activities**

- In-company training,
- Training related to investments creating new jobs and to the use of new technologies,
- Training and re-training of redundant workers,
- Development of entrepreneurial and management knowledge and skills,
- Training on EU related knowledge for SMEs,
- Training on ICT for SMEs, including knowledge related to e-business,
- Training related to health and safety at work, courses and advisory and information services for SMEs,
- Survey of local labour force demand and supply, specification of training demands.

### **State aid rules applied**

Under this measure training aid can be granted in line with the Commission Regulation on the application of Articles 87 and 88 of the EC Treaty to training aid (OJ L 10, 13/01/2001).

### ***MEASURE 3.5: DEVELOPING THE SYSTEM OF ADULT TRAINING***

The measure will expand and improve lifelong learning opportunities by means of promoting adult training including e-learning through “assistance to systems and structures” type of activities (e.g. training of trainers, development of new curricula, etc.). The promotion of distance and e-learning through development of curricula and methodology will provide a tool which is more responsive the content and quantity of training supply to the continuously changing demand.

As part of the development of the adult training system, the scope of activities of the Regional Training Centres will be extended in order that these centres offer a wider range of services in particular in disadvantaged regions. This will be promoted through enhancing the already existing network of public cultural institutions to play a greater role in adult training/education.

Activities will include the development of modular programmes, training materials the implementation of job analysis procedures (DACUM), training of experts and trainers working in the field of adult education as well as further development of distance learning methodology, performance of training.

In order to facilitate the access to adult training for people with special need (including low skilled workers, older workers, disabled people, women, people living in regions lagging behind) the measure will support the development of curricula and training methods adjusted to the special needs of these target groups.

#### **Activities**

- Training of trainers,
- Elaborating and introducing new methods and curricula in adult education,
- Elaborating modular programmes, curricula and examination requirements,
- Developing procedures for job-analysis,
- Developing curricula and methodology supporting e-learning;
- Extending the scope of activities and training supply of the Regional Training Centres,
- Improving the availability of adult training in the areas lagging behind,
- Elaboration of adult training methodology adjusted to the needs of specific target groups.

#### **State aid rules applied**

Under this measure training aid can be granted in line with the Commission Regulation on the application of Articles 87 and 88 of the EC Treaty to training aid (OJ L 10, 13/01/2001).

## **PRIORITY 4: DEVELOPING THE INFRASTRUCTURE OF EDUCATION, SOCIAL SERVICES AND HEALTH CARE**

Through assistance from the European Regional Development Fund, the priority supports infrastructure developments relating to the human resources priorities contained in the OP. In particular, the priority is designed to increase the effectiveness and efficiency of human resources development interventions financed by the European Social Fund. Investments under this priority will, on the one hand, promote the structural adjustment of the regions concerned and, on the other, reduce regional disparities in terms of the accessibility of services promoting increased participation in the labour market. Investments in infrastructure under this priority will also facilitate the upgrading of institutions and establishments which are key to the development of a workforce with appropriate skills, abilities, working capacities and health, as well as for supporting social inclusion.

The specific objectives of the priority are as follows:

- to improve the infrastructure of education and training and to reduce the territorial disparities in this respect;
- to develop the infrastructure of services that promote social inclusion, and
- to reduce the regional disparities in health care infrastructure.

An efficient education and training system with the capacity to continuously adapt to economic change has a key role to play in promoting the structural adjustment of regions. In Hungary, recent labour market trends indicate that a new period of structural transformation is already taking place in the labour market: the number of jobs requiring unskilled labour is decreasing, while jobs requiring high skilled labour is on the increase. Despite low employment and high inactivity levels, labour shortages are also evident in certain occupations and regions. These bottlenecks are mainly due to the mismatch of labour demand and supply and the fact that school leavers often lack the practical skills required by the employers.

Accordingly, one of the key challenges in the field of human resources development is to strengthen the links between education and the labour market and to create an appropriate and flexible framework of lifelong learning. This is in line with the conclusions of the Joint Assessment Paper (JAP) which identified the improvement of the efficiency of education and training systems as an important policy priority. In this respect, the development of the content and structure of vocational training and higher education (including e-learning) will play a crucial role. With a view to maximising the effectiveness of these interventions, investments in the infrastructure of vocational training and higher education institutions are also required. To this end, the development of infrastructure will aim to create an appropriate environment for practice-oriented training while at the same time reducing inequalities in access. In harmony with the e-Europe 2005 Action Plan the interventions maximize the already existing inter-campus broadband possibilities by a technologically neutral development of “in-house” IT-network development.

In the field of social services, there are also significant shortcomings in terms of the accessibility and the quality of services promoting the participation of people at a disadvantage in the labour market. On the one hand, there is a need for services enabling the reconciliation of work and family life which is a basic condition for ensuring equal opportunities for women and men in the labour market. In order to promote the participation of women in the labour market, the priority

will support investments in the infrastructure of child care services.

On the other hand, services promoting the labour market integration of the most disadvantaged, including the disabled and the homeless in particular, require appropriate day-care facilities. Investment in the infrastructure of these services will aim to create or improve the infrastructural conditions for the implementation of ESF related activities, such as actions to improve the employability of such disadvantaged people.

In addition, the priority will support investments in the field of health care concentrating on the most disadvantaged regions of Hungary. The improvement of access to modern and efficient health care diagnostic, screening, therapeutic and rehabilitation services contributes to the restoration and development of working abilities of a significant portion of the productive population. Moreover, it reduces the time of absence from work for health reasons, and also acts as a catalyst towards more balanced regional development. The early screening (mobile screening) of groups in a disadvantaged position – in territorial or social terms - will also contribute to preserving the activity of these groups of the population.

The optimum geographic utilisation of existing capacities can be increased by the development of IT equipment of health care providers, as well as by the establishment of an integrated system within and between institutions of a given region. The development, as a pilot project, will be extended to the operation of an interactive connection between care providers, and a telemedicine programme, which not only promotes more efficient use of resources but is also more effective in patient treatment.

<b><i>Priority 4: Developing the infrastructure of education, social services and health care</i></b>	
Source of Structural Funds contribution:	<b>ERDF</b>
Overall budget of priority (indicative):	236.5 M €
Share of priority within the OP:	31.5 %
Share of priority under ERDF assistance to the OP:	100 %

#### ***MEASURE 4.1: DEVELOPING THE INFRASTRUCTURE OF EDUCATION AND TRAINING***

The objective of this measure is to support the upgrading of infrastructure of educational institutions. The measure will focus on secondary (integrated vocational training centres at micro-regional level – ISCED 3 and 4) and higher education institutions (ISCED 5). The interventions financed under this measure will be closely linked to ESF related activities under measures 3.2 and 3.3.

The first component of the measure will support investments in the infrastructure of vocational training institutions in order to complement the ESF related interventions under Measure 3.2 which will address the structural problems of vocational training (“Developing the content, methodology and structure of vocational training”).

Through the establishment of 16 integrated vocational training centres on the basis of the existing institutions, the objective is to bring about a more effective coordination of vocational training supply at both regional and local level. These integrated training centres will serve as a basis for modular and practice-oriented vocational training while ensuring an appropriate supply of quality training for the regions concerned.



At the same time, component 1 of this measure will aim to develop the infrastructure of the integrated regional vocational training centres in order to ensure an appropriate environment for practice-oriented and modular training. The component will be targeted at a maximum of 16 training centres and activities which will include the extension and reconstruction of buildings as well as the creation of apprentice workshops, in accordance with the new training supply of the institutions concerned. Investments will include the purchase of equipment as part of the investments in physical infrastructure. Taking into account that the development of the structure and content of vocational training will cover all the regions of Hungary, this component will be based on the same approach.

The second component aims at developing the infrastructure of higher education institutions as a complementary action to the development of practice-oriented post-secondary and BA level education under Measure 3.3 (“Developing the structure and content of the higher education training system”). Activities under this component will include the upgrading of the infrastructure of higher educational institutions in order to create appropriate conditions for high quality education and services.

Over the last decade, the number of those participating in higher education has multiplied almost threefold (*see Chapter II, point 2.2.1 for details*). However, the increase in the number of higher education students was not accompanied by the development of the infrastructure of higher education, particularly at universities operating outside Budapest. As a consequence, there is a need to extend and upgrade the existing infrastructure as well as creating new facilities including the establishment of 'learning spaces'. These newly created learning spaces will involve practice oriented training/learning/teaching spaces as well as facilities to serve the wider community (e.g. libraries). In addition, investments in infrastructure will aim at the elimination of barriers within the new environment in order to ensure equal access for all people with special regard to people with disabilities.

In addition, component 2 will comprise “In house” IT development, focusing on broadband networks within the campus of the higher education institutions (HEI). Activities under this component will be implemented in line the Commission's new guidelines on 'Criteria and Modalities of Structural Funds in support of electronic communications. Under this component, priority will be given in particular to supporting institutions and facilities situated outside of Budapest.

## **Activities**

### *Vocational training institutions:*

- Extension and reconstruction of the building in order to create multi-functional premises adequate for theoretical training,
- Extension and reconstruction of the building in order to create premises adequate for practical training,
- Purchase of equipment as integral part of investment in physical infrastructure.

### *Higher education institutions:*

- Development of learning spaces including practice-oriented places for teaching/training and regional resource centres,
- Upgrading of IT networks within the campus,
- Facilitating access to existing buildings, or parts of existing buildings for disabled people,

- Purchase of equipment as integral part of investment in physical infrastructure.

### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

### ***MEASURE 4.2: DEVELOPING THE INFRASTRUCTURE OF SERVICES SUPPORTING SOCIAL INCLUSION***

The objective of this measure is to support the development of day-care services in the social field by creating the necessary infrastructure. This will ultimately improve the quality of service-delivery and thus enhance the efficiency of efforts promoting the social inclusion of disadvantaged persons. The measure is closely linked and complementary to some of the measures of the HRD OP and OPRD. Investment in the infrastructure of social services under this measure will also be linked to ESF related interventions under measure 2.2.

The measure comprises two components, one focused on the development of child care services, and the other supports day-services for homeless people and people with disabilities.

The establishment of day-care services for children in larger settlements, primarily in towns with over 10,000 inhabitants and currently without such services and also in small (micro) regional centres will certainly facilitate the reconciliation of work and family life and thus promote the labour market (re)integration of women. Presently the lack of available child care facilities hinders women's participation in employment in these areas.

This component of the measure complements those interventions under the OPRD which are directed at the development of the educational system. In particular, it will focus its support on 'crèches' for children of less than three years old while the OPRD will support investment in pre-school institutions, i.e. kindergartens for children aged from 3 to 6 years.

The support of day-services for the other two target groups, namely homeless people and people with disabilities is justified by the fact that both groups are at a disadvantage in the labour market and currently the existing network of support services is under-developed. The development of these services will nevertheless promote their labour market integration and participation in training.

The network of day-services for homeless people is of poor quality while the proper infrastructural background is lacking, despite the considerable number of homeless people in the major cities. Temporary homeless shelters usually operate during the night; with the result that homeless people often need to spend their day on the street. The development of the infrastructure of day-services, i.e. the establishment of day-centres offering a range of support services will promote the social inclusion of homeless people and will enhance the effectiveness of ESF-supported labour market programs targeting such people. The measure also complements developments under the OPRD – such as district rehabilitation programmes.

People with disabilities, particularly those living in smaller settlements, lack available social services and employment opportunities and are confined to their homes. To promote the social inclusion of disabled people, the network of day-services will be upgraded. These day-centres on the one hand deliver daily activities for people with more severe disabilities and on the other hand provide services to enhance the employability of those people who wish or can be integrated into to labour market.

## Activities

- The construction, purchase, transformation, extension of buildings/real estates/premises; the locations for new institutional care centres or those requiring transformed in rendering them accessible for people living with a disability.

Purchase of real estate is subject to the provisions of Rule No 6 of the Annex of Regulation (EC) No 1145/2003 amending Regulation (EC) No 1685/2000 as regards the rules of eligibility for co-financing by the Structural Funds<sup>9</sup>.

## State aid rules applied

The beneficiaries of the support under this measure are not undertakings. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

## ***MEASURE 4.3: DEVELOPMENT OF HEALTH CARE INFRASTRUCTURE IN REGIONS LAGGING BEHIND***

The objectives of the measure are:

- to reduce regional disparities in access to health care,
- to improve prevention, early recognition, treatment and rehabilitation of diseases in order to restore the working abilities as soon as possible,
- to improve the labour market chances of people in a disadvantaged position due to their health status,
- to improve working conditions by upgrading infrastructure and equipment.

The measure is a complementary element of the “Decade of Health” National Program. Coherence and complementarities are described under Chapter IV (section 3.6).

In the most disadvantaged regions of the country, access to health services (e.g. screening, diagnostics, rehabilitation, nursing) is not provided adequately (Northern Hungary, Northern Great Plain, Southern Transdanubia); which sets back - among others - the reduction of early deaths and the return to the labour market of the active age population.

Strengthening the institutional system of secondary prevention (screening) requires the setting-up of *high-level diagnostic and screening centres*. (As a result, 25-35 % of the early deaths can be prevented.) In addition it is necessary to launch – in close co-operation with civil society organisations - screening actions targeting the disadvantaged, high-risk population (e.g. Roma).

Health rehabilitation is extremely important as it greatly contributes to restoring the capabilities of the labour force affected by serious health problems. (chapter 1.1.6. of the present document contains those health indicators that influence employability and work performance. In the above mentioned regions, the GDP/one employees’ working day is the lowest in Hungary. The frequency of the newly disabled/ten thousand employees, the disabled pensioners under pension age and the number of days spent on sick leave/eligible is the highest.) However, in these regions there is a lack of rehabilitation and nursing capacities. Accordingly, the measure will create - through the transformation of unutilised hospital capacities and already existing buildings - the infrastructure and asset conditions of *new rehabilitation and nursing centres*. The setting-up of

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<sup>9</sup> Official Journal of the European Union L 160, 28.6.2003, p. 48.

such institutions contributes to improving the health status of the labour force and to its reintegration into the labour market. In addition, it facilitates the education, training and employment of persons who care for their relatives at home.

The streamlining of the complexities associated with the above activities (prevention, high-standard diagnostics, treatment, nursing and rehabilitation) will allow for further improvement in the conditions of access. To this end, it is deemed crucial to set-up a *regional health centre model* in line with international practice, which could serve as a model for nation-wide dissemination. The selection of the clinic of the largest city in Northern Hungary is appropriate since, by virtue of its location, the action radius of the services will cover two of the three least developed regions.

The underlying orientations of these developments is based on the health status of the population, on the absence-capacity indicators of the health care provision system and on the infrastructural conditions of the institutions. The measures are designed to increase efficiency while contributing to accessibility to modern services. The renovation and modernisation of workplaces, and the consequent improvement of working conditions, is expected to have an impact on the geographic mobility of persons employed in the sector and on the elimination of the shortage of the labour force. In addition, the institutional base function will also have a positive impact in the regions concerned (assurance of professional consultation, vocational training).

### **Activities**

- Establishment of a Regional Health Centre Model institution (DEOCE)
- Creation of spatial outpatient diagnostic and screening centres
- Establishment of rehabilitation and nursing centres.

The beneficiary of the Regional Health Centre Model Institution was selected through a central appointment process. The spatial base centres (outpatient diagnostic, screening, rehabilitation and nursing) are being implemented through grant supported projects. For their part, the institutions will elaborate a professional program on the fulfilment of the spatial base function.

The implementation is organised by the Structural Funds Programme Office of the Ministry of Health, Social and Family Affairs. The Regional Health Councils (Chapter 3.6) already participate in the organisation of the implementation.

### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings. Therefore, this support is not considered State aid within the meaning of Article 87 (1) of the EC Treaty.

## ***MEASURE 4.4: IT DEVELOPMENT IN HEALTH CARE IN THE REGIONS LAGGING BEHIND***

The objective of the measure is:

- to create health informatics infrastructure for the fast and regional level availability of health information,
- to improve IT conditions of institutional management and to ensure cost effective

operation for the regional healthcare institutions,

- to shorten patient pathways, thus enabling faster recovery of working capacity.

The measure fits into the strategic framework set by the “Decade of Health” National Program. Coherence and linkages between the measure and this national strategy is described in Chapter IV (section 3.6).

The measure will focus on the three most backward regions of Hungary (Northern Hungary, Northern Great Plain and Southern Transdanubia). According to available statistical data, the level of health care in these regions is lagging behind the national average. The situation is even worse in the small settlements where the multiple disadvantaged population is mainly situated.

Quality of, access to and speed of health services are all significantly influenced by the health information system services at the proper place and in time. At present, across the institutions of the regions, modern and reliable rapid inter-institutional electronic communications and internal integrated information systems do not exist. In this context, information exchange among institutions are often restricted to paper-based or floppy based solutions, with the result that access to health information is difficult and slow. As a consequence, unnecessary repeated examinations (including the patient pathways) become unnecessarily long. At the same time, the cost-effective management and operation of the health care institutes is hindered by the lack of operational and economic-based information. To resolve these problems, the measure will create regional *inter*-institutional information pilot systems and will also support the modernisation of the intramural institutional IT system in healthcare institutions (joining the pilot-system) in the three regions concerned. A future goal of the health sector is to widen these regional pilot health information systems to a nationwide system.

Beneficiaries of the measure will be voluntary, open, non-profit associations established by the different level health care institutions (hospitals, clinics and general practitioners) of the target regions, selected by applications. Selection criteria of the applicants will follow the ‘best practise’ recommendations of EC (DG Information Society) eHealth projects.

Target group of the measure is the population, especially multiple disadvantaged employees and their families, living in the underdeveloped regions, served by the members of the beneficiary health associations and by other health care providers using the health services provided by these associations.

### **Activities**

- Design and installation of a standardised, integrated, regional inter-institutional pilot health care information system
- Modernisation of intramural institutional information system of health care provider institutions
- Informatics training of end-users and operators for the proper use of the developed inter-institutional and institutional systems.

Development of the regional inter-institutional information pilot system (system planning, development of databases and application software, implementation) will be realised according to health IT standards in a centrally managed public procurement procedure. Within the framework of the development, centrally defined *e*-Health (e.g. *e*-HealthRecord, *e*-Prescription, *e*-Consultation and telemedicine) services and special regional needs will be developed. These services will be accessible for the members of the associations and for other health institutions of the regions. The procurement of the central infrastructure (server-farm, workstations, system software, WAN connections) needed for the inter-institutional system of the three region will be

procured in an open competition according to the detailed system plans. The ‘trusted third party’ service which is required for digital signature, and thus to the secure forwarding of health data, will be implemented by the Ministry. The planned pilot information systems can use it free of charge.

The intramural health IT development will create the base for cost-effective operation of the health institutions. The missing modules for supporting the different operational fields (including management information system) of the institutes will be developed while the already existing (but unconnected) modules will be integrated into a system using common, unified databases. Procurement of the intramural health IT systems - hardware equipment, system and application software, internal networks (LANs) - will be transacted in a centrally co-ordinated open competition, according to the custom-made needs of the institutions.

Inter-institutional and intramural institutional developments are complementary elements. Associations of the regions may apply for the inter-institutional and intramural institutional developments in the same application procedure. Only those institutions will avail of the intramural developments which undertake the long-run operation of the inter-institutional system. As a result of the developments, the regional health information system will be accessible for at least 1000 health informatical workplaces in each region.

A critical success factor in the implementation of the inter-institutional and intramural developments is informatics training of end-users. All end-users will receive training on the use of the IT system, and also those employees will receive a basic training who will work on the newly created workstations. The system administrators and the system operators will also receive relevant training.

### **State aid rules applied**

The beneficiaries of the support under this measure are not undertakings, but they are healthcare organizations belonging to the sub systems of the state budget. Therefore, this support is not considered to be State Aid within the meaning of Article 87 (1) of the EC Treaty.

## **PRIORITY 5: TECHNICAL ASSISTANCE**

### **Role of technical assistance under the OP**

Technical assistance will support the implementation of the OP in order to maximise the impact of the programme through the establishment of efficient implementation arrangements. In order to ensure an effective management and administration of the programme, activities under this priority will include capacity building and facilitation, network development, servicing of the Monitoring Committee, appraisal of project applications, provision of advice and guidance, monitoring progress, promotion and publicity, evaluation, the preparation of annual reports, partnership building, research, studies and the dissemination of best practice.

The priority will also support the implementation of horizontal principles by providing information and training for the members of the relevant organisations and bodies involved in the implementation process. Monitoring related to equal opportunities between women and men, will, as a horizontal priority, require the development of guidelines and appropriate indicators, as well as research and studies, and training and information activities.

Monitoring equal opportunities for the Roma population is rendered difficult by the fact that data collection on ethnicity is restricted by law. Nevertheless, the development of gender

disaggregated data in monitoring equal opportunities for Roma people, as well as related data collection and analysis, will be supported under this priority.

The experience under PHARE projects show that assistance and support in project development and implementation is essential for the successful implementation of projects. Accordingly, activities aimed at strengthening the capacities of project promoters (including non-governmental organisations) as well as the facilitation of partnership and co-operation between local players acting in the field of education and training and social services will also be supported.

In addition, technical assistance activities will include the ongoing and final evaluations as well as the preparation of studies and analysis related to the preparation for the programming period 2007 to 2013.

<b>Priority 5: Technical assistance</b>	
Source of Community contribution:	<b>ESF</b>
Overall indicative budget of priority:	37.6 M €
Share of priority within the Operational Programme:	5.0 %

Article 6 of 1784/1999/EC Regulation and Rule 11 of the Annex to Regulation 1145/2003 sets the scope and limits for Technical Assistance support.

### **Regulatory context**

Detailed eligibility provisions concerning the technical assistance are laid down in Rule No 11 in the Annex to Commission Regulation (EC) No 1145/2003 amending Regulation (EC) No 1685/2000 as regards the rules of eligibility for co-financing by the Structural Funds<sup>1</sup>. According to this Rule, certain categories of expenditure, which are related to management, implementation, monitoring and control of the Programme are eligible only under certain conditions and within the limits of a 'ceiling' to be calculated in accordance with point 2.4 of that Rule and laid down in the Programme. The categories of expenditure concerned, the eligibility of which is subject to the provisions of point 2.2 of this Rule, are listed in point 2.1 of the same Rule, i.e.:

- expenditure relating to the preparation, selection, appraisal and monitoring of the assistance (i.e. the programme or programmes concerned) and of projects (but excluding expenditure on the acquisition and installation of computerised systems for management, monitoring and evaluation);
- expenditure on meetings of monitoring committees and sub-committees relating to the implementation of assistance (i.e. the programme or programmes concerned). This expenditure may also include the costs of experts and other participants in these committees;
- expenditure relating to audits and on-the-spot checks of operations (projects).

For the purposes of monitoring, the costs referred to under point 2.1 of the aforementioned Rule will be the subject of a separate measure or sub-measure within the technical assistance priority.

### **'Ceiling' relating to Structural Funds contribution**

Under the HRD OP, the Structural Funds' contribution to the expenditure under point 2.1 of the aforementioned Rule is limited to a maximum amount of 11,128,227 euro.

Taking into account the aim of the CSF TA measure to provide assistance for all Operational Programmes in relation to the implementation of 'horizontal' requirements, the 'ceiling' for categories of expenditure referred to in point 2.1 of Rule No 11 (and related to the CSF

Managing Authority and Monitoring committee itself) has to be calculated at CSF level, i.e. across all five Operational Programmes implementing the CSF. To that end, an indicative amount of 2,000,000 euro from the ceiling calculated for the Agricultural and Rural Development Operational Programme and of 350,000 euro from the ceiling calculated for the Human Resource Development Operational Programme in accordance with the above mentioned Rule will be attributed to a ceiling under the CSF technical assistance measure within the OPRD for costs of these categories incurred by the CSF Managing Authority. This results in the following ceilings to be monitored at the level of the HRD OP:

HRD OP (sub-measure 1): 11,28,227 euro – 350,000 euro = 10,778,227 euro.

In accordance with point 3 of Rule No 11, activities which can be co-financed under the technical assistance, other than those set out in point 2.1 (such as studies, seminars, information and publicity actions, evaluation, and the acquisition and installation of computerised management, monitoring and evaluation systems), are not limited to a maximum amount.

Activities co-financed under the technical assistance priority are subject to the same rules as applicable to all operations co-financed by the Structural Funds, including, in particular, the rules on the award of public contracts.

### **Technical assistance measures under this priority**

In accordance with these rules, activities covered under this priority will be implemented through the two sub-measures outlined hereunder. In order to ensure flexible management of the priority, both measures will be co-financed by the ESF. However, eligibility will not be restricted to one particular Fund but will cover the needs of the programme as a whole.

#### *Sub-measure 1*

Activities related to the management, implementation, monitoring and control of the assistance which are subject to the ceilings set out by point 2.4 of Rule 11:

This sub-measure will cover activities required for the sound and efficient implementation of the CSF, in accordance with point 2.1 and within the limits of the provisions set out in point 2 of Rule No 11 of Commission Regulation No 1145/2003, in particular:

- preparation, selection, appraisal and monitoring of the assistance and of operations (but excluding the acquisition and installation of computerised systems for management, monitoring and evaluation). This may cover activities required for improving the skills necessary for carrying out these tasks, subject to the provisions of paragraph 2.2 of Rule No. 11;
- expenditure relating to the preparation, selection, appraisal and monitoring of projects co-financed under the Programme, including support to project generation activities.. However, the costs related to the preparation of operations which are themselves co-financed by the Structural Funds will be part of the project costs co-financed under the relevant measure;
- expenditure on meetings of the Programme's Monitoring Committee (and, if relevant, its sub-committees or working groups), including costs for translation and interpretation. This expenditure may also include the costs of experts and other participants in such committees;
- audits and on-the-spot checks of operations.

Expenditure on salaries is only eligible in the cases and under the conditions set out in point 2.2 of Rule 11.



In accordance with the above, the ESF's contribution to activities co-financed under this sub-measure is limited to a maximum amount of 10,778,227 euro.

### *Sub-measure 2*

Complementary Technical Assistance activities, including in particular:

- Reports, background studies and research relevant to the programme's development,
- Completion of studies relating to the most effective use of assistance from Structural Funds, including studies evaluating the lessons and experiences made in the course of the Programme's implementation with a view to enhancing its efficiency and preparing the next programming period,
- Seminars, information actions,
- Information and publicity - support will be provided to information and publicity activities in accordance with Commission Regulation (EC) No 1159/2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds<sup>10</sup>, including:
  - the development of the HRD OP website and database for potential beneficiaries;
  - the preparation and dissemination of information materials, brochures, report, newsletters and project collections, in particular on 'best practice', for the general public as well as potential and final beneficiaries;
  - the organisation of information events such as conferences, seminars, fairs and exhibitions;
  - specific information activities targeted on regional and local authorities as well as other competent public authorities, trade organisations and business circles, the economic and social partners, non-governmental organisations (in particular those bodies promoting equal opportunities between women and men and sustainable development) as well as potential beneficiaries.
- IT monitoring system - the HRD OP Managing Authority and the CSF Managing Authority shall ensure that activities co-financed in relation to the development, maintenance and upgrading of the integrated CSF and OP monitoring system are well co-ordinated and are complementary. To this end, activities co-financed under this measure could include *i.a.*:
  - the installation and upgrading of the computerised monitoring system, taking into account the specific characteristics of the HRD OP measures;
  - the development of specific tools required for promoting HRD OP management activities.
- Interpretation, translation - to ensure a smooth relationship and a high quality of operation with the partners involved in the implementation of the HRD OP, all the above-mentioned actions, if relevant, will be accompanied by interpretation and translation activities financed by the HRD technical assistance measure.
- evaluation,
- acquisition and installation of computerised systems for management, monitoring and evaluation.

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<sup>10</sup> Official Journal of the European Communities L 130, 31.5.2000, p. 30.



## HUMAN RESOURCES DEVELOPMENT OPERATIONAL PROGRAMME

### PRIORITIES AND MEASURES

Supporting active labour market policies	Fighting social exclusion by promoting access to the labour market	Promoting lifelong learning and adaptability	Developing the infrastructure of education, social services and health care	Technical assistance
Preventing and tackling unemployment	Ensuring equal opportunities in education for disadvantaged students	Developing skills and competencies required for lifelong learning	Developing the infrastructure of education and training	
Developing the Public Employment Service	Promoting social inclusion through the training of professionals working in the social field	Developing the content, methodology and structure of vocational training	Developing the infrastructure of services supporting social inclusion	
Promoting the participation of women into the labour market and the reconciliation of work and family life	Improving the employability of disadvantaged people, including the Roma	Developing the structure and content of higher education	Development of health care infrastructure in regions lagging behind	
		Training promoting job-creation and the development of entrepreneurial skills	IT development in health care in regions lagging behind	
		Developing the system of adult training		

## STATE AID TABLE

According to Article 18(2)(b) of Council Regulation (EC) No 1260/1999, the draft Operational Programmes need to contain the information needed to check compliance with aid schemes pursuant to Article 87 of the Treaty. According to the Vademecum for Structural Funds plans and programming documents (Commission Working Paper No 1), this information is one of the elements required by the Commission for declaring the a draft Operational Programme “admissible”.

This information should be provided in the same form as for current Member States: Each draft OP should, therefore, contain the attached table, which should be filled in by detailing all State aid schemes and/or ad hoc State aid that will be financed under each measure (title of the scheme, national State aid number of the scheme, references of the approval letter by the Hungarian State Aid Monitoring Office, and duration of the scheme).

Measure number	Title of the State aid scheme or ad hoc State aid	State aid number	Approval letter reference	Duration of the scheme
1.1	Aid for job-creation and job-maintenance under the Decree No. 6/1996 of the Labour Ministry (VII. 16.) on employment aid and aid granted from the Labour Market Fund for labour market crisis management	HU11/2002	Accession Treaty	31/12/2006
	Non-state aid			
1.2	Non-state aid			
1.3	Aid for job-creation and job-maintenance under the Decree No. 6/1996 of the Labour Ministry (VII. 16.) on employment aid and aid granted from the Labour Market Fund for labour market crisis management	HU11/2002	Accession Treaty	31/12/2006
	Non-state aid			
2.1	Non-state aid			
2.2	Non-state aid			
2.3	Employment aid for disabled under the Decree No.11/1998 of the Labour Ministry (IV.19.) on the employment rehabilitation procedure of the Labour Offices and on certain aids to promote the employment of unemployed disabled workers	HU18/2002	Accession Treaty	31/12/2006
	Non-state aid			
3.1	Non-state aid			
3.2	Non-state aid			
3.3	Non-state aid			
3.4	Adult training aid and investment aid for training from the sub-fund of the employment part of the Labour Market Fund	Notified on 22 September 2003.		
3.5	Adult training aid and investment aid for training from the sub-fund of the employment part of the Labour Market Fund	Notified on 22 September 2003.		
	Non-state aid			
4.1	Non-state aid			
4.2	Non-state aid			
4.3	Non-state aid			
4.4	Non-state aid			

**Note:** In conformity with its duties under Article 34(1)(g) of Council Regulation No 1260/1999, the Managing Authority will keep the above State aid table up-to-date and will inform the Commission of any modification of the table. The introduction of a new aid scheme or ad hoc aid requires a modification of the assistance by a

formal Commission decision. Article 4 of the Commission decision approving the present programme (suspensive clause concerning State aid) applies to measures which contain State aid that is subject to appropriate measures or has not yet been authorised by the Commission. At the present stage, this Article applies to measures 3.4 (Training promoting job creation and the development of entrepreneurial skills) and 3.5 (Developing the system of adult training).



## **IV COHERENCE AND CONSISTENCY OF THE STRATEGY**

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The national and Community strategies and guidelines related to employment policy, education, social inclusion policy and human resources development serve as a basis for the strategy, objectives, priorities and measures of the Programme. This chapter describes the coherence and compliance of the Programme with the most important policy documents and demonstrates its consistency with the National Development Plan, as well as the internal consistency between the programme strategy and the interventions.

This chapter was elaborated in co-operation with the ex ante evaluation team (*see p 4.*). The evaluators have assessed the “external” and “internal” consistency of the strategy and priorities. External consistency means that the Programme is in line with the strategy and priorities of the National Development Plan, while internal consistency refers to the relevance and coherence of the programme strategy and priorities. The main conclusions of the ex ante evaluation team are included under sections 1.1 and 4.2. The ex ante evaluation team has also assessed the rest of this chapter in a positive way.

### **1 CONSISTENCY WITH THE STRATEGY, OBJECTIVES AND PRIORITIES OF THE NATIONAL DEVELOPMENT PLAN**

#### ***1.1 COHERENCE OF THE OP WITH THE NDP<sup>11</sup>***

The Operational Programme describes the strategy and measures to reach the objectives of the National Development Plan (NDP) in the field of human resources development. In this respect, the Programme should be consistent with the strategy and objectives of the NDP.

The improved use of human resources is one of the main objectives of the NDP. Consistency between the priorities of the HRD OP and this objective is an essential condition for ensuring an appropriate coherence between the Programme and the NDP. The HRD OP can, however, in some ways also contribute to the other two objectives of the NDP, the improvement of the competitiveness of the economy and ensuring an improved environment and a balanced regional development. The table below shows the correlation between the priorities of the HRD OP and the objectives of the NDP.

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<sup>11</sup> *This section has been elaborated by the ex ante evaluation team (see page 4)*

Correlations between the objectives of the NDP and the priorities of the OP			
NDP objectives HRD OP Priorities	Improving the competitiveness of the productive sector	Increasing employment and development of human resources	Improving the environment and ensuring a balanced regional development
Supporting active labour market policies	**	***	**
Fighting social exclusion by promoting access to the labour market	*	***	**
Promoting lifelong learning and adaptability	***	***	**
Developing the infrastructure of education, social services and health care	**	**	**

Correlation between objectives and priorities:

\* weak \*\* medium \*\*\* strong

All priorities of the HRD OP score strongly on correlation with the HRD objective of the NDP. The NDP connects the health issue directly with the condition of the work force (*see NDP p. 156 and 158*).

There are several direct links between the Programme and the NDP objective of strengthening the competitiveness of the Hungarian economy. It is especially the educational measures and the measures directed at adaptability of the workforce and entrepreneurial skills which are of direct influence on the productivity of companies. The links between the HRD OP and the third objective (improving the environment and ensuring a balanced regional development) are weaker. Some of the priorities will, however, support combating regional disparities. This is for instance because educational and social problems are greater in some regions, especially when it concerns the Roma. Also the ERDF related measures in the field of education, social services and health will be directed at regions where such infrastructure is missing at this moment. The programme also directs itself at environmental education.

There are some minor discrepancies between the NDP and the HRD OP in the key issues the NDP relates to its Priority 2 (Increasing employment and the development of human resources):

- The investment in the infrastructure of schools is in the NDP linked to the maintenance of the academic educational system, whereas the OP connects it to lifelong learning. The latter is more logical, because it is the lifelong learning policy and not the academic system which is covered by the human resources development strategy of the EU.
- In the framework of equal opportunities the NDP states the Government plans an educational and awareness programme, while this operational programme only points at labour market measures. This awareness programme will not be part of the HRD programme.
- The NDP states that the allocation of resources to improving adaptability and the



development of entrepreneurial skills in the framework of the HRD OP is low, because of the significant allocation to SME development in the ECOP. The reduction to more general training for SMEs also aims at avoiding the potential overlaps.

For the rest, the NDP and the HRD OP are consistent with each other. The priority 2 of the NDP points at active labour market policies, participation of women in the labour market, combating social exclusion, lifelong learning, adaptability and entrepreneurial skills, educational infrastructure and health care, which are all part of the Operational Programme.

## ***1.2 COHERENCE OF THE DEVELOPMENT OF HUMAN RESOURCE OPERATIONS AT SECTORAL AND REGIONAL LEVELS***

Under the National Development Plan, human resources development activities will be promoted at two levels:

- at national level, through the sectoral HRD Operational Programme (HRD OP);
- at regional level, through the Operational Programme for Regional Development (OPRD).

The promotion of local development is a horizontal priority of ESF to be mainstreamed throughout all the priorities and measures of the ESF assistance both at national and regional level. At the same time, specific measures are also needed to support the development of human resources at the regional and local levels and enhance local initiatives and partnership building. Interventions at regional and local level must be adapted to the characteristics, labour market situation and development strategies of the different regions. The measures focusing on region-specific problems will be supported within the frameworks of OPRD and will cover the following areas:

- promoting a supply of education and training adapted to regional needs,
- capacity building of public administration and NGOs,
- facilitating local development initiatives and the social economy.

The coordination of ESF activities at sectoral and regional levels will be ensured by the Inter-governmental European Social Fund Co-ordination Committee (*see Chapter VI*).

## ***1.3 SME DEVELOPMENT ACTIONS IN THE VARIOUS OPERATIONAL PROGRAMMES***

The improvement of their competitiveness and the strengthening of their employment potential are key elements of the NDP strategy and SME related activities will be supported under three Operational programmes, namely the Economic Competitiveness Operational Programme (ECOP), the Operational Programme for Regional Development (OPRD) and the Human Resources Development Operational Programme (HRD OP). In order to prevent overlapping, the range of actions related to the SMEs under the different programmes is defined as follows:

### ***ECOP***

In order to develop entrepreneurial culture and knowledge the programme provides support in the form of services providing basic information needed to organise efficient business administration. Within the frameworks of the programme the SMEs will receive support for

the use of consulting services (the preparation of business plans, strategic planning, market research, marketing, preparation for meeting EU requirements, the preparation of applications/bids, performing business audits, processes needed for growth).

#### *HRD OP*

In order to improve the competitiveness of SME, this programme will support general training programmes on obtaining and developing entrepreneurial knowledge, including the development of ICT skills, the obtaining of up-to-date business know-how and knowledge on the European Union. This programme does not support consulting services or sectoral training.

#### *OPRD*

The programme supports the vocational training and further training of the employees of SMEs focusing on the key sectors of a given region and on sectors in which there is a shortage of labour. In addition to that, the programme will promote training programmes linked to tourism. These trade-specific programmes supplement the general training programmes of HRD OP and the training programmes improving the adaptability of SMEs.

## **2 COHERENCE WITH COMMUNITY POLICIES**

### ***2.1 EUROPEAN EMPLOYMENT STRATEGY***

In order to provide a trained and adaptable workforce as well as a labour market adjusting to the economic changes, the Member States and the European Community developed the European Employment Strategy (EES), with its main objectives being full employment, contributing to improving the competitiveness of the knowledge-based economy, strengthening the social cohesion and ensuring sustainable development. Member States contribute to the implementation of the EES through shaping their own employment policy in line with the Employment Guidelines. To achieve the targets identified by the strategy, Member States must outline and implement annually, in co-operation with the social partners, a coherent and comprehensive national action plan based on the objectives and priorities of the Employment Guidelines.

In 2002, the Commission and the Member States have carried a fundamental review of the Guidelines based on the evaluation of the experience of the first five years of the EES. The evaluation of past experience has confirmed the positive role of the EES in supporting the employment performance of recent years. However, the acceleration of economic, social and demographic change, globalisation and the demands of a modern economy, and the enlargement of the EU, represent important employment challenges. The new Guidelines address the need to re-design the Employment Strategy to account for these challenges in an enlarged European Union and they are intended to be more stable and orientated towards delivering the medium-term goals of the 2010 time-horizon set at Lisbon. Emphasis is placed on a more result-oriented approach which allows Member States to design the appropriate mix of action. The Guidelines are built three complementary and mutually supportive

objectives:<sup>12</sup>

- full employment,
- quality and productivity at work,
- social cohesion and inclusion.

The achievement of these objectives requires further structural reforms concentrating on the following key priorities:

- active and preventive measures for the unemployed and the inactive,
- foster entrepreneurship and promote job creation,
- address change and promote adaptability in work,
- more and better investment in human capital and strategies for lifelong-learning,
- increase labour supply and promote active ageing,
- gender equality,
- promote the integration of and combat the discrimination against people at a disadvantage in the labour market,
- make work pay through incentives to enhance work attractiveness,
- transform undeclared work into regular employment,
- promote occupational and geographical mobility and improve job matching.

In the implementation of these priorities, special attention will be paid to ensuring the delivery and effective 'governance' of the process.

The specific objectives of the Human Resources Development Operational Programme correspond to the overall objectives identified by the new Employment Guidelines. In particular, raising the level of employment (*objective 1*) will move Hungary towards achieving full employment while improving the competitiveness of the workforce (*objective 2*) will ensure that it meets the requirements of a competitive and knowledge-based economy. Upgrading skills, enhancing lifelong learning, ensuring equal opportunities and access to the labour market will improve quality at work, on the one hand, and increase the overall work performance on the other. At the same time, promoting social inclusion (*objective 3*) will facilitate participation in employment of the most disadvantaged persons while efforts concentrated on deprived areas will reduce regional disparities.

Actions to be implemented in the framework of the Operational Programme will significantly contribute to the implementation of the priorities set out by the new Employment Guidelines and priorities. In this context, the correlation between these priorities and the measures of the Programme are presented in the table below.

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<sup>12</sup> Proposal for a Council decision on guidelines for the employment policies of the Member States

Compliance of the priorities of the Employment Guidelines and programme measures	
Priority	Measure number
Active and preventive measures for the unemployed and the inactive	1.1
Foster entrepreneurship and promote job creation	1.3, 3.4
Address change and promote adaptability in work	3.4, 3.5
More and better investment in human capital and strategies for lifelong-learning	3.1, 3.2, 3.3, 4.1
Increase labour supply and promote active ageing	1.1, 4.3, 4.4
Gender equality	1.3
Promote the integration of and combat the discrimination against people at a disadvantage in the labour market	2.1, 2.2, 2.3, 4.2, 4.1, 4.3
Make work pay through incentives to enhance work attractiveness	
Transform undeclared work into regular employment	1.2
Promote occupational and geographical mobility and improve job matching	1.1, 1.2, 3.4

The coherence between the actions to be implemented in the framework of the National Development Plan and the EES is presented in the Policy Frame of Reference for Human Resources Development which forms part of the NDP (*NDP Section II, Appendix I*) and the CSF (*Annex I*).

## 2.2 LIFELONG LEARNING STRATEGY

In June 2000, the European Council meeting in Feira called on the Member States, the Council and the Commission to develop (in the context of an integrated approach with the European Employment Strategy) a coherent strategy and practical measures to ensure 'lifelong learning for all'. Lifelong learning has subsequently been identified as a key element of the strategy agreed in Lisbon with the purpose of making the European Union the world's most competitive and most dynamic knowledge-based region by 2010.

The knowledge-based society demands a radically new approach to education and training and emphasises (even more) the role of lifelong learning, including the full range of formal, non-formal and informal learning. To this end, traditional systems and approaches must be shaped in a way that they become more open and more flexible, thereby enabling each student to follow an 'individual learning path' which is more reflective of their own requirements and interest.

The lifelong learning strategy of the Community consists of the following key elements:

- guarantee universal and continuing access to learning for gaining and renewing the skills needed for sustained participation in the knowledge society;
- visibly raise levels of investment in human resources in order to place priority on Europe's most important asset – its people;
- develop effective teaching and learning methods and contexts for continuum of lifelong and life-wide learning;
- significantly improve the way in which learning participation and outcomes are understood and appreciated, particularly non-formal and informal learning;

- ensure that everyone can easily access good quality information and advice about learning opportunities throughout Europe and throughout their lives;
- provide lifelong learning opportunities as close to learners as possible, in their own communities and supported through ICT-based facilities wherever appropriate.

Over the past years, Hungary has taken numerous measures to set up a flexible system of lifelong learning based on individual and social requirements which are in harmony with the relevant requirements of the EU. Nevertheless, such measures have not been framed into a strategic document of uniform structure. As a candidate country, Hungary has been part of a multi-faceted dialogue launched in association with meeting the objectives identified in the Commission's Lifelong Learning Memorandum. At the same time, in the light of the Community Lifelong Learning Strategy, a general review of existing practices has been undertaken by the key actors. The first result of this reflection was the adoption of the Adult Training Act in spring 2002 and is part of the development of a Hungarian Lifelong Learning Strategy which is well under way. In line with the Concept of the strategy (*see section 3.3*) having been presented in the form of Communication to the Government, the promotion of the attainment of the objectives set out in the lifelong learning strategy represents one of the key priorities of the Human Resources Development Operational Programme.

### **2.3 SOCIAL INCLUSION STRATEGY**

The Nice meeting of the European Council in December 2000 adopted the joint objective of the fight against social exclusion and called on the member states to elaborate their national action plans. The action plans demonstrate the relevant measures of each member state on the basis of the following *objectives*:

1. enabling employment and providing access to resources, rights, possessions and services for all;
2. avoiding the risk of social exclusion;
3. assisting those who are at the highest risk;
4. mobilising all involved stakeholders.

As a means of strengthening co-operation, as of 1 January 2002, the fight against social exclusion is assisted by a Community Action Programme which was adopted five years ago with a budget of 75 million euros. Given that the programme declares that fighting social exclusion is primarily the responsibility of the Member States, the goal of the programme is to promote the implementation of the National Action Plans, broaden the actions of the Member States and support co-operation and exchange of experience among different countries.

The actions to be taken in the framework of the Community Action Programme are summarised as follows: drawing up analyses revealing the characteristics, reasons, processes and trends of social exclusion; activities aimed at promoting political co-operation; exchange of information and ensuring mutual awareness of best practices, in addition to involving all relevant stakeholders and building a welfare network in order to fight poverty and social exclusion.

Participation in the Community Action Programmes in the relevant policy field is a tool of particular importance in the context of the integration preparations. According to the terms and conditions identified in the stipulations of the European Treaties and in the resolutions of Association Councils, candidate countries have an opportunity to participate in the action

programme which Hungary has now joined.

For its part, the Operational Programme not only considers Human Resources Development as a tool for adjustment to the requirements of the economy, but also recognises its importance in promoting social inclusion. Among the programme priorities, this objective is primarily served by supporting the fight against social exclusion through delivery mechanisms which promote and assist integration into the labour market.

## **2.4 HORIZONTAL PRINCIPLES**

In accordance with the Regulation 1260/1999/EC, sustainable development and ensuring equal opportunities for women and men must be considered as a horizontal principle in the process of designing and implementing of programmes supported by the Structural Funds.

### **2.4.1 Sustainable development**

The National Development Plan has identified as one of the objectives the use of Structural Funds interventions to contribute towards the protection of the environment. In particular, the National Development Plan states that an improvement in the quality of life of the population can only be achieved through ensuring the preservation of the national heritage, the protection of natural resources and their sustainable exploitation and the creation of an environment of the high quality.

In order to ensure that development is sustainable and compliant with the EU requirements as well as those of the Rio Declaration, the principle of 'the polluter pays', the principle of due care and the principle of efficiency will be enforced under the implementation of the Operational Programme.

According to the assessment of the ex ante evaluation team, the impact of interventions of the HRD OP will be 'environment-neutral'. Nevertheless, it will contribute to the protection and the improvement of the environment through promoting environmental awareness. This will be achieved, in particular, by promoting environmental education at preliminary and secondary levels. In the framework of the National Core Curriculum, environmental education has become a component in every subject as well as a task to be undertaken by all teachers. At the same time, the knowledge of environmental protection and nature conservation has been integrated into training programmes at every level within the school system. Accordingly, the development of basic skills and competences under measure 3.1 of the OP will include *inter alia* the development of teaching material and methodology related to environmental education and will thereby contribute towards an increased level of environmental awareness.

The integration of environmental considerations into the implementation of the Operational Programme will be ensured through using environmental criteria in project selection and the inclusion of an 'environmental dimension' in Operational Programme evaluations. In this context, the representatives of the Ministry of Environment and Water and the Hungarian Association of Environmental Education will be members of the Monitoring Committee of the programme.

### **2.4.2 Equal opportunities for women and men**

Ensuring equal opportunities for women and men will also be integrated as a horizontal

principle across the HRD Operational Programme. It will mean the systematic consideration and monitoring of the differences between the conditions, situations and needs of women and men in all policies and measures, at the point of planning, implementation and evaluation. In addition, the Programme also includes positive measures directed to the improvement of the position of women in the labour market and to promoting equal opportunities (*see also section 4.2.1 on ESF 'crosscutting' themes*).

### **3 COHERENCE WITH NATIONAL POLICIES**

#### ***3.1 JOINT ASSESSMENT OF THE PRIORITIES OF EMPLOYMENT POLICY IN HUNGARY***

As part of the preparation for participating in the implementation of the (revised) European Employment Strategy, in accordance with the recommendations of the Accession Partnership, the Hungarian Government, together with the European Commission, prepared the document entitled *Joint assessment of the medium-term priorities of the Hungarian employment and labour market policy* (JAP) signed in November 2001. This document summarises the objectives of the Hungarian employment policy, as well as the steps taken to achieve them, along the following priorities:

- raising the level of employment;
- reducing unemployment;
- establishing a more flexible labour market;
- developing human resources;
- strengthening the institutional and legal conditions of employment policy.

To monitor progress in the implementation of the JAP, the Government has prepared annual Progress Reports. The first Progress Report was submitted to the Commission in May 2002 and the second in April 2003.

The priorities identified in the JAP and its Progress Reports served as a basis for the strategy of the OP and the interventions to be implemented with the support of the European Social Fund. The priorities of the JAP are taken into account also in the strategy of the National Development Plan. The coherence between the interventions to be implemented within the framework of NDP and the European Employment Strategy are presented in the Policy Frame of Reference for Human Resources Development which forms part of the NDP (*NDP Section II, Appendix I*).

#### ***3.2 MEDIUM-TERM SCHOOL EDUCATION DEVELOPMENT STRATEGY***

The Ministry of Education with the participation of a pool of experts and educationists elaborated a medium-term development strategy for pre-primary, primary and secondary level education. The strategy, based on the SWOT analysis of the sector' present conditions and

after emphasising in the light of the implications of Hungary's accession to the EU the strategic role of education and training in the process of the country's enhanced modernisation and development, identifies the following main policy areas necessitating intervention on medium term:

- Improvement of the efficiency of school education focusing on the education of basic learning, communication and social skills and competencies in the initial phase of the learning and teaching process,
- enhancing the role of school education in combating cultural effects of social inequalities,
- large scale dissemination and use of information technologies in all aspects of teaching and learning,
- improvement of professional skills of teachers and educators
- improvement of the quality of education, with special reference to widespread dissemination of quality insurance schemes,
- improvement of the overall governance of the school system with special regard to matter concerning economic and financial efficiency,
- overall improvement of the physical infrastructure and equipment of school education with emphasis on disadvantaged regions and settlements.

The document in order to substantiate the main objectives of the strategy identifies a number of specific measures to be implemented in coming years. In this context it makes direct reference to concrete measures of the HRD OP of the NDP.

### ***3.3 THE HUNGARIAN LIFELONG LEARNING (LLL) STRATEGY***

The Ministry of Education, in conjunction with the Ministry of Employment and Labour (and with the participation of a wide range of experts), participate in the on-going process of developing the Hungarian concept of a Lifelong Learning Strategy. To this end, the outline and basic principles of the Strategy have been developed in the form of a Joint Communication by the two Ministries and has already been submitted to government. In its final form, the process will lead to the adoption of a comprehensive and strategic policy framework governing the implementation stage. This strategy will be formulated along the objectives and principles of the respective EU documents referred above.

The concept, after reviewing the whole Hungarian formal, informal and non formal education and training practices from the point of view of the requirements and objectives of LLL, and based on the identified constraints defines the main tasks. It stresses the primary responsibility of the State for formulating and implementing a coherent and comprehensive LLL strategy encompassing all levels and forms of education and training, and also the necessity to assure in the implementation process the active partnership of all interested actors.

The concept:

- in formal education emphasises, the necessity to focus in an early stage of education on the acquisition of basic learning skills, and to open school for all, especially to different socially or otherwise disadvantaged group of people,
- in initial vocational training stresses the necessity to better prepare people to labour



market requirements,

- advocates an enhanced role of higher education in formal and non formal learning and to this end the amendment of existing legislation and tax regulations,
- in non formal adult education, the number of working age adult participating in work related training schemes should be considerably increased, meanwhile their transparency should be enhanced and quality insurance firmly implemented.

The new LLL concept proposes also, the adoption of a whole set of practical measures at all levels and forms of education and training. Some of these measures are identified in the HRD OP of the NDP.

### ***3.4 JOINT MEMORANDUM ON SOCIAL INCLUSION***

In relation to social inclusion policies, the European Commission has concluded a series of Joint Memoranda with the Candidate countries based on the 'open method of co-ordination'. In particular, the primary goal of the process is to establish a Joint Inclusion Memorandum (JIM) which sets out the key policy areas to be addressed in the framework of cooperation. In the case of Hungary, the Ministry of Health, Social and Family Affairs will coordinate the process in close cooperation with other concerned Ministries, public authorities and non-governmental organisations.

The Hungarian JIM identifies the key areas to be addressed across the following 5 policy areas:

#### *Promoting participation in employment*

- High inactivity rate,
- Education and vocational training not complying with the requirements of the labour market and failing to equip young people with appropriate skills.

#### *Promoting access to resources, rights, goods, and services*

- Demographic changes, especially the ageing population,
- Poor general health condition of the population,
- The lack of affordable social housing,
- Failures of the health- and social-care systems and the unequal access to its services and goods.

#### *Preventing the Risks of Exclusion*

- Early-school leavers, young people leaving the education system with no qualification,
- Poverty of children and young people.

#### *Helping the most vulnerable*

- High incidence of poverty and social exclusion in certain social groups, such as people with disabilities, Roma people, single parents, older workers, addicts, homeless people etc.

#### *Mobilising all relevant bodies*

- Lack of integrated approaches in social services.

The Memorandum gives an overview of current practice and existing systems, reviews the governmental efforts to promote social inclusion and sets out a strategy to tackle the problems identified. With respect to the labour market aspects of poverty and social exclusion, the strategy aims at modernising the existing system of social benefits in order to create incentives and make work pay on the one hand, and developing the human resources on the other. In preventing exclusion, tackling the problem of early school-leaving and creating stronger links between education, vocational training and labour market are the crucial elements of the strategy.

The Operational Programme will have an important role to play in the achievement of the objectives identified by the JIM. Priority 2 of the Programme will support actions aimed at improving the employment opportunities of disadvantaged people and developing “pathways” towards the labour market. Target groups will include, among others, the Roma people, the long-term unemployed, the disabled, early school leavers, people with low levels of education, addicts and those living in the most disadvantaged regions. Measures will be based on a comprehensive approach involving a range of activities in the field of education and training, employment and social support services. In accordance with the JIM, special emphasis will be given to improving the employability of Roma people who are facing significant disadvantages in accessing the labour market.

### ***3.5 A MEDIUM-TERM PACKAGE FOR IMPROVING THE LIVING CONDITIONS AND SOCIAL POSITION OF THE ROMA***

The social group affected most negatively by the socio-economic changes was the Roma population. Numerous measures have been taken to promote their social inclusion, labour market integration and improvement in their living conditions. In 1999 the government adopted an integrated medium-term package of measures<sup>13</sup> that included steps to be taken in the areas of education, culture, employment, agriculture and regional development, as well as social affairs, health care, housing and anti-discrimination programmes, in addition to measures related to communication and the media.

It is an important element of the package of measures that in the course of implementing the active employment policy programmes, positive discrimination is to be applied in case of the Roma. In order to apply the principle of partnership and for developing co-operation and communication between Roma organisations and the various social organisations, training and conferences are being organised. The Inter-ministerial Committee of Roma Affairs annually reviews the previous year's accomplishment of tasks outlined in the package of measures.

Ensuring equal opportunities for the Roma is a key issue in the HRD OP. Actions will focus on facilitating the labour market and social inclusion of the Roma through ensuring equality in accessing employment, education, social services and health care.

### ***3.6 THE HEALTH CARE REFORM***

The reform of the Hungarian health care is indispensable due to the extremely bad health status of the population, to the deficiencies of the system and to the necessity to keep pace

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<sup>13</sup> Government decree 1047/1999 (V.5)

with the development of medical sciences, which promote the assurance of efficient and quality services.

In 2002 (February), the Hungarian government launched a ten year national programme called the “Decade of Health”, which consists of three major elements: creation of a health promoting social environment, consolidation and modernisation of the health care system and the financing reform of the health system.

The main objectives of the reform are the following:

- To improve the health status of the population and the quality of life determined by health,
- To assure equal opportunities for Hungarians to access generally accepted health services within the mandatory health insurance system,
- To distribute resources according to the national health policy, regional strategic concepts, developments aiming at mitigating regional inequalities and barriers to access,
- Instead of the traditional role of maintaining public institution, the state applies the principle of sectoral neutrality and favours service provider functions (e.g. Managed Care of Patients),
- To improve the professional standards of care; to disseminate the knowledge-based and EBM (evidence-based medicine) solutions and procedures,
- To retain public financing considerable, but to involve private resources for the better implementation of community objectives (consequently the ownership structure of health care providers becomes diverse and the efficiency of management is to be improved),
- To enhance the efficiency of the health care system and the service providers (the parallel improvement of the allocational and technical efficiency),
- To transform the health care system into a patient-friendly system through the improvement of conditions of care and the information position of patients.

The table below contains the major elements of the reform. (The column in grey indicates the health measures of the HRD OP.)

<b>“Decade of Health” National Programme</b>			
<b>Bela Johan National Programme</b> (Public Health Programme)	<b>Consolidation and Modernisation of the Health Care System Programme</b>	<b>NDP HRD OP</b> Health Care infrastructure development	<b>Financial Reform of the Health System</b>
19 sub programmes Special attention focused on <ul style="list-style-type: none"> <li>- youth issues</li> <li>- problems among the elderly</li> <li>- creating equal opportunity</li> <li>- evolving the environment that supports health in the various aspects of life (safety at work)</li> </ul>	Hospital consolidation programme linked with restructuring  Development of ownership structure and operational method  Inclusion of Regional Health Councils  Strengthening the professional and territorial structure of secondary care  Institutional reconstruction	Establishment of professional base institutions in the three regions:  <ul style="list-style-type: none"> <li>- High standard screening stations, diagnostics centres</li> <li>- Rehabilitation centres</li> <li>- Regional Health Centre (model institute)</li> <li>- IT development in the health care sector in regions lagging behind</li> </ul>	Supervision of compulsory assurance package New possibilities of involving resources: supplementary health insurance, voluntary health funds New nursing scheme The encouragement of Public Private Partnership
Primary prevention Prevention of avoidable mortality, morbidity and disability	Changing of outdated, deficient equipment		Calculation of charges Inclusion of amortisation
	<u>IT development</u> Dissemination of knowledge-based solutions in health care Development of sectoral indicator-set and sectoral data-base		
	Quality assurance, professional protocols		
	Human Resources Programme package: salary policy (50%), loyalty award for nurses, nursing scholarship, vocational training, management development.		

The realisation of the objectives of the reform requires the restructuring of health care, the transformation of professional financial control and the establishment of a patient-friendly, customer-centred service system.

The reform program is a system of cohesive steps; therefore the measures of the program are being implemented in different stages. The design, the management and the implementation of the different sub-programmes are the responsibility of the so-called “Decade of Health” Programme Office (Ministry of Health, Social and Family Affairs). The implementation of the programme is in process.

Within the framework of the public health programme the following steps have been taken: adoption of a family, healthy lifestyle national programme; prevention programmes in schools, kindergartens; communication programmes and local actions; establishment of an Anti-smoking Co-ordination Office; preparation of inter-sectoral food policy, heart friendly

programme actions, breast and cervix screening, health status monitoring etc.

Furthermore, calls for applications were published in 13 sub-programmes, dealing with inter-alia, child health, development of healthy life-style, reduction of smoking, improvement of the quality of life of the elderly etc.

Concerning the implementation of the consolidation and modernisation programme the following most important measures have been taken so far:

- A debts-release programme has been launched, based on applications. Some 3.1 billion HUF, as a total, was provided for 30 hospitals with liquidity problems, with the condition to develop their efficient management and to reconstruct their professional structure.
- In order to provide equal opportunities in access to health care services, the capacity of the health care system has been assessed, regional disparities in the health care system have been analysed and structural tensions in the systems have been revealed.
- The aim of the regional level patient management is to elaborate a development policy – according to the spatial levels of the public administration reform – built upon progressive care. For this purpose, regional health development plans are under elaboration (assessment of the region's needs, agreement on developments, alterations, capacity distribution) built upon sectoral development concepts. The elaboration of the plans requires the co-operation of the actors of the health care system of the given region. Therefore, in 2003 several Regional Health Councils – as conciliation forums - were set-up throughout the country.
- The Ministry has approached local governments and institutions to make the necessary professional preparations and arrangements. The establishment of the regional health councils will contribute to the assurance of equalised access to health care services and to uniform technical standards for health service providers.
- The act on health institutions has been adopted in 2003, which lies down, by sectoral neutrality, the professional and financial conditions of health care service providers and makes possible the organised, controlled and regulated reconstruction of institutions, through the involvement of private capital (with the retaining the dominance of public ownership). Connected to the act on health institutions, a new minimum professional and technical requirement system will be introduced for health care providers (at the beginning of 2004). Changing the service purchasing and financing role of the National Health Insurance Fund is under preparation. Instead of the current obligatory contracting procedure, the National Health Insurance Fund will enter into contract only with those service providers, who fulfil the required professional and management conditions.

Within the framework of the financial reform the most important steps which have been taken are the following:

- Pilot projects for the managed care of patients have been extended and made accountable within social insurance financing. A code of Outpatient Care has been adopted in order to ensure transparent and equitable financing as well as more efficient control.
- The health contribution of employers has been mitigated. The Ministry of Health, Social and Family Affairs together with the Ministry of Finance has reviewed the new possibilities of involving resources, as well as on supporting different forms of self provision. Within the submission of the Ministry of Finance individual health accounts will be introduced, and proposals on developing systems of supplementary health insurance, voluntary health funds will be elaborated.

- A new nursing scheme is currently under development, which would be appropriately cost-effective, ensure the co-operation of service providers and be based on individual savings and self-provision. In addition, a programme aiming at involving private capital for public purposes (Public Private Partnership) is currently under elaboration.

Furthermore, it is essential to highlight the measures that have been taken in the area of IT-development:

- The health version of the National Information Society Programme was elaborated. Furthermore, the development of a sectoral indicator set has started as well as the establishment of a sectoral data-base. In addition, a public procurement procedure has been launched for the creation of a sectoral portal. Moreover, sectorally neutral development supporting principles for health care providers were elaborated.

In addition to these, a "National Safety at Work Programme" has been adopted in Hungary in 2001. Execution of the programme is in process. In addition, the harmonisation process of the Hungarian work health standards to the EU has mainly been accomplished.

Finally, it is important to mention the supporting provisions of the Human Resources Programme Package of the "Decade of Health" which include: the salary increase (50%) of health care professionals and ancillary staff, loyalty award for nurses, scholarship for nurses, vocational training and management development. In 2003, the remuneration of overwork has also been arranged by the sector. As a result, overwork will be calculated in the time of service and in the pension fund.

#### *Linkages between the HRD OP measures and the „Decade of Health” National Program*

The components of measure 4.3 are complementary elements of the "Decade of Health" national program. The creation of modern outpatient diagnostic and screening centres in the regions lagging behind, contributes to the effective implementation of the "Béla Johan" public health program. Within the framework of the program the screening has already started (the domestic sources are assured); however the conditions of screening are unsatisfactory.

The expansion of the rehabilitation and nursing capacities – through unutilised, allocated hospital capacities – contribute to the consolidation and modernization elements of the "Decade of Health" national program, by linking the restructuring of the health care system with the establishment of regional base institutions.

In addition, the measure reduces the risk of interventions and mitigates the environmentally harmful effects. Furthermore, through the infrastructural development and the establishment of a professional base institutions in the regions lagging behind, it contributes to the realisation of the two major objectives of the "Decade of Health" national reform; notably to the mitigation of regional inequalities and to the establishment of regional level patient management and health care provision system. Measure 4.4 (IT development) contributes to the development of regional level health institutional system as well, by the improvement of the systems' information technology.

## **4 COHERENCE AND CONSISTENCY OF THE STRATEGY AND PRIORITIES**

### **4.1 ‘INTERNAL’ CONSISTENCY OF THE PROGRAMME STRATEGY AND PRIORITIES<sup>14</sup>**

#### **4.1.1 Adequacy of the SWOT analysis**

The situation concerning human resources development in Hungary is described in chapter I of the Programme. While there is no justification in the OP itself of the themes chosen, these themes (employment, education and training, poverty and social exclusion, equal opportunities of men and women and health of the workforce) are consistent with the scope of the EU policies concerning employment, social inclusion, education and working conditions. The analysis describes the most important features of the current situation; a more detailed description, however, should have distracted from the main lines of analysis.

These features return also in the SWOT analysis:

- The most important strengths are: the rise of the qualification level, the presence of an infrastructure for employment services and an organizational framework for social, child care and family support activities.
- The most important weaknesses are a low level of employment, an educational system not directed at the attainment of skills and competences for employment, the social exclusion of the Roma population and the bad health of the work force.
- The most significant threats are the increasing labour cost, the insufficient in-company training of employees and long-term unemployment of younger generations.

Only in the case of the opportunities the SWOT analysis is in the view of the ex ante evaluation team a little too optimistic. Before the implementation of a broad human resources development policy, an integrated system of lifelong learning and a flexible and efficient system of social services should be ensured; it is needed to look for opportunities on a lower ambition level, such as training the unemployed, better vocational training for the youth and social action in co-operation between public organizations and NGO's. This also better fits the programme strategy (*see also page 156 of the NDP, which specifically describes these actions as first steps*) and the short planning period for the programme (2004-2006).

#### **4.1.2 Consistency between SWOT and programme strategy**

The objectives of the HRD OP and the programme strategy resulting from this objectives fit to the major weaknesses in the SWOT:

1. The raising of the level of employment fits to the low level of employment especially of women (and indirectly to the preservation and restoration of working capacities and health)

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<sup>14</sup> This section has been elaborated by the ex ante evaluation team.

2. The improvement of the competitiveness of the work force to the shortcomings of the educational system and the absence of lifelong-learning policies with companies
3. The promotion of social inclusion fits to the social exclusion of several groups including the Roma.

The programme strategy resulting from these objectives makes use of some of the strengths in the SWOT such as, for example, the infrastructure for employment and social services and also builds on some of the opportunities such as the better use of ICT. Whereas the threats have a strong relation with the weaknesses in the SWOT the programme strategy will contribute in helping to prevent these threats becoming real.

#### 4.1.3 Consistency between programme strategy and priorities

Each of the priorities of the Programme is consistent with the OP objectives (*see also Annex I*):

- “*Supporting active labour market measures*” (and the labour market measures directed at equal opportunities for women) with the increase of the level of employment;
- “*Fighting social exclusion by promoting access to the labour market*” with promotion of social inclusion;
- “*Supporting education and training as part of the life-long learning policy*” and “*Improving adaptability and entrepreneurial skills*” with the improvement of the competitiveness of the labour force;
- “*Developing educational infrastructure*” with improvement of the competitiveness of the work force, “*Developing social services infrastructure*” with the promotion of social inclusion, while “*Developing health infrastructure*” will contribute to the increase of the level of employment, in so far as it should be directed at the work force.

Moreover, some of the educational measures (specifically training associated with job creation, vocational and adult training<sup>15</sup>) will have an effect on employment, whereas the improvement of the employability of disadvantaged people will also contribute to the rise of the employment level.

An important element in assessing the strategy is the justification of the relative size of the priorities in relation to their importance in the light of the programme strategy:

- The greatest part of funding goes to employment and adult training actions (priorities 1 and 3 and part of priority 2; totalling circa 38% of funding).
- A significant part of the funding (priority 3, almost half of priority 4 and part of priority 2; totalling circa 36% of funding) will go to measures directed at activities in the field of school-based education.
- A much smaller part of funding is directed at social services and health infrastructure (21%).

The relatively big share of educational measures can be explained by circumstances such as the skills shortages of the Hungarian work force and by the high youth unemployment, which

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<sup>15</sup> The promotion of adult training will have a preventive effect on older workers, who otherwise would lose their jobs because of missing the right qualifications for coping with technological innovations.



is for a significant part caused by a shortage of education and an inadequate connection between vocational training and the skills and competences demanded by the labour market. On the other side, the relatively small size of funding related to social services can partly be justified by the fact that there are other measures in the fields of education (measure 2.1) and employment (measure 2.3) which are also targeted at socially excluded groups. In addition, a substantial part of priority 1 activities will also aim at helping people who are at a disadvantage in the labour market. Regarding the health infrastructural measures, it is important to state that besides concentrating on the most disadvantaged regions, funding should be targeted at improving the health status of the work force.

## **4.2 COHERENCE WITH THE POLICY FIELDS AND HORIZONTAL PRIORITIES OF ESF**

### **4.2.1 ESF ‘crosscutting’ themes**

This section describes the coherence of the Operational Programme with the ESF 'crosscutting' themes identified under Article 2.2 of the ESF Regulation. In the course of implementation of ESF supported actions, the following horizontal principles will be taken account of:

- Supporting local initiatives concerning employment, in particular initiatives to support local employment and territorial employment pacts.
- The social and labour market dimension of the information society notably by developing policy and programmes designed to harness the employment potential of the information society and by ensuring equal access to its facilities and benefits, and
- Equality between women and men as part of the mainstreaming approach.

#### *Supporting local employment initiatives*

The new Employment Guidelines provide a consistent and comprehensive approach to local development: all actors at the regional and local levels, including the social partners, should therefore be mobilised to implement the European Employment Strategy by identifying the potential of job creation at local level as well as through strengthening local partnerships. In accordance with these principles and the requirements of the ESF Regulation, the HRD OP will take into account, where appropriate, the regional development dimension and will encourage the co-operation of local and regional actors in the field of training and employment.

In Hungary, the Public Employment Service (PES) has a well-established decentralised institutional system which consists of the 20 county labour centres as well as 174 branch offices. In order to ensure that the services offered by the PES better meet the needs of the local and regional labour market, actions aimed at the development of the PES will include the strengthening of its co-operation with other actors at local and regional level including local governments and non-governmental organisations.

Moreover, the mobilisation of all actors at the local level will require actions to strengthen the capacities of non-governmental organisations, including the provision of appropriate technical assistance in the course of implementation. The experiences of PHARE projects show that assistance and support in project development and implementation is essential for the successful implementation of projects. Partnership and co-operation between local players

acting in the field of education and training and social services will therefore also be encouraged.

In addition, specific activities aimed at supporting local employment initiatives will be promoted through the Operational Programme for Regional Development (OPRD) including the development of local employment strategies as well as the promotion of the social economy. Where appropriate, such actions will complement the relevant measures undertaken under the HRD OP.

#### *Information society*

In the information society, ICT skills are a key to employability and adaptability. Furthermore, equipping people with the necessary skills to maximise the utilisation of digital tools has an important role to play in ensuring that no one is excluded from taking economic and social advantage of the new technologies. Accordingly, in the framework of the Operational Programme, the development ICT skills will be supported at all levels and forms of education and training.

In addition, measures promoting participation in the information society will include training, the development of new curricula and methods, the extension of the possibilities for distance education as well as the development of the ICT infrastructure of education and training. Special attention will be given to promote the competitiveness of SMEs through training in IT, with special regard to promoting their participation in e-business. In addition, the Programme will support the development of the digital support tools of the PES with a view to enhance the effectiveness and accessibility of the services offered by it, in particular job brokering.

In the framework of the Commission's new guidelines on 'Criteria and Modalities of Structural Funds in support of electronic communications', appropriate measures will attach priority to addressing the 'digital divide', in particular as it impacts on the social and labour market position of the most disadvantaged.

#### *Equal opportunities for women and men*

The Operational Programme will promote equal opportunities of women and men through a dual approach. On the one hand, equal opportunities for women and men is a horizontal principle which will be monitored throughout the process of implementation and evaluation of the programme. This will require an appropriate set of monitoring indicators, data collection as well as implementation procedures and guidelines. To this end, activities under the Technical Assistance Priority will include support for the development of these tools as well as training in equal opportunities for the actors involved in the implementation of the OP.

On the other hand, specific actions are also needed to promote the participation of women in the labour market as well as in the reconciliation of work and family life. To that end, Priority 1 of the OP will support activities aimed at enhancing the employability of women, developing their entrepreneurial skills and providing flexible care services.

### **4.2.2 ESF policy fields**

Article 2.1 of the ESF Regulation (1784/99/EC) identifies the policy fields in which the European Social Fund shall support and complement the activities of the Member States. Each of these policy fields is covered by the priorities and measures of the Programme. The coherence between the policy fields and the actions of the Programme are presented below.

### Policy field 1

*Developing and promoting active labour market policies to combat and prevent unemployment, to facilitate the reintegration of the long-term unemployed into the labour market, and to support the occupational integration of young people and of persons returning to the labour market after a period of absence.*

Priority 1 of the Operational Programme (“Promoting active labour market policies”) will cover this policy field. Priority 1 will support the active labour market measures implemented by the Public Employment Service (PES). In accordance with the new Employment Guidelines and the Joint assessment Paper (JAP) and its follow-up Progress Reports, the priority will enhance the modernisation and development of the employment services, with special regard to job brokering services. Activities will be aimed at providing more efficient and targeted assistance to the unemployed and the inactive in promoting their return to the labour market as well as in preventing the inflow to long-term unemployment. In order to prevent and successfully tackle long-term unemployment, the services allowing for early identification of the risks of unemployment will also be further developed.

### Policy field 2

*Promoting equal opportunities for all in accessing the labour market, with particular emphasis on those exposed to social exclusion.*

Priority 2 of the Operational Programme will support actions promoting the employment opportunities of disadvantaged people and developing ‘pathways’ towards the labour market. Target groups will include, among others, the Roma, the long-term unemployed, the disabled, early school leavers, people with low levels of education and basic skills, addicts and those living in the most disadvantaged regions. Actions under this priority will be based on a comprehensive approach involving a range of activities in the field of education and training, employment and social support services. Across priority as a whole, special emphasis will be given to improving the employability of the Roma, who continue to face significant disadvantages in accessing the labour market.

### Policy field 3

*Promoting and improving training, education, counselling as part of lifelong learning policy to: facilitate and improve access to, and integration into, the labour market, improve and maintain employability, and promote job mobility.*

Priority 3 (“Promoting lifelong learning and adaptability”) will promote the development of an efficient and flexible educational and training system responsive to labour market needs. The priority will comprise various levels and forms of education and training including primary and secondary education, vocational training, post-secondary and higher education as well as adult training. Activities related to this policy field will include the improvement of methodological and pedagogical tools necessary for the development of basic skills and competences, the development of the vocational training system and actions to facilitate the adaptation of higher education to the requirements of the knowledge-based society. Raising digital skills will be a crosscutting element at all levels and forms of education.

### Policy field 4

*Promoting a skilled, trained and adaptable workforce, innovation and adaptability in work organisation, developing entrepreneurship and conditions facilitating job creation, and enhancing skills and boosting human potential in research, science and technology.*

Priority 3 (Promoting lifelong learning and adaptability) of the Programme will address the adaptability of the workforce through promoting in-company training and the development of entrepreneurial skills with special regard to SMEs. It will support, *inter-alia*, training in up-to-date knowledge and skills in line with developments under the information society. A comprehensive development of adult education will also be implemented in order to ensure an adequate supply of training while ensuring that the various forms of adult education meet the needs of the most disadvantaged people. Furthermore, as part of the development of higher education and as a complementary activity for the Economic Competitiveness Operational Programme, Priority 3 will support the expanding of human resources for R&D through the training of people working in this field.

#### Policy field 5

*Specific measures to improve women's access to and participation in the labour market, including their career development, their access to new job opportunities and to starting up of businesses, and to reduce vertical and horizontal segregation on the basis of sex in the labour market.*

Ensuring equal opportunities for women and men is a horizontal priority in the Operational Programme, but at the same time specific actions are also needed to promote the participation of women in the labour market. Accordingly, Priority 1 of the Programme will support activities aimed at enhancing the employability of women as well as developing their entrepreneurial skills. To ensure that women with young children or caring for other dependants can participate in the labour market or training, appropriate support will be given to the provision of day-care services in accordance with the requirements of Article 3.2(b) of the ESF Regulation. ESF related interventions in this field will be complemented by the investments in the infrastructure relating to these services through assistance from the ERDF. At the same time, horizontal and vertical segregation of women will be addressed separately under the EQUAL Community Initiative Programme.

### **4.3 COHERENCE OF ESF AND ERDF SUPPORTED PRIORITIES WITHIN THE PROGRAMME**

In order to ensure the success and efficiency of the interventions performed with the support of the European Social Fund, the Programme will support also the development of infrastructure related to human resources development (Priority 4) Investment in infrastructure will be supported by the European Regional Development Fund and will cover the infrastructure of education and training, social services and the health care system. The measures are aimed at reducing regional disparities and improving the access to and quality of these services.

The development of the infrastructure of vocational training and higher education institutions (*Measure 4.1*) is an essential precondition for ensuring a successful implementation and for obtaining positive results of developing educational content and methodology under priority 3. Modernising training systems and increasing the quality of education and training require appropriate physical environment capable of admitting new technologies and facilitating adjustment to the changing requirements.

The Joint Inclusion Memorandum (JIM) emphasises the need for the development of the infrastructure supporting social inclusion. There are significant differences at the levels of regions and small-regions in terms of access to social support services. To reduce these

differences and to promote the integration of disadvantaged people to the labour market, measure 4.2 of the OP will support investments in the infrastructure of social support services. Upgrading the infrastructure of these services will contribute to the success of the implementation of ESF related activities, in particular those aimed at improving the employability of disadvantaged people and will serve as a basis for future ESF type programmes. Furthermore, the development of the infrastructure of services enabling the reconciliation of work and family life is a basic condition for ensuring equal opportunities for women and men in the labour market. These activities will be complementary to measures 1.3, 2.2 and 2.3 supported by the ESF.

From the aspect of the employability and competitiveness of labour, important factors are the health status and the appropriate working ability. The health status of the Hungarian population is one of the worst in Europe, and especially the morbidity and fatality indicators of the economically active population are inferior. Regarding the standard of health care services and access to health care, there are substantial regional differences, which are also reflected in the differences of health status and the expected life span. In order to improve the standard of services and to reduce regional differences, Priority 4 of the programme supports developing the infrastructure of the health care system, concentrating to the most disadvantaged regions. A health care of better quality, also available to the population of the most disadvantaged regions, will contribute to safeguarding health, improve the efficiency of rehabilitation services and thereby enhance employability.

## **V INDICATIVE FINANCIAL TABLE**

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According to Article 18 of Regulation 1260/1999, the Operational Programme should include an indicative financial table setting out the planned utilisation of the financial assistance obtained from the individual Structural Funds and – in justified cases – from the European Investment Bank and other financial funds of the Community, as per priorities and annually. In relation to the European Investment Bank in particular, an indicative potential loan contribution of 120 million euro to this Operational Programme may be made subject to due diligence on behalf of the Bank's services.

The figures presented in the Financial Table are in conformity with the 'increased employment and development of human resources' priority set out in the CSF and also incorporate the amount allocated to Technical Assistance for the management of the programme. The proportions of the financial table were set in conformity to the above statute, to the programme strategy and the experiences of similar grants.

With reference to Article 29(2) of the Council Regulation (EC) No 1260/1999, it is noted that the contribution from the Structural Funds in the financing plan below is to be calculated in relation to the total public or similar eligible expenditure, within the maximum rates set in Article 29(3) and 29(4) of that Regulation.

The amounts included in the indicative Financial Table represent commitment levels in all cases while actual payments will be established on the basis of expenditure incurred.

HRD OP Indicative Financial Plan by priority and year																
EUR, current price																
Priority/Year	Total Cost	Public											Privat e	Coe-hsion Fund	Other Finan- cial Instru- ments	EIB Loans
		Total	Community participation					National public participation								
			Total	ERDF	ESF	EAGGF	HOPE	Total	Central	Regional	Local	Other				
Supporting active labour market policies	160 067 514	160 067 514	120 050 633	0	120 050 633	0	0	40 016 881	40 016 881	0	0	0	0	0	0	
2004 ESF related	37 422 653	37 422 653	28 066 989	0	28 066 989	0	0	9 355 664	9 355 664	0	0	0	0	0	0	
2005 ESF related	53 426 901	53 426 901	40 070 175	0	40 070 175	0	0	13 356 726	13 356 726	0	0	0	0	0	0	
2006 ESF related	69 217 960	69 217 960	51 913 469	0	51 913 469	0	0	17 304 491	17 304 491	0	0	0	0	0	0	
Fighting social exclusion	87 002 121	87 002 121	65 251 588	0	65 251 588	0	0	21 750 533	21 750 533	0	0	0	0	0	0	
2004 ESF related	20 340 480	20 340 480	15 255 359	0	15 255 359	0	0	5 085 121	5 085 121	0	0	0	0	0	0	
2005 ESF related	29 039 333	29 039 333	21 779 499	0	21 779 499	0	0	7 259 834	7 259 834	0	0	0	0	0	0	
2006 ESF related	37 622 308	37 622 308	28 216 730	0	28 216 730	0	0	9 405 578	9 405 578	0	0	0	0	0	0	
Promoting lifelong learning and adaptability	229 258 270	229 258 270	171 943 699	0	171 943 699	0	0	57 314 571	57 314 571	0	0	0	0	0	0	
2004 ESF related	53 598 962	53 598 962	40 199 220	0	40 199 220	0	0	13 399 742	13 399 742	0	0	0	0	0	0	
2005 ESF related	76 521 204	76 521 204	57 390 902	0	57 390 902	0	0	19 130 302	19 130 302	0	0	0	0	0	0	
2006 ESF related	99 138 104	99 138 104	74 353 577	0	74 353 577	0	0	24 784 527	24 784 527	0	0	0	0	0	0	
Developing infrastructure of education, social services and health care	236 509 007	236 509 007	177 381 752	177 381 752	0	0	0	59 127 255	43 154 162	0	15 973 093	0	0	0	0	
2004 ERDF related	55 294 131	55 294 131	41 470 597	41 470 597	0	0	0	13 823 534	10 089 138	0	3 734 396	0	0	0	0	
2005 ERDF related	78 941 336	78 941 336	59 206 001	59 206 001	0	0	0	19 735 335	14 403 879	0	5 331 456	0	0	0	0	
2006 ERDF related	102 273 540	102 273 540	76 705 154	76 705 154	0	0	0	25 568 386	18 661 145	0	6 907 241	0	0	0	0	
Technical Assistance	37 593 354	37 593 354	28 195 015	0	28 195 015	0	0	9 398 339	9 398 339	0	0	0	0	0	0	
2004 ESF related	8 789 060	8 789 060	6 591 795	0	6 591 795	0	0	2 197 265	2 197 265	0	0	0	0	0	0	
2005 ESF related	12 547 808	12 547 808	9 410 856	0	9 410 856	0	0	3 136 952	3 136 952	0	0	0	0	0	0	
2006 ESF related	16 256 486	16 256 486	12 192 364	0	12 192 364	0	0	4 064 122	4 064 122	0	0	0	0	0	0	
Total	750 430 266	750 430 266	562 822 687	177 381 752	385 440 935	0	0	187 607 579	171 634 486	0	15 973 093	0	0	0	0	
ERDF related	236 509 007	236 509 007	177 381 752	177 381 752	0	0	0	59 127 255	43 154 162	0	15 973 093	0	0	0	0	
ESF related	513 921 259	513 921 259	385 440 935	0	385 440 935	0	0	128 480 324	128 480 324	0	0	0	0	0	0	
Year																
2004	175 445 286	175 445 286	131 583 960	41 470 597	90 113 363	0	0	43 861 326	40 126 930	0	3 734 396	0	0	0	0	
2005	250 476 582	250 476 582	187 857 433	59 206 001	128 651 432	0	0	62 619 149	57 287 693	0	5 331 456	0	0	0	0	
2006	324 508 398	324 508 398	243 381 294	76 705 154	166 676 140	0	0	81 127 104	74 219 863	0	6 907 241	0	0	0	0	

## **VI IMPLEMENTING PROVISIONS**

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In accordance with Council Regulation 1260/1999/EC laying down general provisions on the Structural Funds and on other related Regulations<sup>16</sup>, this chapter summarises the key management, monitoring, evaluation, implementing and control arrangements which have been established in respect of the Operational Programme for Human Resource Development.

### **1 MANAGEMENT**

#### ***1.1 MANAGING AUTHORITY***

The Managing Authority shall be responsible for the efficient implementation of the Operational Programme and for adherence to the regulatory framework throughout the period of implementation. To this end, the Managing Authority (hereinafter referred to as the MA) for the Human Resource Development Operational Programme was set up under the Ministry of Employment and Labour (MoEL) and bears sole and full responsibility for the efficiency and correctness of management and implementation of the operational programme in accordance with the provisions of Article 34 of Council Regulation 1260/1999/EC.

Under this Article, the relevant Community legislation specifies the responsibilities and roles of the MA in respect of the operational programme. In co-operation with the CSF Managing Authority, the key ministerial and other partners, as well as the Paying Authority, the MA shall, in accordance with the requirements set by Regulation 1260/1999/EC, be responsible for:

- setting up a system to gather reliable financial and statistical information on implementation, for the monitoring indicators referred to in Article 36, and for evaluation in compliance with Articles 42 and 43; and for forwarding this data in accordance with arrangements agreed between Hungary and the Commission, using where possible computer systems permitting the exchange of data with the Commission, as defined in Article 18(3)(e);
- Adjustment in accordance with paragraph 3 and the implementation of the programme complement within the meaning of Article 18(3), without prejudice to Article 35;
- drawing up and, after obtaining the approval of the Monitoring Committee, submitting to the Commission the annual implementation report;

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<sup>16</sup> Regulation 1784/1999/EC (ESF Regulation), Regulation 438/2001/EC (SF Management and Control Systems) 1261/1999/EC (ERFA Regulation), Regulation 1783/1999/EC (ERFA Regulation), Regulation 1685/2000/EC (SF co-financed activities), Regulation 1159/2000/EC (Communication)



- ensuring that those bodies taking part in the management and implementation of the assistance maintain either a separate accounting system or an adequate accounting code for all transactions relating to the assistance;
- ensuring the correctness of operations financed under the assistance, particularly by implementing internal controls in keeping with the principles of sound financial management and acting in response to any observations or requests for corrective measures adopted pursuant to Article 38(4), first subparagraph, or recommendations for adjustment made under paragraph 2 of this Article in accordance with the provisions of those Articles;
- ensuring compliance with Community policies as stipulated in Article 12; in the context of the application of Community rules on the award of public contracts, notices sent for publication in the Official Journal of the European Communities shall specify those projects in respect of which a contribution from the Funds has been applied for or granted;
- compliance with the obligations concerning information and publicity referred to in Article 46;
- preparing the annual implementation report, and after the approval by the OP Monitoring Committee, submitting it to the European Commission;
- organising, in cooperation with the Commission and the Member State, the mid-term evaluation referred to in Article 42;
- reviewing the main outcomes of the previous year of the programme implementation in co-operation with the Commission, in accordance with arrangements to be defined by agreement with the Member State and the managing authority concerned;
- providing for an appropriate audit trail;
- acting in response to any observations or requests of the Commission for corrective measures to irregularities adopted, or recommendations for adjustment made;
- performing of secretarial tasks of the Monitoring Committee, preparations for Monitoring Committee sessions and the execution of its decisions.

Furthermore, in the course of implementing all of the above, the MA shall:

- Apply the Community principle of ‘value for money’ and strive to attain a level of development which contributes to the achievement of the objectives of the Structural Funds;
- Provide stimuli to the partners concerned to implement developments on the basis of co-operation and strategic partnership, including utilising the benefits derived from synergies developed through co-operation across the OP;
- develop an ongoing and efficient partnership with the organisations involved in order to capitalise on expertise accumulated by the partners during the programme implementation and to ensure the conformity of the programme with relevant evolving governmental policies and strategies;
- through ongoing co-ordination, ensure conformity with activities implemented under other operational programmes;

- ensure, by employing a uniformly accepted project evaluation system, that projects selected for financing from Structural Fund resources are of high quality and match the OP strategic and relevant priority and measure-level objectives;
- in co-operation with the key ministerial partners and the Monitoring Committee, continuously monitor and evaluate the programme, ensure the enforcement of the principle of cost effectiveness, and take the necessary measures to achieve the output and result indicators set as well as the conformity of the implementation with governmental policies throughout its lifecycle;
- ensure appropriate preparation of the organisations participating in the implementation of the operational programme including the ongoing monitoring of their performance, i.e. the operation of a quality assurance system.

The address of the Managing Authority is:

Ministry of Employment and Labour  
 Managing Authority for the Human Resource Development Operational Programme  
 1054 Budapest  
 Alkotmány u. 3.  
 Phone: +3614755757  
 Fax: +3613329135  
 Head of the Managing Authority:  
 Ms. Judit Rózsa

## ***1.2 MANAGEMENT ARRANGEMENTS***

### **1.2.1 ESF Policy Co-ordination Committee**

Regulation 1784/1999 on the European Social Fund states that the Fund is the main financial tool for implementing the European Employment Strategy and that the utilisation of ESF assistance should be based on the priorities of the European Union's employment policy as well as the priorities set in the multi-annual National Employment Action Plans.

Two operational programmes under the Community Support Framework include measures supported by the ESF, namely the Human Resource Development Operational Programme (HRD OP) and the Operational Programme for Regional Development (OPRD). In addition, an EQUAL Community Initiative Programme (EQUAL CIP) supported by the ESF will also be implemented in Hungary in this programming period. In accordance with the European Commission's guidance<sup>17</sup> for planning and implementing measures of ESF assistance and in agreement with standard practice in the member states, proper policy co-ordination must be provided for between sectoral and regional operational programmes.

The purpose of the Committee's policy co-ordination role is to ensure the following in respect of the utilisation of ESF assistance:

- conformity with the priorities of the (revised) European Employment Strategy and the Joint Assessment of the Employment Policy Priorities (respectively, the National Employment Action Plan and the Joint Assessment Paper),

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<sup>17</sup> ESF and Enlargement: Operational Guidance for ESF programming and implementation in the Candidate Countries

- coherence between the HRD OP, the OPRD and the EQUAL CIP including the elimination of potential overlaps (based on co-operation agreements between the ministries concerned),
- facilitating the implementation of a unified information and monitoring system,
- developing an assessment methodology in line with the specific features of the policy area,
- providing professional and methodological support on ESF-specific questions (e.g. eligibility, implementation, rules for state subsidies etc.).

With regard to the primary importance of close co-operation and communication between the respective OPs, and taking account of the need to reconcile labour market and employment priorities, a so-called ESF Policy Co-ordination Committee has been entrusted with the policy related co-ordination of the activities supported by the European Social Fund. Members of the Committee represent all the ministries involved in the implementation of HRD OP and OPRD measures co-financed by the ESF. (Members include the Ministry of Employment and Labour, the State Secretariat for Regional Development under the Prime Minister's Office, the Ministry of Education, the Ministry of Health, Social and Family Affairs, the Ministry of Children, Youth and Sports, the Office of the National Development Office, the Ministry of Justice, the Ministry of Informatics and Communications, the Ministry of Finance and the Ministry of Foreign Affairs, Government Office for Equal Opportunities).

The ESF Policy Co-ordination Committee is chaired by the Deputy State Secretary of the MoEL responsible for the planning of the Human Resource Development Operational Programme and for the participation in the implementation of the European Employment Strategy and co-chaired by the head of the Managing Authority. The financing of its activities and direct expenditure will be funded from the technical assistance budget of the HRD OP. The Committee's responsibilities will mainly relate to coordination and will not impinge on the responsibilities and decision-making capacities of the respective Managing Authorities.

### **1.2.2 HRD OP Operational Consultation Forum**

The HRD OP Operational Consultation Forum is the consultative, advisory body to the HRD OP MA. Though having no decision-making capacity, the Forum will examine issues related to implementation of the Operational Programme and advise the MA of its opinion. The chair of the Forum is the head of the Managing Authority. Permanent members are the representative of the Managing Authority, the Ministry of Employment Policy and Labour, the Ministry of Education, the Ministry of Health, Social and Family Affairs, the Ministry of Children, Youth and Sports, the Intermediary Bodies as well as the representative of the CSF MA. The Paying Authority may be an occasional invitee of the Forum.

### **1.2.3 Intermediary bodies**

Article 2 of Regulation 438/2001/EC defines intermediary bodies as follows: *'For the purposes of this Regulation, "intermediary bodies" shall mean all public or private bodies or services acting under the responsibility of managing or paying authorities or performing tasks on their behalf in relation to final beneficiaries or the bodies or firms carrying out operations.'*

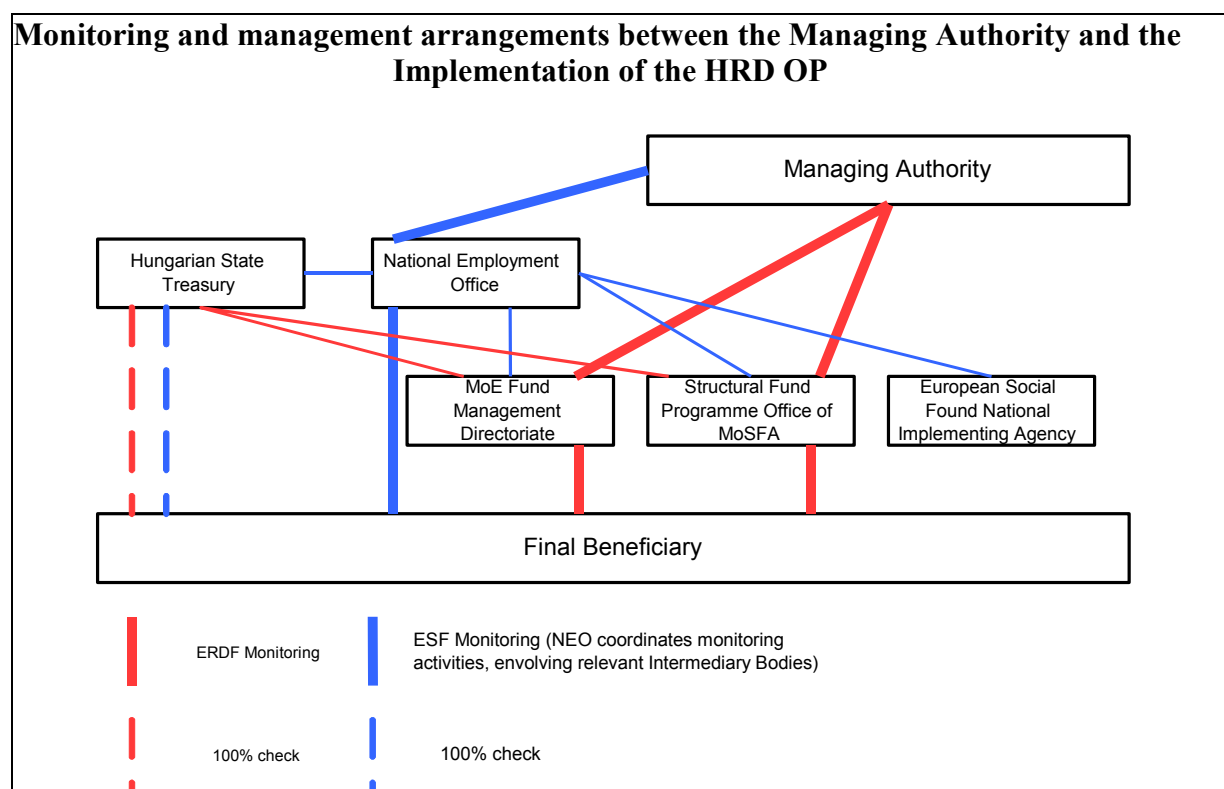
In accordance with this Article, and in line with the provisions of the General Regulation

1260/1999/EC, responsibility for the implementation of the operational programme lies fundamentally with the Managing Authority. However, the implementation structure formulated under the closure of Chapter 21 reflects the need for the involvement of intermediary bodies within the meaning conveyed above. To this end, the MA will conclude agreements to delegate certain implementation tasks to intermediary bodies participating in the implementation of the programme.

The delegated Intermediary bodies are the following:

- National Employment Office (NEO);
- European Social Fund National Implementing Agency Public Company (ESF NIA);
- Ministry of Education Fund Management Directorate;
- The Ministry of Health, Social and Family Affairs' intermediary body, the Structural Fund Programme Office;
- Hungarian State Treasury (HST).

The table below illustrates the management and monitoring arrangements between the relevant institutions involved in the implementation of the HRD OP.<sup>18</sup>



In relation to the National Employment Office (NEO), the European Social Fund National Implementing Agency Public Company (ESF NIA), the Ministry of Education Fund Management Directorate, the Ministry of Health, Social and Family Affairs' intermediary body, and the Structural Fund Programme Office, their main tasks are the following: project

<sup>18</sup> Detailed information can be found in the chapter “2.2

generation, project selection, preparing the grant contract as well as technical monitoring in cooperation with the NEO.

In addition, the National Employment Office (NEO) is the co-ordinating body of the overall monitoring process – including site visits (concerning ESF funded measures). In this context, the NEO will co-ordinate the activities of all Intermediary Bodies in relation to monitoring tasks. To this end, units of the NEO will be located in each county and will be responsible for registering and receiving progress reports and claims for payment.

At the same time, the Hungarian State Treasury (HST) is responsible for the overall financing aspects of the implementation, as well as for control tasks (in particular, public debt examination, grant-accumulation monitoring, examination of availability of grant limit, financial monitoring of transfers following inspection of submitted invoices and settlements, financial monitoring during and at the closing of the payment period), and recovery tasks for funds used irregularly or deemed as repayable.

In its capacity as an intermediate body, the HST receives the progress report from the relevant intermediate body in question. In this context, the HST will be responsible for the verification of the financial part of the progress report (including payment claims) submitted by the final beneficiary/recipient of the aid.

Detailed description of the above-mentioned Intermediary Bodies:

#### *National Employment Office*

The National Employment Office (NEO), the 20 County Labour Centres and their branch offices, and the 9 Regional Workforce Development and Training Centres constitute the Public Employment Service (PES). Responsibilities: NEO has significant professional experience and scope of responsibilities encompassing a variety of areas, incorporating state-run activities aimed at implementing active, as well as passive labour market policies. NEO is the central managing body of the PES, and its main function is the operational management and co-ordination of its nationwide implementation.

In the context of the PES's nationwide network, the main responsibility of the NEO will be the co-ordination and implementation of the rules and procedures of the overall monitoring process of ESF funded activities under the HRD OP.

The address of the Intermediary Body is:

National Employment Office  
1089 Budapest  
Kálvária tér 7.  
Phone: +3612102017  
Fax: +3612101870  
Head of the Intermediary Body:  
Mr. Károly Pirisi

#### *European Social Fund National Implementing Agency Public Company (ESF NIA)*

The ESF NIA was established in October 2000 as a fully state-owned public benefit company. Its current 'shareholders' are the Ministry of Employment Policy and Labour (74 %) and the Ministry of Education (26 %). It commenced operations in May 2001.

The ESF's basic rules clearly define the organisation's goal and role as a key institution in the

preparation for European Social Fund and as the implementing body of 'ESF-type' interventions supported by PHARE (where its responsibilities included systems preparation, developing application requirements, participation in evaluation and selection of applications, preparation of contracts and informational and publicity tasks related to the assistance systems. Since September 2002, the ESF NIA has operated as a fully-fledged implementing agency for social cohesion programmes supported by PHARE.

All members of the programme's management team of ESF NIA have experience in implementing PHARE programmes.

The address of the Intermediary Body is:

European Social Fund National Implementing Agency Public Company (ESF NIA)  
1146 Budapest  
Hermina út. 17. A Torony 2. floor  
Phone: +3614717676  
Fax: +3614717675  
Head of the Intermediary Body:  
Mr. Ferenc Tátrai

#### *Ministry of Education Fund Management Directorate*

The Fund Management Directorate was established as a background institution of the Ministry of Education as of 1 July 2001. In the area of human resource development, the Fund Management Directorate has been responsible for the management of the Development and Training Sub-Fund under the overall Labour Market Fund.

The Ministry of Education Fund Management Directorate's main activity is performing tasks related to the preparation, organisation, and supervision of the use of budgetary appropriations earmarked for national, international and community funded programmes through grants schemes and other means, in particular activities related to arrangements for public education, integration, information technology, professional training, and higher education.

The address of the Intermediary Body is:  
Ministry of Education Fund Management Directorate  
1052 Budapest  
Szervita tér 8.  
Phone: +3614842880  
Fax: +3613184317  
Head of the Intermediary Body:  
Mr. András Wagner

#### *The Ministry of Health, Social and Family Affairs' intermediary body, the Structural Fund Programme Office*

At the beginning of 2003, the Structural Funds Programme Office (MHSFA SFPO) was created within the Ministry of Health, Social and Family Affairs created the reporting directly to the Administrative State Secretary. From 2003, the Programme Office's responsibility will be to perform tasks to be assigned by agreement between the Ministry and the HRD OP Managing Authority related to the sectoral measures within the Human Resources Development Operational Programme (HRD OP).

The majority of its employees have acquired previous experience in international fund

management including PHARE assistance.

The address of the Intermediary Body is:

The Ministry of Health, Social and Family Affairs' intermediary body, the Structural Fund Programme Office  
1051 Budapest  
Arany János u. 2.  
Phone: +3612694005  
Fax: +3613316714  
Head of the Intermediary body:  
Mr. Tamás Szondy  
Hungarian State Treasury

#### *Hungarian State Treasury*

Government Decree 2136/2003. (VI. 27.) provides that, in the case of the HRD OP, the Hungarian State Treasury (HST) should perform the special financial intermediary body tasks for the operational programme. To this end, the Managing Authority has concluded an agreement with the HST for the performance of specifically-identified tasks. For its part, the Treasury will be responsible for control tasks (in particular, public debt examination, grant-accumulation monitoring, examination of availability of grant limit, financial monitoring of transfers following inspection of submitted invoices and settlements, financial monitoring during and at the closure of the payment period). In addition, it will perform recovery tasks for funds used irregularly or deemed as repayable.

The address of the Intermediary Body is:

Hungarian State Treasury  
1139 Budapest  
Váci út 71.  
Phone: +3614528862  
Fax: +3614528830  
Head of the Intermediary Body:  
Ms. Ágnes Kiss

#### **1.2.4 The preparation and responsibilities of intermediary bodies**

Within the framework of the HRD OP, the Ministry of Employment and Labour, the Ministry of Education and the Ministry of Health, Social and Family Affairs have all designated the bodies within their professional competence which will assume the capacity, upon the completion of the institutional development process, to implement the delegated tasks efficiently and effectively within the framework set by the Managing Authority and in accordance with the terms formulated in the co-operation agreement. In addition, the Hungarian State Treasury has been appointed by the Government as a special financial intermediary body under the programme structure and will perform its tasks in accordance with those described above. As a precondition for the delegation of responsibilities by the MA, all intermediary bodies have demonstrated the availability of the required resources and organisational capability during the 'accreditation' process, which has been certified by the Government Control Office.

In consideration of the above, the intermediary bodies are responsible in particular for:

- ensuring the verification of the expenditure reported to the Managing Authority in the format set by the Paying Authority;
- the compilation of verification reports on all expenditure co-financed by the relevant Fund, on the basis of which the transfers can be claimed through the Managing Authority;
- ensuring that payment claims forwarded by the final beneficiaries have approved invoices and verified documentation attached, and that an appropriate audit trail exists;
- the correctness of expenditure incurred by the final beneficiaries against assistance from the Funds concerned and forwarded to the Managing Authority.

Additional delegated tasks include:

- assistance in the development drawing up and publication of calls for proposals and centralised programmes for the relevant measures concerned;
- checking the project proposals for formal requirements and eligibility (completeness and eligibility) and drafting the grant contracts with the beneficiaries;
- receiving applications, checking formal and content based requirements, as well as organising their assessment;
- assisting in the selection of projects and operating the professional body/evaluation committee responsible for the selection of projects;
- processing progress reports and payment claims of beneficiaries;
- ensuring the project-level compliance with Community policies and horizontal guidelines (including public procurement), as well as with information and publicity obligations;
- providing up-to-date project-level financial and statistical data to the centralised monitoring information system and preparing regular and ad-hoc reports for the Managing Authority and the Paying Authority in a set format and content.

### **1.2.5 Final beneficiaries**

Final beneficiaries are the bodies and public or private firms responsible for commissioning operations. In the case of aid schemes, pursuant to Article 87 of the Treaty and in the case of aid granted by bodies designated by the Member States, the final beneficiaries are the bodies, which grant the aid (Article 9 1260/1999 EC Regulation).

They will be responsible, in addition to other tasks, for ensuring that -

- only actual and eligible expenditure incurred, and expenditure which comes under the terms of the project as approved by the intermediary body, is submitted;
- all payment claims are supported by receipted invoices or, where this cannot be done, by accounting documents of equivalent probative value;
- the obligation for the safekeeping of documentation is complied with.

### **1.2.6 Electronic data exchange**

In accordance with Article 34(1)(a) of Council Regulation (EC) No 1260/1999, an IT system permitting the exchange of data with the Commission has been established. Information required is defined in Annex IV(1) of Commission Regulation (EC) No 438/2001. In this



context, the development of the IT system for the Structural Funds in Hungary has been completed.

A unified IT system will be used by all managing authorities, intermediate bodies as well as by the paying authority. In order to enhance the reliability of the monitoring information and supporting the management of the Funds, the IT system also incorporates built-in management and financial functions.

The National Development Office, with the direct involvement of the managing authorities and the paying authority, manages the development of the IT system which will be operational by 1st January 2004. The arrangements on the computerised exchange of data with the Commission have been finalised within the framework of the development of the IT system.

### **1.2.7 Information and publicity**

All information and publicity measures related to the Operational Programmes shall be implemented in accordance with the requirements set down in Commission Regulation No. 1159/2000 (EC).

In accordance with this Regulation, the objectives of information and publicity measures will be:

- To ensure transparency through the provision of information on the operation of the Structural Funds, the availability of funds and application procedures for potential and final beneficiaries, as well as for regional and local authorities, the economic and social partners and Non-Governmental Organisations.
- To improve understanding of Community measures through raising awareness of the role played by the Structural Funds and the European Union in regional development and in the support of economic and social cohesion in Hungary.

The support of the EU shall be indicated in accordance with the provisions of the above-mentioned Commission Regulation and at all appropriate locations.

The implementation of information and publicity activities shall be performed in line with the Communication Plan prepared by the OP Managing Authority. This Plan sets out the objectives, strategy, content, target groups, budget allocation and criteria to be used for evaluating the effectiveness of the measure as well as the responsible department or body for each publicity and information measure. A publicity and information officer will be appointed within the HRD OP Managing Authority.

The information and publicity strategy and activities related to the Community Support Framework are co-ordinated by the Department for Training and Communication of the Office of the National Development Plan and EU Support within the Prime Minister's Office.

## **1.3 COMPLIANCE WITH COMMUNITY POLICIES**

In accordance with Articles 12 and 34.1(g) of the General Regulation 1260/1999/EC, the operations financed by the Structural Funds must fulfil the provisions of the Treaty as they relate to Community policies and procedures, in particular the award of public contracts, environmental protection, the regulations on the establishment of equal opportunities and equality between men and women. In this context, compliance with these policies will be

ensured at the appraisal stage of applications for grants as well as throughout the operation of the implementation phase. The control is exercised by the Managing Authority in most cases by way of delegation of the control tasks to the Intermediate Bodies.

### **1.3.1 Public Procurement**

During the implementation of measures financed by Structural Funds, the Managing Authority will ensure that the Hungarian Public Procurement Act and the related implementation decrees are complied with.

To this end, the Managing Authority will ensure that:

- The requirement of national treatment is enforced in the area of public procurement in line with the new Act on Public Procurement.
- A separate chapter in support agreements with beneficiaries contains provisions on verifying the public procurement procedure.
- The reports compiled by beneficiaries contain a description of how public procurement rules were enforced. No payments shall be effected in cases of non-compliance with the required public procurement procedure.
- In the course of the multi-level controlling process, experts with the required competencies will review the documents certifying compliance with public procurement rules.
- The announcement on the public procurement procedure is published in the Official Journal of the European Union and in its electronic daily publication (TED database), if required.
- The issuer calls the attention of the tenderer to enforcing aspects to secure the protection of the environment and equal opportunities between men and women in public procurement procedures even if the value of the given public procurement does not reach the community value limit.

### **1.3.2 Equal opportunities**

Mainstreaming equal opportunities is a horizontal principle of Structural Funds interventions, which will be monitored in the process of implementation and evaluation of the programme. To this end, appropriate monitoring indicators, data collection, implementation procedures and guidelines will be developed under the technical assistance priority. An equal opportunities officer is appointed within the HRD OP Managing Authority.

To ensure that this principle is taken into account at all levels of implementation, the following key measures will be taken into account:

- Applicants for Structural Funds assistance must demonstrate how their projects promote equal opportunities as related to the relevant priority, or measure (e.g. by providing detailed and preferably gender segregated data on the local labour market, the barriers target groups face and how the individual projects can help to remove such barriers);
- Technical assistance will be used to raise awareness of equal opportunities and for monitoring the outcome of operations, results and impact;
- Reports will be compiled on operations linked to equal opportunities in the annual reports of the Operational Programme;

- A balanced gender representation will be ensured in the Monitoring Committee as well as in other sub-groups, working groups and committees.

### **1.3.3 Sustainable development**

The National Development Plan has identified the protection of the environment as one of the objectives to which Structural Funds interventions will contribute. In this context, the National Development Plan states that an improvement in the quality of life of the population can only be achieved through ensuring the preservation of the national heritage, the protection of natural resources and their sustainable exploitation as well as the creation of an environment of high quality.

In order to ensure that development is sustainable and compliant with the EU requirements as well as those of the Rio Declaration, 'the polluter pays' principle, the principle of due care and the principle of efficiency will be enforced throughout the implementation of the Operational Programme.

The integration of environmental considerations into the implementation of the Operational Programme will also be ensured through using environmental criteria in project selection and through the inclusion of an environmental dimension in Operational Programme evaluations. In this context, representatives of the Ministry of Environment and Water Management and of the Hungarian Association of Environmental Education have been nominated as members of the HRD OP Monitoring Committee.

The following arrangements have been put in place in order to ensure the respect of sustainable development aspects within the OP:

- Projects are assessed from the aspect of environmental impact before approval to ensure that environmental considerations are taken into account in the selection process;
- Projects which have more to offer from the environmental aspect, e.g. which rationally utilise natural resources and promote environmental products and services, etc. will be prioritised during the evaluation process;
- Guidance on promoting sustainable development will be provided to applicants;
- Policy and interest group representatives will be co-opted onto the Monitoring Committees as appropriate;
- Technical assistance will be used for performing monitoring tasks related to the promotion of sustainable development;
- Reporting on environmental operations will be carried out under the annual reports.

### **1.3.4 Competition policy**

Article 12 of the General Structural Funds Regulation (EC) No 1260/1999 requires that operations financed by the Structural Funds shall be in compliance with the provisions of the Treaty, with instruments adopted under it and with Community policies and actions, including the rules on competition.

The Operational Programme has been developed having regard to the Commission's Guide to the Community Rules on State Aid. In particular, the provisions of Articles 87 and 88 of the Treaty in relation to competition rules will be fully respected.

In accordance with Article 18(2)(b) of the General Regulation 1260/1999/EC, the Operational Programme contains a summary description of the measures planned to implement the priorities, including the information needed to check compliance with State aid pursuant to Article 87 of the Treaty. In order to fulfil the requirements of the above regulation, a State Aid table for this programme is included in Chapter II in the required format. As a general rule, the State aid table covers all State aid that will co-finance the various measures under this Operational Programme.

Under measures 1.1 (Preventing and tackling unemployment), 1.3 (Promoting the participation of women in the labour market and the reconciliation of work and family life), 2.3 (Improving the employability of disadvantaged people, including the Roma), aid to employment can be granted in line with the Guidelines on aid to employment (OJ C 334, 12/12/1995) and following the recommendation of the Commission to include the aid schemes HU11 and HU18 financing these measures on the existing aid list [Letter of the European Commission dated 19 November 2002 (D/56578) on the inclusion of these measures on the existing aid list to be annexed to the Accession Treaty].

In addition to State aid already put on the so-called existing aid list, the State aid granted under the measures will be either compatible with the *de minimis* rule or with the 'block' exemption regulations.

With regard to aid schemes on the existing aid list, any proposed modifications will be notified to the Commission for approval by the State Aid Monitoring Office (SAMO) under the procedure set by Annex IV of the Accession Treaty and after accession in line with Art. 88 of the EC Treaty.

For the 2004-2006 period, the whole of Hungary will be eligible for regional aid under Article 87(3)(a). Although all regions will be eligible areas, different maximum aid intensity ceilings are defined for different areas (regional aid map).

Specific obligations with regard to individual notification of aid granted under an aid scheme will apply to aid granted in certain sectors and for certain large investment projects and will be respected.

For operations within the Operational Programme, the Managing Authority, assisted as appropriate by the Intermediate Bodies, will have the responsibility to assure compliance with State aid rules, during the stages of project selection, approval of payment claims and on-the-spot checks. The annual implementation reports shall detail the steps taken to ensure that all operations under the programme comply with State aid rules.

### **1.3.5 Telecommunications and IT infrastructure**

The Managing Authority shall ensure that the relevant operations co-financed by the Funds under this programme be in conformity with the recently adopted *Commission guidelines on the criteria and modalities for the use of Structural Funds in electronic communications*<sup>19</sup>.

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<sup>19</sup> SEC(2003) 895 of 28 July 2003.

## **2 MONITORING**

### **2.1 MONITORING COMMITTEE**

The Human Resource Development Operational Programme Monitoring Committee (MC) is the body which will monitor the implementation of the Operational Programme under its independent rules of procedure and in accordance with the provisions of Article 35 of the General Regulation 1260/1999/EC.

At the same time, Article 35.1 requires that the MC must be set up no more than three months after the decision on the contribution of the Funds.

The basic principles of the operation of the Monitoring Committee are set out in Council Regulation 1260/1999/EC as well as in Commission Regulation 438/2001/EC. In this context, the MC shall satisfy itself as to the effectiveness and quality of the implementation of the assistance. To that end:

- pursuant to Article 15, it shall confirm or adjust the programme complement, including the physical and financial indicators to be used to monitor the assistance. Its approval must be obtained before any further adjustment is made;
- the Managing Authority shall adopt the programme complement after the agreement of the Monitoring Committee if the programme complement is drawn up after the Commission decision on the contribution of the Funds, or after consulting the relevant partners if it is drawn up before the decision on the contribution of the Funds. In the latter case, the MC shall either confirm the programme complement or request an adjustment in accordance with Article 34(3) of 1260/1999 EC Regulation.
- it shall consider and approve the criteria for selecting the operations financed under each measure within six months of approval of the assistance;
- it shall periodically review progress made towards achieving the specific objectives of the assistance;
- it shall examine the results of implementation, particularly achievement of the targets set for the different measures and the mid-term evaluation referred to in Article 42;
- it shall consider and approve the annual and final implementation reports before they are sent to the Commission;
- it shall consider and approve any proposal to amend the contents of the Commission decision on the contribution of the Funds;
- it may in any event propose to the Managing Authority any adjustment or review of the assistance likely to make possible the attainment of the objectives referred to in Article 1 or to improve the management of assistance, including in respect of financial management. Any adjustment to the assistance shall be made in accordance with Article 34(3).

The authorisation for setting up the HRD OP Monitoring Committee resides with the Ministry of Employment and Labour responsible for the operational programme, which it conducts upon consultation with the partners and in agreement with the Managing Authority.

The Preliminary Monitoring Committee was set up in September 2003. In this context, it was agreed that the basic principle underlying the decision-making procedures of the Committee should be governed by consensus.

The Monitoring Committee shall meet at least twice a year.

In the case of the Human Resource Development Operational Programme, the members of the MC shall be as follows:

- Chair (Head of the HRD OP Managing Authority)
- Representatives of the CSF Managing Authority
- Representative of the Regional Operational Programme Managing Authority
- Ministry of Employment and Labour
- Ministry of Education
- Ministry of Health, Social and Family Affairs
- Ministry of Justice
- Ministry of Informatics and Communications
- Ministry of Economy and Transport
- Ministry of Children, Youth and Sports
- Ministry of Environment and Water
- Equal Opportunity Government Office
- National Employment Office
- European Social Fund National Implementing Agency Public Company
- The Ministry of Health, Social and Family Affairs' intermediary body, the Structural Fund Programme Office
- Ministry of Education Fund Management Directorate
- Hungarian State Treasury
- Hungarian Association of Environmental Education
- Hungarian Chamber of Commerce and Industry
- National Association of Large Families
- National Organisation of the Graduate Roma People
- National Federation of Disabled Persons' Associations
- National Association of Public Utility Organisations for the Unemployed
- Social Council
- National Federation of Traders and Caterers
- Cooperation Forum of Trade Unions
- Association of Cities of County Rank
- Representatives (from all seven regions) of the NUTS II regional bodies (Regional Development Councils)
- Representative of the Paying Authority
- Representative of the Government Control Office

- Representative of the European Commission (in an advisory capacity)

In accordance with Article 35 of the General Regulation (1260/1999), a representative of the EIB shall also participate in the work of the Monitoring Committee in an advisory capacity.

## ***2.2 DESCRIPTION OF THE HUMAN RESOURCE DEVELOPMENT OPERATIONAL PROGRAMME IMPLEMENTATION AND MONITORING PROCESS***

The primary aim of the monitoring system put in place by the MA is to monitor progress in terms of the efficiency and correctness of operations financed under the assistance and to compare such progress with the plans and targets defined under the assistance. At the same time, the system will facilitate the collection of information and data the analysis of which will 'track' the extent to which operations are progressing and whether corrective measures are required.

### **2.2.1 Monitoring system for projects financed by the ESF**

The project monitoring system consists of three components: professional, financial, and procedural related (performance) monitoring activities.

To this end, the Managing Authority has established the monitoring responsibilities of the Intermediate Bodies in accordance with their functions, with special attention to making the process transparent and traceable. In developing the system, a key objective was the development of a 'single-window' system for Beneficiaries in order to simplify the order of communication and intervention.

For their part, the Beneficiaries will be required to provide progress reports at predetermined intervals. These reports will form the basis for the monitoring process, while other documents and site visits will also support the system's effectiveness.

#### *Responsibilities of the Managing Authority:*

- Preparing decisions relating to the monitoring process
- Accepting verified payment claims
- Accepting comprehensive reports
- Directing meetings to monitor programme implementation
- Effecting decisions in accordance Article 34.1(f) of the General Regulation 1260/1999/EC.

Responsibilities for carrying out monitoring activities have been delegated as appropriate to the Intermediate Bodies, in accordance with the three monitoring functions mentioned above.

#### *National Employment Office*

The NEO is responsible for the projects' procedural (performance) monitoring, checking formal criteria and completeness of progress reports, certification of invoices, and conducting on-the-spot verification and site visits countrywide through its county units.

In this context, the NEO will ensure coordination of the overall monitoring process in respect of all delegated Intermediate Bodies under the CSF.

In regard to its own measures, the NEO also fulfils professional monitoring responsibilities, which apply to other IBs outside the HRD monitoring arrangements. In the case of measure 1.2, the final beneficiary will be the National Employment Office.

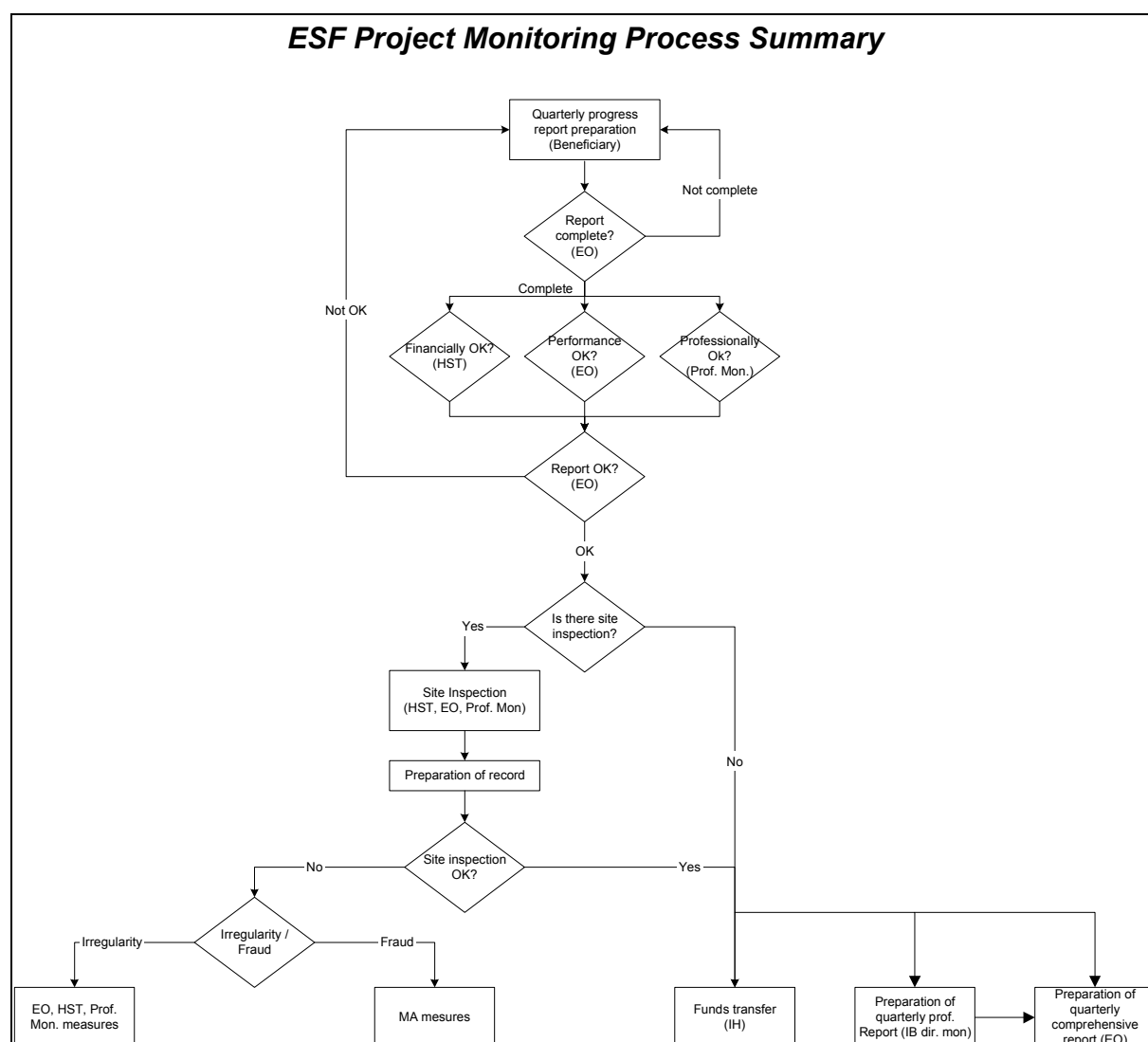
#### *Hungarian State Treasury (HST)*

In its capacity as a delegated MA Intermediate Body, the HST will conduct financial monitoring and control of the projects.

#### *Other Intermediate Bodies (ME FMD, MHSFA SFPO, ESF NIA, NEO)*

In regard to the measures assigned to them, the delegated IBs will carry out monitoring in accordance with the requirements of the General Regulation. To this end, they shall designate one 'lead monitor' for each application window who will co-ordinate the tasks of those conducting the professional monitoring of projects in the given window. The 'lead monitor' will also maintain appropriate contact with the NEO staff member responsible for coordination of the overall CSF monitoring activity.

The experts conducting the professional monitoring may be staff members of the ministry concerned, of the Intermediary Bodies, or external experts. Criteria for their selection are developed by the Managing Authority based on directions from the ministry in charge of the application window.

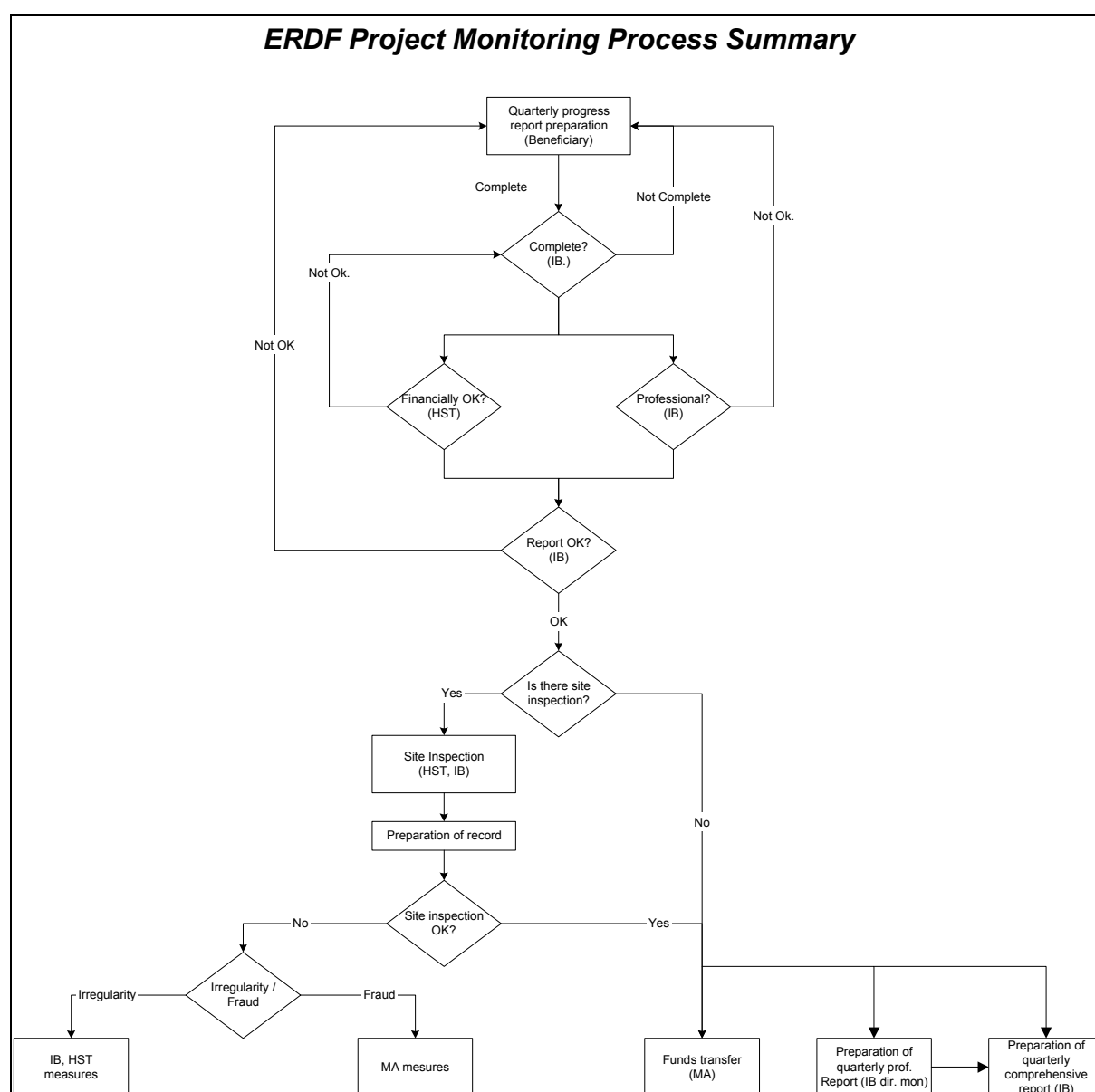




## 2.2.2 Monitoring system for projects financed by the ERDF

The relevant Intermediary Body (ME FMD, MHSFA SFPO) is responsible for the projects' procedural (performance) monitoring, formal, completeness and content check of progress reports, certification of invoices, verifying that tender procedures are conducted according to regulations. They are also charged with conducting on-site project inspections.

The roles and responsibilities of the Hungarian State Treasury and the Managing Authority match the responsibilities fulfilled for the monitoring system of projects financed by the ESF.



### **2.3 ANNUAL AND FINAL REPORTS**

In accordance with Article 37 of the General Regulation 1260/1999/EC, and within six months after the end of each calendar year in the course of implementation, the OP annual report will be sent to the Commission. The final report is sent to the Commission within six months after the last payment made. The report shall be prepared by the Managing Authority and approved by the Monitoring Committee. The MA shall submit annual and final implementation reports to the European Commission for the purpose of monitoring the efficiency and correctness of assistance relating to the Operational Programme.

In particular, they will include:

- any change in general conditions which is of relevance to the implementation of the assistance, in particular the main socio-economic trends, changes in national, regional or sectoral policies or in the frame of reference referred to in Article 9 (c) and, where applicable, their implications for the mutual consistency of assistance from the different Funds and consistency between Fund assistance and that from other financial instruments;
- the progress in the implementation of priorities and measures for each of the Funds in relation to their specific targets, with a quantification, wherever and whenever they lend themselves to quantification, of the physical indicators and indicators of results and of impact referred to in Article 36 at the appropriate level (priority or measure);
- the financial implementation of the assistance, summarising for each measure the total expenditure actually paid out by the paying authority and a record of the total payments received from the Commission and quantifying the financial indicators referred to in Article 36(2)(c);
- the steps taken by the managing authority and the Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:
  - monitoring, financial control and evaluation measures, including data collection arrangements;
  - a summary of any significant problems encountered in managing the assistance and any measures taken, including action on recommendations for adjustments made pursuant to Article 34(2) or requests for corrective measures pursuant to Article 38(4);
  - the use made of technical assistance;
  - the measures taken to ensure publicity for the assistance in accordance with Article 46;
- the steps taken to ensure compatibility with Community policies as stipulated in Article 12 and to ensure coordination of all the Community structural assistance referred to in Article 17(1) and the second subparagraph of Article 19(2);
- a separate section, where appropriate, on the progress and financing of major projects and global grants.

The final implementation report must contain information related to the entire period of 2004 to 2006, and will serve as a basis for preparing the CSF implementation report.

## **2.4 MONITORING INDICATORS**

In accordance with Article 36 of the General Regulation 1260/1999/EC, a set of indicators have been selected for the monitoring and evaluation of the execution of the Operational Programme as appropriate and in accordance with its nature and content. In particular, four levels of indicators will provide the basis for monitoring the execution of the Human Resources Operational Programme and for the information needed to prepare the annual reports to the European Commission:

- *Context indicators*: General macro-economic indicators, typical of the “environment” of the programme.
- *Programme level indicators*: Indicators typical of the specific objectives of the programme as well as other indicators related to the areas of employment and education/training. No target is attached to these latter ones but their changes can be monitored.
- *Priority level indicators*: Indicators used for monitoring the execution of the given priority, and a key consideration for their determination is the Fund supporting the given priority.
- *Indicators at the measure level*: These are indicators ensuring that the individual measures are monitored.

The context, programme level and priority level indicators are listed in Annex 6, while measure level indicators will be included in the Programme Complement.

### *Categorization of fields of intervention*

The table below contains the categorisation of the HRD Operational Programme measures defined by the Annex IV of the 438/2001 EC Regulation.

Measures	Intervention field code	Name of Classification
1.1. Preventing and tackling unemployment	21	Labour market policy
1.2. Developing the Public Employment Service	21	Labour market policy
1.3. Promoting the participation of women in the labour market and the reconciliation of work and family life	25	Positive labour market actions for women
2.1. Ensuring equal opportunities for disadvantaged pupils in education	22	Social inclusion
2.2. Promoting social inclusion through the training of professionals working in the social field	22	Social inclusion
2.3. Improving employability of disadvantaged people, including the Roma	22	Social inclusion
3.1. Promoting the development of skills and competencies necessary for lifelong learning	23	Developing educational and vocational training not linked to specific sector (persons, firms)
3.2. Developing the content, methodology and structure of vocational training	23	Developing educational and vocational training not linked to specific sector (persons, firms)
3.3. Developing the structure and the content of the higher education	23	Developing educational and vocational training not linked to specific sector (persons, firms)
3.4. Trainings promoting job-creation and the development of entrepreneurial skills	24	Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (persons, firms)
3.5. Developing the system of adult training	24	Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (persons, firms)
4.1. Developing the infrastructure of education and training	23	Developing educational and vocational training not linked to specific sector (persons, firms)
4.2. Developing the infrastructure of services supporting social inclusion	36	Social and public health infrastructure
4.3. Development of health care infrastructure in regions lagging behind	36	Social and public health infrastructure
4.4. IT development in health care in the regions lagging behind	36	Social and public health infrastructure

### 3 EVALUATION

Pursuant to Articles 40-43 of Regulation 1260/1999/EC, and accordance with the provisions of the Community Support Framework (CSF), the community assistance under this Operational Programme will be subjected to an Ex-ante and Ex-post evaluation in order to appraise its impact with respect to the objectives set out under Chapter II as well as to analyse its effects on specific structural problems in the field of human resources and the labour market.

For its part, the Human Resource Development Operational Programme has already been subjected to an ex-ante evaluation in accordance with the provisions of Article 41 of the General Regulation 1260/1999/EC.

This ex-ante evaluation contains a judgement as well as an assessment of the programme's logic, content and rationale. In addition, it provides the basis for preparing the assistance

which has been allocated in respect of the planned operations to be carried out under the programme. At the same time, based on the situation analysis, it justifies the sequentiality of the strategy, the priorities and the programme's external and internal coherence, through its assessment of the degree to which each individual measure contributes towards fulfilling the targets (and including the extent to which they comprise a coherent approach to achieving the priorities out forward). Based on this approach, it appraised the social and economic basis for the proposed priorities and objectives as well as contributing to the determination of the indicators put forward to monitor the implementation phase of the programme.

In view of the extremely short programme implementation period, no formal interim (mid-term) evaluation will be performed in the period between 2004-2006. Nevertheless, the implementation of the programme will be monitored on an on-going basis in order to ensure effective absorption of the allocated assistance.

Such on-going monitoring will also serve as an effective 'bridge' between the ex-ante and the future ex-post evaluations as well as contributing to the overall efficiency of the implementation. Within the framework of the on-going evaluation, monitoring indicators will be reviewed on annual basis.

The ex post evaluation is the responsibility of the Commission in co-operation with the member state and extends, based on already available evaluation findings, to funds utilisation and the effectiveness and efficiency of the programme (while also making additional conclusions in respect to economic and social cohesion policy).

The ex-post evaluation offers a general critique extending to the entire programme. Its main purpose will be to judge what effects and impact the programme has had and to what degree they are in accordance with the objectives contained in the programme.

Preparation of evaluations (except ex-post) is the responsibility of the Managing Authority (MA). In this context, a unit at the Office of National Development Plan and EU Support will be responsible for drafting an evaluation action plan at the national level to be followed by Managing Authorities in the course of discharging their responsibilities under Article 34 of the General Regulation 1260/1999/EC.

Implementation of evaluations will be conducted in accordance with the procedures set out by the MA, taking into consideration the fulfilment of the key principles defined in the guiding principles for evaluation. Within this scope, the Managing Authority (with the appropriate involvement of an Evaluation Steering Group) will prepare the terms of reference applicable to the evaluations being conducted, organise the selection of independent (external) evaluators, manage the evaluation as well as ensuring the necessary 'quality control' prior to approval. When approving evaluation reports, compliance with international standards for evaluation will be ensured.

Within the overall evaluation structures put in place at the level of the CSF (and without prejudice to the CSF-level evaluation action plan referred to above), the HRDOP Managing Authority will establish an OP evaluation unit to carry out evaluations in accordance with the arrangements outlined above, in particular through the establishment of an Evaluation Steering Group.

## **4 FINANCIAL MANAGEMENT AND CONTROL**

### ***4.1 PAYING AUTHORITY AND FINANCIAL FLOWS***

#### **4.1.1 Paying Authority**

The Ministry of Finance is designated as the single Paying Authority (PA) for all Structural Funds and the Cohesion Fund, and will therefore have responsibility for drawing up and submitting payment applications supported by certified statements of expenditure and receiving payments from the Commission.

The PA shall satisfy itself that the administrative, accounting, payment and internal control arrangements of the Managing Authority ensure compliance with the applicable rules with regard to the following:

- the eligibility of claims is checked before payment is authorised;
- the commitments and payments effected (both in the case of Community and national contributions) are correctly and fully recorded in the accounts;
- the eligibility of applications are checked before contracts with beneficiaries are signed and the commitment recorded.

The Paying Authority shall satisfy itself that the following arrangements (rules and procedures) of the Managing Authority are established:

- the maintenance of a sufficient audit trail,
- the regular and effective functioning of management and control systems,
- compliance with the applicable rules,
- the verification of expenditure.

#### **4.1.2 Financial tasks of the Paying Authority**

- Managing the liquidity of payments receipts from the Structural Funds (payment on account, interim payments, final balances)
- Certifying claims on the basis of information provided by the MA (including audit reports and reports on 5% checks). In addition, the PA shall carry out the complementary checks where appropriate, to ensure that the declarations of expenditure have been calculated in accordance with the accounting system in place and accurate are based on verifiable supporting documents;
- Drawing up and submitting the certified payment applications by Funds (declaration of certification of expenditure, statement of expenditure, application for payment) on the basis of the statements prepared by the Managing Authority – to the Commission on the basis of expenditure actually incurred by the final beneficiaries;
- Summing up and submitting not later than 30 April of each year expenditure forecasts to the Commission for the current and following year on a basis of the forecasts compiled by the Managing Authorities;

- Recovering sums due to the Funds re-paid (re-transferred) by the Managing Authorities and the application of financial corrections where they arise, as a result of the discovery of administrative errors, or from events arising from the management of the programme or from the occurrence of irregularities;
- Summing up and submitting to the Commission once a year a statement of the amounts awaiting recovery at that date, classified by the year of initiation of the recovery proceedings.
- Keeping accounting records by measures, priorities and funds based on its own bookkeeping as well as on the accounting information system of the Managing Authority or the Intermediate Body, containing not only the contribution of the Structural Funds, but also the central budgetary financing and private contribution as well.

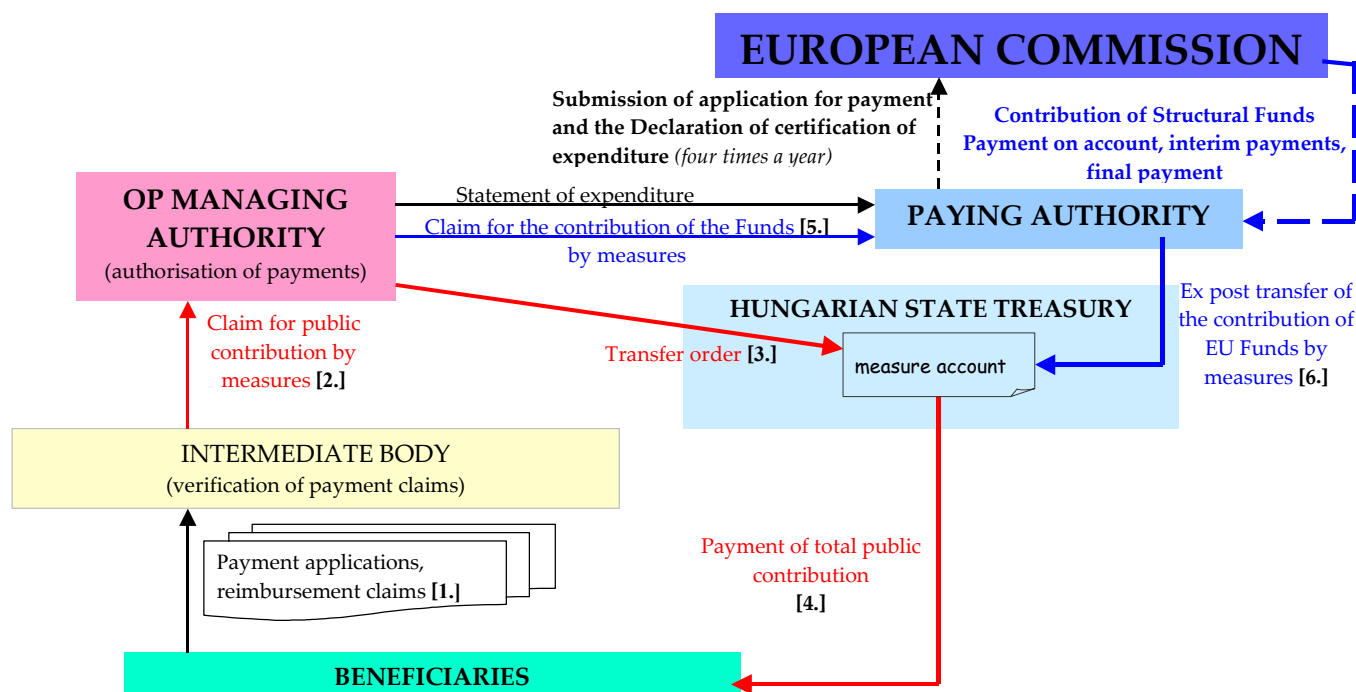
#### **4.1.3 The reimbursement of payment claims of the final beneficiaries**

With regard to the responsibility of the Managing Authority for the correctness of operations financed under the assistance, it retains the right of authorising payments (*See Chart below*).

Accordingly, the process of reimbursement of the payment claims of the beneficiaries is as follows:

- Final beneficiaries submit their payment applications (paid invoices or accounting documents of equivalent probative value) to the Intermediate Body (1).
- The Intermediate Body receives and controls the invoices, and verifies the eligibility of expenditure claimed. Based on verified invoices, the Intermediate Body draws up and submits a claim for public contribution (EU funds and for budgetary co-financing) to the Managing Authority. (2)
- The Managing Authority authorises the payments and sends the transfer order to the Treasury. (3)
- From the account of the specific measure, the final beneficiary receives the public contribution related to the expenditures submitted (4).
- On the basis of the payments made to the final beneficiaries, the Managing Authority submits a claim to the Paying Authority for transferring the contribution of the Funds to the relevant measure accounts (5). (For its part, the Paying Authority maintains the payment on account, and the received liquidity for half a year from the Funds to the Operational Programme on separate bank accounts until it receives the claim for EU support broken down by measures from the Managing Authority.)
- On the basis of the claim for the contribution of the Funds submitted by the Managing Authority, the Paying Authority orders the Hungarian State Treasury to transfer the EU contribution from the PA's OP account to the account of the specific measure (6).

## FLOW OF FUNDS AND REIMBURSEMENT OF PAYMENT CLAIMS IN THE FINANCIAL MANAGEMENT SYSTEM OF STRUCTURAL FUNDS IN HUNGARY



### 4.2. FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS

The legal framework for financial implementation is set down in a government regulation on financial management, accounting and control of EU Structural Funds and the Cohesion Funds. Besides the clear definition and separation of functions of the different bodies under the implementation system, the payment process will be transparent and as short as possible in line with the requirements of Article 32.1 of the General Regulation 1260/1999/EC. In this context, deadlines will be set for each phase of the payment process. At the same time, the number of control levels will be reduced by creating a single-channelled, reliable but controllable system on the basis of relevant EC regulations (Council Regulation 1260/1999, Commission Regulations 438/2001, 448/2001, 1386/2002, and 1605/2002). In addition, the requirements for verification controls, 5-15% checks and the winding-up tasks will be fulfilled.

Bilateral agreements between the Managing Authority and the Paying Authority will establish a clear separation of functions by determining the roles and responsibilities of each as well as the information required for payments, financial control, certification of statements of expenditure, accounting and the treatment of irregularities.

Operational Manuals relating to the Paying Authority, Managing Authority and Intermediate Bodies cover the whole range of activities of the relevant bodies, detailed procedures with the templates of the necessary documents and deadlines for each work phase<sup>20</sup>.

<sup>20</sup> To be finalised by end of 2003.



### *Maximum intervention rates*

The OP Managing Authorities are responsible for making sure that the maximum intervention rates defined in Article 29 are fully respected:

The contribution of the Funds shall be a maximum of 75 % of the total eligible cost and, as a general rule, at least 50 % of eligible public expenditure in the case of Objective 1. Where the regions are located in a Member State covered by the Cohesion Fund, which is the case for Hungary, the Community contribution may rise, in exceptional and duly justified cases, to a maximum of 80 % of the total eligible cost.

In the case of investment in firms, the contribution of the Funds shall comply with the ceilings on the rate of aid and on combinations of aid set in the field of *State aids*.

Where the assistance concerned entails the financing of *revenue-generating investments*, the contribution from the Funds to these investments shall be determined in the light of their intrinsic characteristics, including the size of the gross self-financing margin which would normally be expected for the class of investments concerned in the light of the macro-economic circumstances in which the investments are to be implemented, and without there being any increase in the national budget effort as a result of the contribution by the Funds.

In any event, the contribution of the Funds shall be subject to the following ceilings:

- in the case of investment in infrastructure generating substantial net revenue, the contribution may not exceed 40 % of the total eligible cost in Objective 1, which may be increased by not more than an extra 10 % in the Member States covered by the Cohesion Fund. In the case of Hungary, this can therefore rise to a maximum of 50%;
- in the case of investments in firms, the contribution may not exceed 35 % of the total eligible cost in Objective 1. In the case of investments in small and medium-sized undertakings, these rates may be increased by an amount for forms of finance other than direct assistance, provided that this increase does not exceed 10 % of the total eligible cost.

### *Internal Audit*

All organisations and institutions involved in the implementation of the Operational Programme will establish and operate their own internal audit units, under the direct supervision of the head of the organisation concerned.

The internal audit unit of the MA will follow the principles of the audit strategy of the Ministry of Finance. To this end, the unit will be entitled to carry out checks related to any aspect the implementation of the HRDOP, including the intermediate bodies and the final beneficiaries.

The internal audit unit will be functionally separated from the day-to-day operations of the MA, and from the built-in ex ante and ex post managerial supervisory systems. The main task of the internal audit unit is to evaluate these systems of the organisation.

The supervisory control unit (and the internal audit unit) of the OP Ministry of Employment and Labour (which report directly to the Minister or the Administrative State Secretary) and the internal audit unit of the OP Managing Authority (which reports directly to the head of the OP Managing Authority) are functionally and organisationally independent from each other.

The 5% audits specified in Article 10 of Regulation 438/2001 are conducted by the supervisory audit unit of the OP Ministry (MoEL) and the Government Control Office. The

supervisory control unit is functionally independent from the OP Managing Authority. In accordance with the provisions of Government Resolution No. 2213/2002 (VII. 24), the Minister of Finance co-ordinates the planning and implementation of site audit functions. The International Support Control Inter-ministerial Committee, established within the Ministry of Finance, ensures co-ordination.

The OP Ministry and Government Control Office send the audit reports to the Ministry of Finance. An annual report is prepared from the individual reports, which is then examined by the International Support Control Inter-ministerial Committee. Thereafter, the Ministry of Finance sends it to the European Commission.

The Government Control Office is responsible for issuing the declarations on winding-up of the assistance under Article 38(1)(f) of Regulation 1260/1999 and in accordance with Article 15 of Regulation 438/2001.

## **ANNEX**

## ANNEX 1 COHERENCE BETWEEN PROGRAMME OBJECTIVES AND PRIORITIES

HRD OP Priorities	HRD OP Measures	OP objectives		
		To raise the level of employment	To improve the competitiveness of the workforce	To promote social inclusion
<i>Supporting active labour market policies</i>	Preventing and tackling unemployment	* * *	*	* *
	Developing the Public Employment Service	* * *	*	* *
	Promoting the participation of women in the labour market and the reconciliation of work and family life	* * *	* *	* *
<i>Fighting social exclusion by promoting access to the labour market</i>	Ensuring equal opportunities in education for disadvantaged students	*	* *	* * *
	Promoting social inclusion through the training of professionals working in the social field	* *	*	* * *
	Improving the employability of disadvantaged people including the Roma	* *	* *	* * *
<i>Promoting lifelong learning and adaptability</i>	Developing skills and competencies necessary for lifelong learning	*	* * *	*
	Developing the content, methodology and structure of vocational training	* *	* * *	*
	Developing the structure and content of higher education	* *	* * *	*
	Trainings promoting job-creation and the development of entrepreneurial skills	* * *	* * *	*
	Developing the adult training system	* *	* * *	*
<i>Developing the infrastructure of education, social services and health care</i>	Developing the infrastructure of education	*	* * *	* *
	Developing the infrastructure of services supporting social inclusion	* *	*	* * *
	Development of health care infrastructure in regions lagging behind	* *	* *	* *
	IT development in health care in regions lagging behind	* *	* *	* *

Correlations between objectives and measures: \* weak, \*\* medium, \*\*\* strong

## ANNEX 2      LABOUR MARKET STATISTICS<sup>21</sup>

**Table 1      Economic Development in Hungary, 1992-2002**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Indices of GDP (1989=100)	82.4	81.9	84.3	85.5	86.6	90.6	95.1	99.1	104.3	108.3	111.9
GDP growth (%) *	-3.1	-0.6	2.9	1.5	1.3	4.6	4.9	4.2	5.2	3.7	3.3
Growth of industrial production (%)*	-9.7	4.0	9.6	4.6	3.4	11.1	12.5	10.7	18.3	4.0	2.6
Consumer price growth index (%) *	23.0	22.5	18.8	28.2	23.6	18.3	14.3	10.0	9.8	9.2	5.3
Unemployment rate (ILO)	9.8	11.9	10.7	10.2	9.9	8.7	7.8	7.0	6.4	5.7	5.8
Number of employed (%) *	-	-2.3	-2.0	-1.9	-0.8	-0.1	1.4	3.1	1.0	0.3	0.0
Labour productivity (%) <sup>a</sup> *	-	-1.7	5.0	3.5	2.1	4.7	3.5	1.1	4.2	3.7	3.3
Growth of gross real earnings (%) *	1.7	-0.5	5.1	-8.9	-2.6	3.4	3.5	5.5	3.4	8.1	12.3
Net increase in real wages *	-1.4	-3.9	7.2	-12.2	-5.0	4.9	3.6	2.5	1.5	6.4	13.6

\* preceding year = 100%

a) GDP / employee

*Source: Central Statistical Office (CSO)*

<sup>21</sup> Tables 1 to 15 include data provided by the Hungarian Central Statistical Office (CSO) or other Hungarian institutions, while tables 16 to 18 include EUROSTAT data.

**Table 2      Labour market indicators in Hungary, 1992-2002 (annual averages, thousands)**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001*	2002*
<b>Men</b>												
Total population (1 January)	4960.5	4943.4	4922.9	4903.7	4883.9	4863.3	4841.9	4817.6	4791.8	4864.0	4851.2	4839.1
Population (15-64)	3383.4	3383.6	3370.2	3374.2	3359.9	3369.4	3346.6	3334.5	3332.9	3336.2	3339.9	3337.7
Economically active (15-64)	2449.4	2364.8	2304.9	2291.1	2264.1	2245.7	2217.3	2259.9	2268.1	2262.5	2244.8	2238.2
Employed persons (15-64)	2184.6	2051.4	2033.0	2030.7	2021.4	2033.2	2029.7	2089.2	2108.8	2119.8	2102.4	2100.3
<b>Women</b>												
Total population (1 January)	5376.7	5366.8	5354.0	5342.0	5328.4	5311.2	5293.5	5274.2	5251.4	5333	5349.5	5339.5
Population (15-64)	3514.9	3512.1	3515.3	3517.2	3517.5	3507.1	3485.1	3468.2	3451.5	3456.1	3511.4	3512.0
Economically active (15-64)	2015.3	1929.3	1851.3	1769.4	1756.2	1727.4	1771.4	1813.8	1819.9	1811.9	1838.9	1850.5
Employed persons (15-64)	1838.4	1730.8	1679.3	1615.5	1601.1	1594.2	1649.3	1699.9	1716.9	1721.9	1747.4	1750.0
<b>Total</b>												
Total population (1 January)	10337.2	10310.2	10277.0	10245.7	10212.3	10174.4	10135.4	10091.8	10043	10097	10200.7	10178.6
Population (15-64)	6898.5	6895.7	6885.5	6891.4	6877.4	6876.5	6831.7	6803.1	6784.4	6792.3	6851.3	6849.7
Economically active (15-64)	4464.7	4294.1	4156.2	4060.5	4020.3	3973.1	3988.7	4073.7	4088.2	4074.4	4083.7	4088.7
Employed persons (15-64)	4022.9	3782.2	3712.3	3646.2	3622.5	3627.4	3679.0	3789.1	3825.7	3841.7	3849.8	3850.3

\* Recalculated figures based on 2001 Census

Source: Labour Force Survey, CSO, 2001 Census

**Table 3      Labour market indicators in Hungary, 1992-2002**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001*	2002*
<b>Total</b>												
Activity rate (15-64)	64.7	62.3	60.4	58.9	58.5	57.8	58.4	59.9	60.3	60.0	59.6	59.7
Employment rate (15-64)	58.3	54.8	53.9	52.9	52.7	52.8	53.9	55.7	56.4	56.6	56.2	56.2
Unemployment rate	9.9	11.9	10.7	10.2	9.9	8.7	7.8	7.0	6.4	5.7	5.7	5.8
Youth unemployment rate	17.5	21.3	19.4	18.6	18	15.9	13.5	12.4	12.1	10.8	11.2	12.6
<b>Men</b>												
Activity rate (15-64)	72.4	69.9	68.4	67.9	67.4	66.6	66.3	67.8	68.1	67.8	67.2	67.1
Employment rate (15-64)	64.6	60.6	60.3	60.2	60.2	60.3	60.6	62.7	63.3	63.5	62.9	62.9
Unemployment rate	10.8	13.3	11.8	11.4	10.7	9.5	8.5	7.5	7.0	6.3	6.3	6.1
Youth unemployment rate	19.3	23.6	21.5	20.7	18.0	17.4	14.8	13.2	13.0	11.5	12.2	13.2
<b>Women</b>												
Activity rate (15-64)	57.3	54.9	52.7	50.3	49.9	49.3	50.8	52.3	52.7	52.4	52.4	52.7
Employment rate (15-64)	52.3	49.3	47.8	45.9	45.5	45.5	47.3	49.0	49.7	49.8	49.8	49.8
Unemployment rate	8.8	10.3	9.3	8.7	8.8	7.7	6.5	6.3	5.6	5.0	5.0	5.4
Youth unemployment rate	15.0	18.2	16.65	15.6	16.4	14.5	11.6	11.3	10.9	9.8	10.0	11.9

\* Recalculated figures based on 2001 Census

*Source: Labour Force Survey, CSO*

**Table 4      Employment rates in Hungary by age group 1992-2002**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001*	2002*
<b>Total</b>												
15-64	58.3	54.8	53.9	52.9	52.6	52.7	53.9	55.7	56.4	56.6	56.2	56.2
15-59	62.4	58.9	58.0	56.9	56.6	56.5	57.4	59.3	60.1	60.3	60.1	60.1
15-24	37.3	33.5	32.9	31.3	30.4	31.4	35.3	35.7	34.3	32.3	30.7	28.5
25-39	75.8	72.8	72.3	70.8	70.5	70.2	71.0	72.4	73.3	73.8	73.8	73.3
40-59	65.8	62.5	61.5	61.3	61.6	61.4	60.6	63.3	64.4	64.5	64.6	65.5
60-64	13.7	9.9	8.5	7.6	7.1	7.2	7.1	7.6	8.0	8.9	8.9	9.6
<b>Men</b>												
15-64	64.6	60.6	60.3	60.2	60.1	60.3	60.6	62.6	63.3	63.5	62.9	62.9
15-59	68.5	64.4	64.2	64.0	64.1	64.0	64.0	66.0	66.7	67.0	66.6	66.5
15-24	40.7	36.6	36.1	35.3	35.4	36.2	39.6	40.0	38.7	36.8	34.4	31.2
25-39	83.3	80.6	80.8	81.0	81.4	81.7	80.8	82.4	83.6	84.3	84.3	84.0
40-59	72.6	68.2	68.1	68.3	68.3	68.2	66.4	69.1	69.9	69.6	69.8	70.6
60-64	17.5	13.4	11.8	11.5	8.9	9.9	10.0	10.4	11.7	13.2	13.1	14.4
<b>Women</b>												
15-64	52.3	49.3	47.8	45.9	45.5	45.4	47.3	49.0	49.7	49.8	49.8	49.8
15-59	56.5	53.5	51.9	49.9	49.3	49.2	51.1	52.8	53.6	53.7	53.8	53.9
15-24	33.6	30.3	29.5	27.0	25.2	26.2	30.9	31.1	29.7	27.8	26.9	25.8
25-39	68.1	65.0	63.7	60.4	59.5	58.6	61.0	62.2	62.8	62.8	63.2	62.4
40-59	59.6	57.3	55.4	55.0	55.4	55.3	55.3	57.8	59.4	59.8	59.9	60.9
60-64	10.7	7.1	5.9	4.5	5.6	5.1	5.0	5.5	5.1	5.6	5.5	6.0

\* Recalculated figures based on 2001 Census

Source: Labour Force Survey, CSO



**Table 5 Unemployment rates in Hungary by age group 1992-2002**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001*	2002*
<b>Total</b>												
15-64	9.9	11.9	10.7	10.2	9.9	8.7	7.8	7.0	6.4	5.7	5.7	5.8
15-59	1.0	12.0	10.7	10.3	10.0	8.8	7.8	7.0	6.5	5.7	5.8	5.9
15-24	17.5	21.3	19.4	18.6	18.0	15.9	13.5	12.4	12.1	10.8	11.2	12.6
25-39	9.9	11.6	10.5	10.1	9.8	8.5	7.7	7.3	6.4	6.0	6.0	6.1
40-59	7.3	9.0	7.8	7.5	7.5	6.6	5.8	5.0	4.8	4.2	4.2	4.1
60-64*	4.7	7.2	5.7	4.1	3.7	2.1	5.2	1.1	1.3	2.4	2.3	1.2
<b>Men</b>												
15-64	10.8	13.3	11.8	11.4	10.7	9.5	8.5	7.5	7.0	6.3	6.3	6.2
15-59	10.9	13.4	11.9	11.5	10.8	9.6	8.5	7.6	7.1	6.4	6.4	6.2
15-24	19.3	23.6	21.5	20.7	19.0	16.9	14.8	13.2	13.0	11.5	12.2	13.2
25-39	10.6	12.3	11.0	10.8	10.3	9.0	8.0	7.7	6.7	6.2	6.3	6.2
40-59	8.0	10.4	9.0	8.5	8.3	7.4	6.4	5.4	5.4	4.9	4.9	4.5
60-64*	4.4	5.3	3.3	3.8	1.4	1.3	4.7	1.4	1.8	2.7	2.6	1.8
<b>Women</b>												
15-64	8.8	10.3	9.3	8.7	8.8	7.7	6.9	6.3	5.6	5.0	5.0	5.4
15-59	8.9	10.3	9.3	8.7	8.9	7.8	6.9	6.3	5.7	5.0	5.0	5.5
15-24	15.1	18.2	16.6	15.6	16.4	14.5	11.6	11.3	10.9	9.8	10.0	11.9
25-39	9.1	10.7	9.7	9.2	9.1	7.9	7.3	6.7	6.0	5.6	5.6	6.0
40-59	6.5	7.3	6.4	6.3	6.6	5.7	5.1	4.5	4.0	3.4	3.4	3.7
60-64*	4.9	10.0	9.2	4.7	6.5	3.2	6.0	0.6	0.5	1.9	1.8	0.0

*Source: Labour Force Survey, CSO*

\* Recalculated figures based on 2001 Census

**Table 6      Population (aged 15-64) by main sectors and non-employment, 1992-2002**

	<b>Agriculture</b>	<b>Industry</b>	<b>Service</b>	<b>Non-employment</b>
<b>Total</b>				
1992	6.6	20.4	31.3	41.7
1993	5.0	18.5	31.3	45.2
1994	4.7	17.8	31.4	46.1
1995	4.2	17.2	31.4	47.1
1996	4.4	17.2	31.1	47.3
1997	4.2	17.5	31.1	47.2
1998	4.1	18.4	31.4	46.1
1999	3.9	18.9	32.8	44.3
2000	3.7	19.0	33.7	43.6
2001	3.5	19.2	33.8	43.4
2001*	3.5	19.3	33.4	43.8
2002*	3.5	19.2	33.5	43.8
<b>Men</b>				
1992	9.2	26.1	29.2	35.4
1993	7.2	24.1	29.3	39.4
1994	6.9	23.5	29.9	39.7
1995	6.4	23.3	30.4	39.8
1996	6.8	23.2	30.2	39.8
1997	6.4	23.9	30.1	39.7
1998	6.3	25.0	29.4	39.4
1999	6.1	25.9	30.7	37.4
2000	5.7	25.8	31.8	36.7
2001	5.4	26.0	32.1	36.5
2001*	5.4	26.1	31.4	37.1
2002*	5.3	26.3	31.3	37.1
<b>Women</b>				
1992	4.0	15.0	33.3	47.7
1993	2.9	13.1	33.2	50.7
1994	2.6	12.3	32.9	52.2
1995	2.1	11.4	32.4	54.1
1996	2.1	11.4	32.0	54.5
1997	2.0	11.3	32.1	54.5
1998	1.9	12.1	33.3	52.7
1999	1.9	12.3	34.9	51.0
2000	1.8	12.5	35.5	50.3
2001	1.7	12.8	35.7	49.8
2001*	1.8	12.7	35.3	50.2
2002*	1.8	12.4	35.6	50.2

*Source: Labour Force Survey, CSO*

\* Recalculated figures based on 2001 Census



**Table 7      Employment rates of population aged 15-64 by regions, 1992-2002**

<b>Regions</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2001*</b>	<b>2002*</b>
Central Hungary	62.7	58.8	57.6	57.5	57.2	57.0	57.	59.8	60.6	60.9	60.6	60.9
Central Transdanubia	58.0	55.6	54.8	53.4	53.0	53.8	56.1	58.7	59.3	59.9	59.3	60.0
Western Transdanubia	62.4	60.9	60.3	59.0	59.7	60.1	61.8	63.2	63.5	63.3	63.1	63.7
Southern Transdanubia	57.6	53.3	52.8	49.1	50.6	50.2	51.6	52.9	53.7	52.6	52.3	51.6
Northern Hungary	52.5	49.6	48.0	46.6	46.0	45.9	46.3	48.2	49.5	49.7	49.7	50.3
Northern Great Plain	52.8	48.7	47.9	46.7	45.8	45.4	46.6	48.9	49.1	49.7	49.5	49.3
Southern Great Plain	58.2	53.8	53.4	53.4	53.1	53.9	54.3	52.4	56.1	56.3	55.8	54.2
Total	58.3	54.8	53.9	52.9	52.7	52.7	53.9	55.7	56.4	56.6	56.2	56.2

\* Recalculated figures based on 2001 Census

*Source: Labour Force Survey, CSO*

**Table 8      Employed and unemployed persons by highest educational attainment, 1999-2002 (%)**

	1999		2000		2001		2001*		2002*	
Highest educational level	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed
<b>Men</b>										
ISCED 1+2 (<=8 grades)	16.8	34.0	16.0	32.9	15.7	36.8	15.6	36.5	14.6	36.7
ISCED 3+4 (Vocational sch., Secondary sch.)	68.3	63.3	68.3	63.7	68.7	60.3	68.8	60.7	69.5	60.0
ISCED 5+6 (Higher education)	14.9	2.7	15.7	3.4	15.6	2.9	15.6	2.8	15.9	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Women</b>										
ISCED 1+2 (<=8 grades)	20.5	34.8	19.1	31.8	19.0	33.3	19.1	33.6	18.5	33.2
ISCED 3+4 (Vocational sch., Secondary sch.)	61.0	61.4	61.7	63.1	61.6	60.6	61.6	60.3	61.7	58.4
ISCED 5+6 (Higher education)	18.5	3.8	19.2	5.1	19.4	6.1	19.3	6.1	19.8	8.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Total</b>										
ISCED 1+2 (<=8 grades)	18.5	34.3	17.4	32.4	17.2	35.4	17.2	35.4	16.4	35.2
ISCED 3+4 (Vocational sch., Secondary sch.)	65.0	62.5	65.4	63.5	65.5	60.5	65.5	60.5	66.0	59.3
ISCED 5+6 (Higher education)	16.5	3.2	17.2	4.1	17.3	4.1	17.3	4.1	17.6	5.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* Recalculated figures based on 2001 Census

Source: Labour Force Survey, CSO

**Table 9      Benefit recipients by income support scheme, 1995-2002**

(as per cent of working age population)\*

	1995	1996	1997	1998	1999	2000	2001	2002
Unemployment insurance	3.0	2.8	2.3	2.1	2.3	2.1	1.9	1.8
Unemployment assistance	3.5	3.5	3.3	3.0	2.4	2.1	0.9	0.1
Regular social allowance							1.1	1.6
Participants in retraining programmes	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.3
Disability benefit	4.9	5.2	5.3	5.6	6.3	6.2	6.5	6.6
Other disability assistance	4.2	4.7	5.1	5.3	5.5	5.4	5.2	5.0
Sick pay	2.5	1.8	1.7	1.7	1.7	1.8	1.8	1.9
Sick leave	0.6	0.7	0.7	0.6	0.7	0.6	0.6	0.5
Early retirement	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Pre-retirement	0.7	0.6	0.6	0.5	0.3	0.2	0.2	0.1
Pre-pension	0.7	0.8	0.9	0.8	0.5	0.2	0.0	0.0
Child care allowance	1.7	1.8	2.7	3.4	3.6	3.1	3.1	2.6
Child care fee	1.9	1.7	0.8	0.0	0.0	0.9	0.9	1.1
Total	24.6	24.4	24.3	24.0	24.3	23.4	23.2	22.3

\*annual averages, excluding early retirement figures of the end of the year

*Source: CSO, Ministry of Employment and Labour, National Employment Office*

**Table 10 Educational enrolment ratios by gender in full-time form**

	1990/91			1995/96			1998/99			1999/2000			2000/2001		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Pupils in kindergartens in % of 3-5 year-old population <sup>b)</sup>	87.1	84.0	85.5	88.0	86.3	87.2	86.3	86.8	86.5	87.0	87.6	87.3	86,0	86,8	86,4
Students in primary school % of 6-13 year-old population <sup>b)</sup>	99.4	98.8	99.1	97.7	97.1	97.4	97.2	98.4	97.7	97.3	98.7	98.0	100,0	100,0	100,0
Students in vocational school in % of 14-17 year-old population <sup>b)</sup>	37.1	23.1	30.3	31.5	21.4	26.6	26.9	18.0	22.5	24.4	15.3	20.0			93,6
Students in secondary school in % of 14-17 year-old population <sup>b)</sup>	32.5	48.4	40.2	45.5	60.5	52.8	53.7	68.0	60.7	54.0	66.9	60.3			
Ratio of all students in secondary school in % of 14-17 year-old population <sup>c)</sup>			42.4			61.0			77.5			76.7			80,0
Students in higher education in % of 18-22 year-old population <sup>b)</sup>	7.9	9.2	8.5	10.7	13.1	11.9	13.5	17.2	15.3	15.4	19.6	17.4	15,8	24,2	20,0
Ratio of all students in higher education in % of 18-22 year-old population <sup>d)</sup>			10.5			15.0			19.9			23.0			25,0
Total students as percentage of 3-22 year-old population <sup>e)</sup>	71.8	71.2	71.5	70.3	71.8	71.0	73.1	76.0	74.5	75.5	77.3	76.4	76,0	83,2	79,6

a) enrolment ratio by gender, calculated data

b) net enrolment ratio: ratio of students in % of the same age group

c) gross enrolment ratio in the secondary school

d) gross enrolment ratio in higher education

e) all students in the indicated age group

*Source: CSO*

**Table 11 Earnings in budgetary and competitive sectors by gender, 1999-2002**

	<b>1999</b>				<b>2000</b>				<b>2001</b>				<b>2002</b>			
	Total	Male	Female	<b>Female Male=100</b>	Total	Male	Female	<b>Female Male=100</b>	Total	Male	Female	<b>Female Male=100</b>	Total	Male	Female	<b>Female Male=100</b>
<b>Budgetary sector</b>	62.5	68.9	60.2	87.4	65.0	73.5	61.9	84.2	64.6	72.5	62.0	85.5	71.4	79.9	68.4	85.6
<b>Competitive sector</b>	100.0	105.0	92.1	87.7	100.0	105.1	92.2	87.7	100.0	105.3	91.9	87.3	100.0	105.0	91.9	87.5

*Source: National Employment Office, Survey of basic wages and earnings*

Note: Data refer to all organizations in the budgetary sector and firms employing at least workers 10 workers (1995-2000), 5 workers (2001-) respectively.



**Table 12      Earnings by regions**

	<b>1992</b>	<b>1994</b>	<b>1996</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Central Hungary	121.0	120.7	122.3	124.5	125.1	126.9	127.6	126.7
Central Transdanubia	98.7	97.7	98.1	98.4	95.8	96.4	97.3	94.0
Western Transdanubia	93.4	92.1	93.7	93.1	92.3	92.6	92.9	90.8
Southern Transdanubia	88.6	89.6	90.4	87.5	86.6	82.3	84.4	83.8
Northern Hungary	92.2	89.7	87.1	87.0	87.5	85.9	85.8	86.9
Northern Great Plain	87.1	87.4	86.7	83.9	84.8	81.7	81.9	83.3
Southern Great Plain	89.2	87.9	86.6	84.3	84.3	81.4	82.0	82.8
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (Ft)	22 465	35 620	47 559	69 415	81 067	90 196	104 687	117 672
Max/min	138.9	138.1	141.2	148.4	148.4	155.9	155.8	153.0

Note: The data refer to all organizations in the budgetary sector and firms employing at least 20 workers (1992-94), 10 workers (1995-2000), 5 workers (2001-) respectively.

*Source: National Employment Office, Survey of basic wages and earnings*

**Table 13**      **Earnings by educational levels, selected years**

<b>Highest educational level</b>	<b>1995</b>	<b>1997</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Elementary school (=100)	100	100	100	100	100	100
Vocational school	116	121	124	121	119	115
Vocational secondary school	143	151	156	152	149	148
Grammar school	143	149	157	152	147	148
Technical secondary school	185	203	210	201	193	193
High school	200	207	219	225	217	235
University	291	331	356	375	349	358
Total	146	152	161	161	157	159

Note: Data include earnings of top managers. Data refer to all organizations in the budgetary sector and firms employing at least workers 10 workers (1995-2000), 5 workers (2001-) respectively.

*Source: National Employment Office, Survey of basic wages and earnings*

**Table 14 Expenditure on active and passive employment measures, 1992-2002**

Billion HUF and million ECU/EURO\* and % GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Total expenditure</b>											
billion HUF	82.8	99	79.9	74	77.4	91.4	101.6	110.1	112.8	124.7	149.9
million ECU/EUR	810.9	920.9	640.7	455.1	405	433.3	421.7	435.5	433.8	485.7	617.0
% GDP	2.81	2.79	1.83	1.33	1.13	1.07	1.01	0.96	0.86	0.84	0.90
<b>Passive measures</b>											
billion HUF	65	75.6	53.1	50.4	51.8	68.6	62.4	64.5	61.7	56.6	63.2
million ECU/EUR	636.6	703.2	425.8	309.9	271	325.2	259	255.1	237.2	220.5	260.1
% GDP	2.21	2.13	1.22	0.92	0.76	0.63	0.62	0.56	0.47	0.39	0.38
Unemployment compensation	2.15	2.02	1.07	0.72	0.6	0.46	0.45	0.47	0.44	0.38	0.38
Early retirement	0.05	0.11	0.15	0.19	0.16	0.17	0.16	0.09	0.04	0.01	0.00
<b>Active measures</b>											
billion HUF	17.8	23.4	26.8	23.7	25.5	37.8	39.3	45.7	51.0	68.1	86.7
million ECU/EUR	174.3	217.6	214.9	145.7	133.4	179.2	163.1	180.7	196.1	265.3	356.8
% GDP	0.61	0.66	0.61	0.43	0.37	0.44	0.39	0.4	0.39	0.46	0.52
PES and administration	0.15	0.15	0.15	0.13	0.11	0.13	0.12	0.11	0.11	0.11	0.12
Training	0.15	0.23	0.19	0.13	0.08	0.08	0.07	0.07	0.07	0.07	0.06
Subsidized employment	0.31	0.28	0.27	0.17	0.18	0.23	0.2	0.22	0.22	0.27	0.34
<b>Share of active measures of total spending (%)</b>	22	24	33	32	33	41	39	42	45	55	58

*Source: Ministry of Employment and Labour*

**Table 15      Change in the amount of minimum wage and minimum old-age pension, 1988-2002 (HUF)**

	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Minimum wage	3,000	3,700	4,800	7,000	8,000	9,000	10,500	12,200	14,500	17,000	19,500	22,500	25,500	40,000	50,000
Previous year = 100.0	n/a	123.3	129.7	145.8	114.3	112.5	116.7	116.2	118.9	117.2	114.7	115.4	113.3	156.9	125.0
Minimum pension	2,923	3,340	4,300	5,200	5,700	6,400	7,480	8,400	9,600	11,500	13,700	15,350	16,600	20,100	21,800
Previous year = 100.0	n/a	114.3	128.7	120.9	109.6	112.3	116.9	112.3	114.3	119.8	119.1	112.0	108.1	121.1	108.5
Consumer price index, previous year = 100.0	115.5	117.0	128.9	135.0	123.0	122.5	118.8	128.2	123.6	118.3	114.3	110.0	109.8	109.2	105.3

*Source: Ministry of Health, Social and Family Affairs*

**Table 16 Key employment indicators 1 (EUROSTAT)**

	1997	1998	1999	2000	2001	2002	EU-15	ACC-10	EU-25
<b>Total</b>									
Total population (000)	10078	10016	9969	9924	9898	9861	375106	73920	449026
Population aged 15-64 (000)	6836	6801	6779	6764	6777	6771	250623	50497	301120
Total employment (000)	3610	3675	3791	3829	3844	3855	170415	28838	199253
Population in employment aged 15-64 (000)	3575	3653	3765	3806	3827	3831	161038	28228	189266
Employment rate (% population aged 15-64)	52.3	53.7	55.5	56.3	56.5	56.6	64.3	55.9	62.9
Employment rate (% population aged 15-24)	29.6	33.9	34.9	33.5	31.8	30.1	40.6	25.4	37.6
Employment rate (% population aged 25-54)	69.8	70.3	72.2	73.0	73.1	72.9	77.2	72.3	76.4
Employment rate (% population aged 55-64)	17.8	17.3	19.5	22.2	24.1	26.6	40.1	30.5	38.7
FTE employment rate (% population aged 15-64)	52.0	53.1	55.4	56.0	56.3	56.5	58.9	55.2	58.2
Self-employed (% total employment)	17.2	16.0	15.6	15.0	14.3	13.7	14.6	21.4	15.6
Part-time employment (% total employment)	3.7	3.8	3.8	3.6	3.6	3.6	18.1	8.0	16.7
Fixed term contracts (% total employment)	6.8	6.7	6.5	7.2	7.5	7.3	13.0	11.2	12.7
Employment in Services (% total employment)	58.6	58.0	58.7	59.5	59.4	59.7	71.0	55.3	68.7
Employment in Industry (% total employment)	33.5	34.4	34.2	33.9	34.4	34.1	25.0	31.7	25.9
Employment in Agriculture (% total employment)	8.0	7.6	7.1	6.6	6.2	6.2	4.1	13.0	5.4
Activity rate (% population aged 15-64)	57.5	58.7	59.7	60.1	59.9	60.1	69.7	65.8	69.0
Activity rate (% of population aged 15-24)	35.7	40.0	40.0	38.3	35.8	34.4	47.7	37.6	45.7
Activity rate (% of population aged 25-54)	75.7	75.9	77.0	77.3	77.1	76.9	82.8	83.1	82.9
Activity rate (% of population aged 55-64)	18.9	18.3	20.1	22.9	24.8	27.5	42.8	33.1	41.4
Total unemployment (000)	355	337	279	256	227	229	13560	5034	18595
Unemployment rate (% labour force 15+)	9.0	8.4	6.9	6.3	5.6	5.6	7.7	14.8	8.9
Youth unemployment rate (% labour force 15-24)	17.0	15.0	12.7	12.1	10.9	11.9	15.1	31.9	17.8
Long term unemployment rate (% labour force)	4.4	4.2	3.3	3.0	2.5	2.4	3.0	8.1	3.8
Youth unemployment ratio (% population aged 15-24)	6.0	6.0	5.0	4.5	3.8	4.1	7.2	12.1	8.2

Source: EUROSTAT

**Table 17 Key employment indicators 2 (EUROSTAT)**

	1997	1998	1999	2000	2001	2002	EU-15	ACC-10	EU-25
<b>Male</b>									
Total population (000)	4802	4772	4749	4726	4714	4691	183501	35635	219135
Population aged 15-64 (000)	3335	3324	3315	3313	3321	3315	125544	24883	150427
Total employment (000)	2009	2024	2083	2103	2116	2118	97000	15723	112723
Population in employment aged 15-64 (000)	1991	2011	2068	2089	2105	2104	91455	15380	106835
Employment rate (% population aged 15-64)	59.7	60.5	62.4	63.1	63.4	63.5	72.8	61.8	71.0
Employment rate (% population aged 15-24)	33.4	37.6	38.5	37.3	35.7	32.9	43.7	28.1	40.7
Employment rate (% population aged 25-54)	77.5	76.8	78.6	79.2	79.5	79.7	86.8	77.9	85.4
Employment rate (% population aged 55-64)	27.1	27.0	29.9	33.2	34.9	36.7	50.1	41.2	48.9
FTE employment rate (% population aged 15-64)	60.4	60.5	63.2	63.6	63.8	64.1	71.2	61.8	69.7
Self-employed (% total employment)	21.0	19.5	19.2	18.7	17.6	16.9	17.6	24.3	18.5
Part-time employment (% total employment)	2.1	2.4	2.4	2.1	2.2	2.3	6.5	5.9	6.5
Fixed term contracts (% total employment)	7.4	7.5	7.0	7.7	8.1	7.9	12.0	11.7	11.9
Employment in Services (% total employment)	49.0	48.0	48.5	49.7	49.8	49.7	60.5	44.9	58.3
Employment in Industry (% total employment)	40.1	41.5	41.6	41.2	41.7	42.1	34.7	40.9	35.6
Employment in Agriculture (% total employment)	10.8	10.5	9.9	9.1	8.5	8.3	4.8	14.2	6.1
Activity rate (% population aged 15-64)	66.2	66.6	67.5	67.9	67.7	67.7	78.4	72.3	77.4
Activity rate (% of population aged 15-24)	41.0	45.1	44.8	43.2	40.6	37.8	51.3	41.4	49.4
Activity rate (% of population aged 25-54)	84.6	83.5	84.3	84.4	84.3	84.3	92.4	88.8	91.8
Activity rate (% of population aged 55-64)	28.9	28.5	31.0	34.5	36.3	38.2	53.4	45.0	52.3
Total unemployment (000)	214	199	165	153	138	136	6899	2610	9509
Unemployment rate (% labour force 15+)	9.7	9.0	7.4	6.8	6.1	6.0	6.9	14.2	8.0
Youth unemployment rate (% labour force 15-24)	18.6	16.6	13.7	13.1	11.6	12.6	14.8	31.4	17.4
Long term unemployment rate (% labour force)	4.8	4.5	3.6	3.4	2.9	2.7	2.6	7.4	3.3
Youth unemployment ratio (% population aged 15-24)	7.6	7.4	6.1	5.6	4.6	4.9	7.6	13.0	8.7

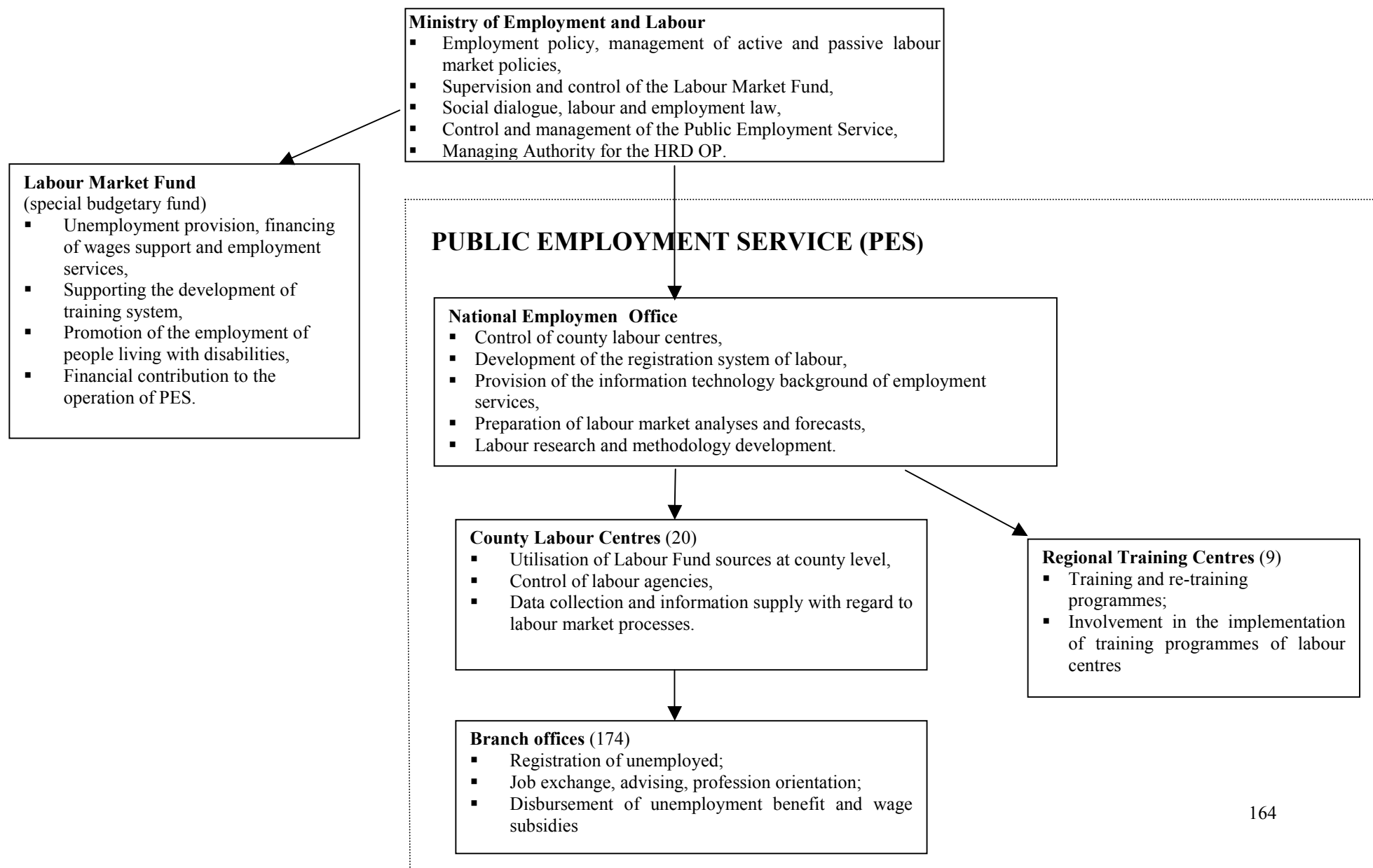
Source: EUROSTAT

**Table 18 Key employment indicators 3 (EUROSTAT)**

	1997	1998	1999	2000	2001	2002	EU-15	ACC-10	EU-25
<b>Female</b>									
Total population (000)	5277	5243	5220	5199	5185	5169	191606	38286	229891
Population aged 15-64 (000)	3501	3477	3464	3452	3456	3456	125079	25614	150694
Total employment (000)	1601	1651	1709	1726	1729	1737	73415	13115	86530
Population in employment aged 15-64 (000)	1584	1642	1697	1717	1722	1727	69585	12848	82433
Employment rate (% population aged 15-64)	45.3	47.2	49.0	49.7	49.8	50.0	55.6	50.2	54.7
Employment rate (% population aged 15-24)	25.8	30.2	31.2	29.7	27.8	27.3	37.4	22.6	34.4
Employment rate (% population aged 25-54)	62.3	63.9	66.0	66.9	66.9	66.1	67.4	66.7	67.3
Employment rate (% population aged 55-64)	10.4	9.6	11.3	13.3	15.3	18.5	30.5	21.4	29.1
FTE employment rate (% population aged 15-64)	43.9	46.0	47.9	48.7	48.9	49.1	46.8	48.9	47.1
Self-employed (% total employment)	12.4	11.6	11.2	10.5	10.2	9.9	10.7	18.0	11.8
Part-time employment (% total employment)	5.5	5.4	5.5	5.2	5.2	5.1	33.5	10.4	30.0
Fixed term contracts (% total employment)	6.3	5.9	6.0	6.5	6.8	6.6	14.2	10.6	13.7
Employment in Services (% total employment)	70.6	70.3	71.2	71.5	71.2	71.9	84.2	67.6	81.7
Employment in Industry (% total employment)	25.0	25.6	25.1	25.1	25.4	24.5	12.7	20.7	13.9
Employment in Agriculture (% total employment)	4.4	4.0	3.8	3.5	3.4	3.6	3.1	11.7	4.4
Activity rate (% population aged 15-64)	49.2	51.2	52.3	52.7	52.4	52.9	60.9	59.5	60.7
Activity rate (% of population aged 15-24)	30.2	34.7	35.1	33.3	30.8	30.9	44.1	33.8	42.0
Activity rate (% of population aged 25-54)	67.0	68.6	69.9	70.4	70.0	69.5	73.2	77.4	73.9
Activity rate (% of population aged 55-64)	10.9	10.2	11.5	13.5	15.5	18.9	32.5	23.0	31.1
Total unemployment (000)	140	138	114	103	90	94	6661	2424	9085
Unemployment rate (% labour force 15+)	8.1	7.8	6.3	5.6	4.9	5.1	8.7	15.6	9.9
Youth unemployment rate (% labour force 15-24)	14.8	13.0	11.3	10.6	10.0	11.0	15.5	32.7	18.5
Long term unemployment rate (% labour force)	3.9	3.9	3.0	2.5	2.1	2.1	3.6	8.9	4.5
Youth unemployment ratio (% population aged 15-24)	4.4	4.5	3.9	3.5	3.0	3.3	6.8	11.2	7.7

Source: EUROSTAT

## ANNEX 3 THE STRUCTURE OF THE HUNGARIAN PUBLIC EMPLOYMENT SERVICE

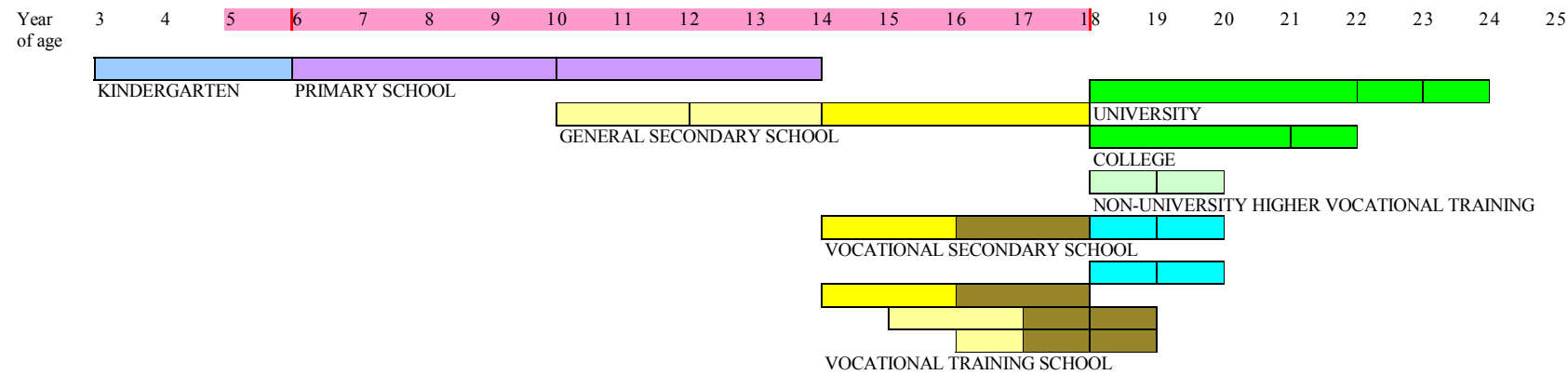




ANNEX 4

STRUCTURES OF THE HUNGARIAN EDUCATIONAL SYSTEM

Structures of mainstream school and tertiary education in Hungary  
2003



Intervention fields of the measures aiming at education and training

2.1.	ISCED 0	Primary (ISCED 1, 2)	Upper second. general (ISCED 3)	
3.1.	ISCED 0	Primary (ISCED 1, 2)	Upper second. general (ISCED 3)	
3.2.			General* + Vocational (ISCED 3,4)	Voc. ISCED (5)
3.3.				Tertiary (ISCED 5)
4.1.			General* + Vocational (ISCED 3,4)	Vocational + Tertiary (ISCED 5)

COMPULSORY EDUCATION (WITH THE START/END OF COMPULSORY FULL-TIME EDUCATION)				
PRE-PRIMARY – SCHOOL BASED	ISCED 0	UPPER SECONDARY VOCATIONAL	ISCED 3	
PRIMARY – SINGLE STRUCTURE	ISCED 1+2	POST SECONDARY NON-TERTIARY	ISCED 4	
LOWER SECONDARY GENERAL (INCLUDING PRE-VOCATIONAL)	ISCED 2	TERTIARY EDUCATION	ISCED 5A	
UPPER SECONDARY GENERAL	ISCED 3	TERTIARY EDUCATION	ISCED 5B	

## ANNEX 5 SUMMARY DESCRIPTION OF THE HUNGARIAN EDUCATION SYSTEM<sup>22</sup>

### Administrative control and extent of public education

Horizontally, the administrative responsibilities are shared between the Ministry of Education and other ministries (primarily the Ministry of Employment and Social Affairs, the Ministry of Finance and the Ministry of Interior). Vertically, the administrative control is decentralized and the managing responsibility is shared among the central (national), the local (regional) and institutional levels.

The local governments administer pre-primary, primary and secondary education. The different establishments enjoy a fair degree of decision-making autonomy not only in terms of organization and functioning but also with regard to their budgets.

Most pupils attend public-sector schools, which are administered and organized by the public authorities, primarily the local governments. The financing of educational institutions is sector neutral. State and private institutions receive funding according to the same criteria.

### Pre-primary education

This educational level is considered as a crucially important integrated part of the school system. It caters for children from 3 to 7 years of age. Participation in pre-primary education at this level (*óvoda*) is optional, except for the final year (beyond age 5), which is compulsory. Public-sector institutions may only charge for services additional to their basic tasks, including for example extra-curricular activities, meals, excursions, etc. In 2001/2002, 342 285 children attended nursery school. Currently, the attendance rate with regard to the age groups 3-5, is just above 86%. The average duration of participation of children aged 3-7 in pre-primary education is just over 3 years (3.3), which is the highest average value in Europe, reflecting the satisfaction of the Hungarian public with this area of educational services.

### Compulsory full-time education

#### Phases

<i>Óvoda</i> (pre-primary) – one preparatory year, compulsory (ISCED 0-1)	Age 5-6/7
<i>Általános iskola</i> (primary – single structure) (ISCED 1 + 2)	Age 6/7-14 (1 <sup>st</sup> cycle: age 6-10; 2 <sup>nd</sup> : age 10-14)
<i>Gimnázium</i> (general lower and upper secondary) (ISCED 2 + 3)	Age 10/12/14 – 18/19
<i>Szakközépiskola</i> – vocational secondary school (ISCED 3+ISCED4)	Age 14-18/19/20 (generally: 4 years)
<i>Szakiskola</i> (C course) – vocational training school (ISCED 3)	Age 14-18 years (2+2 years)
<i>Szakiskola</i> <sup>24</sup> (A course / B course <sup>25</sup> ) – remedial (ISCED 2) + vocational training school (ISCED 3)	Age 15/16-18/19 (1-2 + 2 years)

<sup>22</sup> Source: EURYDICE is the Education Information Network in Europe (Socrates Programme)

<sup>23</sup> This new type of Szakiskola effectively replaces the former Szakmunkásképző Iskola. It consists of 2 years general studies and a 2-year vocational course. (Course 'C')

<sup>24</sup> The new type of remedial Szakiskola consists of a general (basic) remedial course of 1-2 years, and a short vocational course of 2 years. These schools mostly accept students who could not finish Általános Iskola, or have difficulties with basic skills (reading/writing/calculus).

<i>Szakiskola</i> <sup>26</sup> (D course) – post-secondary vocational course (ISCED 4)	Age 18-19/20 (1-2 years)
-----------------------------------------------------------------------------------------	--------------------------

Education is compulsory up to the age of 18. Vocational studies may not be commenced before the age of 16, up to which pupils are to acquire fundamental education.

### ***Admissions criteria***

Law imposes the provision of free compulsory education. Nevertheless, private-sector schools may charge fees. A declaration of school-readiness is required for admission to primary school. Schools are obliged to take in all acceptable pupils who live within the catchment area, but parents may seek admission for their children at any institution. Admission to upper secondary schools is based on the entrance procedures organised by the schools, and adhering to the guidelines set up by the Ministry of Education.

### ***Length of the school day/week/year***

The school year comprises 185 days of teaching, traditionally, starting from the end of August/beginning of September to 31 August of the following year. As of 2004 there are three (approximately one-week period) school breaks in the autumn, the winter and in spring, with an additional 10-11 week summer break. There are five working days every week, the teaching lessons usually last 45 minutes. Law stipulates the maximum numbers of teaching lessons for the various grades.

### ***Class size/student grouping***

In the school year of 2001-2002, the pupil/teacher ratio had the following pattern at the various levels of school education: 10.6 in kindergartens (óvoda), 10.5 (in general schools (általános iskola) at primary and lower secondary levels, 13.3 (in general secondary schools - gimnázium) and 15.0 in vocational secondary schools (szakközépiskola). The average class size in kindergartens (óvoda) was 22.1, whereas in the general schools (általános iskola) it was 19.8. The regulations define the maximum number of pupils per class as 26 (grades 1-4), 30 (grades 5-8) and 35 (grades 9-13). The classes are mixed and are made up of pupils of the same age. Integrated education is compulsory as of September 2003 in all public educational institutions and mixed ability groups are set up in all schools.

### ***Curricular control and content***

A three level structure comprising the National Core Curriculum (1995), the Frame Curricula (2000) and local curricula (institutional level) provide a regulatory framework for teachers to develop syllabi. Based on a central definition of each discipline, the schools and the local teaching staff can define and adopt local curricula and syllabi for each class and each subject. The National Core Curriculum is under revision at the moment. The revised National Core Curriculum will have the special feature of giving priority to the improvement of skills and abilities. The choice of teaching methods is discussed by the teachers, the parents and all stakeholders of each educational institution. The choice of textbooks is the responsibility of the teaching staff, however the Ministry of Education approves the list of eligible textbooks.

It is important to emphasize that the recent rapid changes in the curricular system are not yet implemented fully. At this moment there are three curricular systems in existence (in parallel at different levels and type of education) in Hungary: the old central curriculum system of 1978

<sup>25</sup> Course 'A' and 'B' differs only in the level at which they start remedial training. (for students of different level of extra basic education needs).

<sup>26</sup> Supplementary, post-secondary vocational course of 1 or 2 years organised in Szakiskola. (Course 'D')

(amended several times until 1995), the system based only on the National Core Curriculum and the system of Frame Curricula.

### ***Assessment, progression and qualifications***

Pupils are assessed by the teachers throughout the school year (written and oral tests). In grade one, pupils in difficulty cannot be made to repeat the year. As from September 2004, the revised Act on Public education stipulates that all pupils must be assessed in written, individual analysis, expanding the traditional numeric (scale 1-5) marking framework. It is possible to make the pupil repeat a year at each grade, however, during the first 3 years it is only possible with the consent of the parent and no numeric marking is done. All schools are required to elaborate a comprehensive evaluation and assessment regulation based on the consensus of teachers, maintainers and parents.

### **Post-compulsory education; upper and post-secondary education**

#### ***Types of education***

<i>Gimnázium</i> (general lower and upper secondary) (ISCED 2 + 3)	Age 10/12/14 – 18/19/20
<i>Szakközépiskola</i> – vocational secondary school (ISCED 3)	Age 14-18/19/20 (generally: 4 years)
<i>Szakiskola</i> <sup>27</sup> (C course) – vocational training school (ISCED 3)	Age 14-18 years (2+2 years)
<i>Szakiskola</i> <sup>28</sup> (A course / B course <sup>29</sup> ) – remedial (ISCED 2) + vocational training school (ISCED 3)	Age 15/16-18/19 (1-2 + 2 years)
<i>Szakiskola</i> <sup>30</sup> (D course) – post-secondary vocational course (ISCED 4)	Age 18-19/20 (1-2 years)

#### ***Admissions criteria***

Most upper secondary schools organise entrance examinations. Law imposes free education at upper secondary level. If a school wishes to include examinations in their admissions criteria in the 6 and 8-year *Gimnázium* pupils must participate in a centrally organised exam, in other schools only the dates of examinations are set by regulations.

#### ***Curricular control and content***

The three different curricular sets exist for *Gimnázium*, *Szakközépiskola* and *Szakiskola*. The requirements of *Érettségi Vizsga* (maturity exam) define the exit criteria for *Gimnázium* and the criteria of the given profession(s) define exit requirements for the vocational schools. In case of the vocational courses, only *Szakközépiskola* will provide (without extra years) possibility to advance to *Érettségi* (and consequently to Tertiary Education).

<sup>27</sup> This new type of *Szakiskola* effectively replaces the former *Szaktanulmányi Iskola*. It consists of 2 years general studies and a 2-year vocational course

<sup>28</sup> The new type of remedial *Szakiskola* consists of a general (basic) remedial course of 1-2 years, and a short vocational course of 2 years. These schools mostly accept students who could not finish *Általános Iskola*, or have difficulties with basic skills (reading/writing/calculus).

<sup>29</sup> Course 'A' and 'B' differs only in the level at which they start remedial training. (for students of different level of extra basic education needs), while Course 'C' is the type mentioned in footnote 4.

<sup>30</sup> Supplementary, post-secondary vocational course of 1 or 2 years organised in *Szakiskola*. (Course 'D')

### ***Assessment, progression and qualifications***

The arrangements for pupil assessment are identical to those in primary education. At the end of upper secondary courses in Gimnázium and Szakközépiskola pupils may pass the national secondary school leaving examination (érettségi). This certificate is a prerequisite for admission to higher education. Vocational schools (*szakközépiskola*) may also award a vocational qualifying certificate.

### **Higher education**

#### ***Types of institution***

In Hungary, higher education institutions are the public and private/denominational universities (egyetemek) and colleges (főiskolák) that are accredited and formally recognised by the state. These are specialised and organise courses in their particular field of specialisation. The range of higher education institutions includes non-university institutions (főiskola), university-level institutions (egyetem) and some institutions provide higher vocational training courses.

#### ***Access***

The secondary school leaving certificate (érettségi bizonyítvány) is required by all institutions for entrance to higher education. Certain higher education courses impose stricter selection criteria for admission. Additional criteria may be required (for example, a certificate in foreign languages, a specialisation, a qualification, etc.).

#### ***Qualifications***

Diplomas have a two-fold function and incorporate academic and vocational qualifications. Students who successfully complete non-university education courses in the főiskola (3 or 4 years) are awarded the főiskolai diploma. Universities and other university-level institutions award the egyetemi diploma to students who successfully complete a four to six-year course. A higher vocational qualification (felsőfokú szakképesítés) awarded at the end of 2 years of non-university vocational higher education to students who have passed the higher professional examination (felsőfokú szakvizsga).

### **Special needs**

As the Hungarian special education services have a long institutionalised tradition (from the mid 19th century) there are separate institutions for the blind and for pupils with hearing impediments, physical and mental deficiencies in primary and lower secondary education. These institutions function as multiplier-training centres for the latest special educational methodologies and prepare specialists to introduce integrated educational and training modules. In the light of recent changes, integrated education is compulsory at all levels of school provision, with the exception of completely deaf, blind or semi-seriously, seriously mentally retarded pupils. A number of special education teacher training programmes are organised. After finishing general school, pupils with special needs may continue their studies in special vocational training schools as well.

### **Teachers**

In 2001/2002 school year, the number of full time teachers in the public education sector was 162,149. Teachers who work in primary schools obtain their qualifications through a non-university higher education course lasting four-five years. Teachers at lower secondary level follow a four (five)-year training course. Teachers at upper secondary level obtain their qualifications through a general university course lasting four-five years, plus an additional year of general and professional training. Most teachers have civil servant status.

## ANNEX 6 COMPLEMENTARITIES BETWEEN THE 'MAINSTREAM' ESF PROGRAMMES AND THE HUNGARIAN EQUAL PROGRAMME

Under the Hungarian EQUAL programme, the constituent priorities and themes will 'complement' where appropriate the relevant priorities and measures set out in the HRD OP. Given that certain activities under both programmes will target the same socio-economic groups, the provisions established under Programme Complements will incorporate the necessary procedural 'safeguards' to ensure the physical and financial separation of the respective implementation provisions put in place.

The table below shows the correlation between HRD OP ESF measures and EQUAL priorities and themes.

Draft EQUAL Programme		HRD OP	
Priorities	Themes	Measures	Target groups
1 Employability	<b>A Facilitating access or return to the labour market</b>	1.1 Preventing and tackling unemployment 1.2 Developing the Public Employment Service 2.1 Ensuring equal opportunities in education for disadvantaged students 2.2 Promoting social inclusion by human resource development of workers dealing with socially disadvantaged groups	Unemployed, inactive, women, Roma, people with disabilities, people under restraint, disadvantaged young people, older people
	<b>B Combating racism and xenophobia</b>	2.3 Improving the employability of disadvantaged people, including the Roma 3.1 Implementation of the LLL concept through the development of public education 3.2 Developing the content, methodology and structure of vocational training	
2 Entrepreneurship	<b>C Opening up the business creation process</b>	3.4 Promoting job-creation and the development of entrepreneurial skills by training	Micro-enterprises, SMEs, self-employed, starting entrepreneurs
	<b>D Strengthening the social economy</b>	1.3 Promoting the return of women to the labour market	
3 Adaptability	<b>E Promoting lifelong learning and inclusive work practices</b>	3.4 Promoting job-creation and the development of entrepreneurial skills by training 3.5 Developing the system of adult training	Employed, self-employed, micro-enterprises, SMEs, companies
	<b>F Supporting the adaptability of firms and employees</b>		
4 Equal opportunities for women and men	<b>G Reconciliation of family and professional life</b>	1.3 Promoting the return of women to the labour market	Women (having small children, inactive, unemployed women)
	<b>H Reducing gender gaps and supporting job desegregation</b>		
5 Asylum seekers			

At the same time, the EQUAL programme will be distinguished from 'mainstream' ESF activities under the HRD OP through its support for innovative projects as well as the required partnership and transnational co-operation arrangements which characterise its implementation.

Complementarities with the HRD OP will also be particularly important in the case of Priority 4 of the EQUAL programme (Equal Opportunities). This priority relates closely to the fifth ESF 'policy field' (*'specific measures to improve women's access to and participation in the labour market, including their career development, their access to new job opportunities and to starting up of businesses, and to reduce vertical and horizontal segregation on the basis of sex in the labour market'*).

In the context of their related themes and measures, both the EQUAL programme and the HRD OP contain cross-references whereby actions which facilitate the reconciliation of work and family life, as well as the re-integration of women to the labour market (EQUAL Theme G), will be addressed under the HRD OP (Measure 3.1), while EQUAL will focus on reducing gender gaps and supporting job desegregation (EQUAL Theme H).

The proposed activities under the two programmes are summarised as follows:

<b>Draft EQUAL CIP (Theme 4H)</b> <b>Reducing gender gaps and supporting job desegregation</b>	<b>HRD OP (Measure 1.3)</b> <b>Promoting the participation of women in the LM and the reconciliation of work and family life</b>
<ul style="list-style-type: none"> <li>- Introducing new forms of employment and in-company training that enable the reconciliation of family life and work.</li> <li>- Training for women to upgrade knowledge and skills that are related to the use of ICT.</li> <li>- Developing and introducing new tools in the human resources policy of the companies that promote the women's work career.</li> <li>- Promoting women's participation in R&amp;D activities, first of all in areas connected to technology and natural science.</li> <li>- Training for the helping family members employed in family enterprises so as to equip them with modern business (e-business, marketing etc.) knowledge and skills related to the application of ICT.</li> <li>- Elaborating comprehensive strategies building on a variety of activities (for example legal counselling, advocacy, publicity etc.) to raise awareness and change attitudes of employees concerning segregation and discrimination of women in the labour market.</li> <li>- Creating support networks for women in non-traditional occupations.</li> <li>- Ensuring wider job selection opportunities for young people through introducing new career orientation techniques and elaborating/adapting new methods that stimulate young people to try professional activities and practices traditionally dominated by the other gender.</li> </ul>	<ul style="list-style-type: none"> <li>- Training, skills development, distant learning, etc.,</li> <li>- Tailor made labour market services to facilitate reintegration into the labour market;</li> <li>- Supported employment,</li> <li>- Training programs tailored to different educational levels in order to develop entrepreneurial knowledge and skills,</li> <li>- Providing, developing and establishing flexible and alternative services to look after children and/or other dependant family members during the day;</li> <li>- Supporting employers' initiatives to facilitate equal opportunities for men and women at the workplace, to develop a family-friendly company policy and to establish and promote flexible working arrangements and career-planning for women;</li> <li>- Supporting local governments in elaborating, implementing and promoting the harmonisation of local services in a family friendly way.</li> </ul>

The principle of differentiation of EQUAL-related activities from those specified in the HRD OP will also apply in case of the other two EQUAL themes, namely -

- Facilitating access or return to the labour market for those who have disadvantages in terms of the labour market (Theme 1A);
- Promoting lifelong learning and "inclusive" work practices which encourage the recruitment and retention of those suffering discrimination and inequality in connection with the labour market (Theme 3E).

In order to avoid overlap with these themes, the Programme Complement to the HRD OP will establish the necessary procedural and implementation arrangements in respect of the following measures in order to ensure a clear separation of the physical and financial aspects relating to the activities undertaken therein.

- Ensuring equal opportunities for disadvantaged pupils in education (*Measure 2.1;*)
- Improving the employability of disadvantaged people, including the Roma (*Measure 2.3;*)
- Promoting the development of skills and competencies necessary for lifelong learning (*Measure 3.1*).

In addition, complementarities between the EQUAL Programme and the Operational Programme for Regional Development (OPRD) will also be ensured. In the framework of the OPRD, ESF support will be directed in particular at:

- Vocational training adjusted to the needs of the regional economy,
- Developing the capacities of local public administration and NGOs, and
- Promoting local employment initiatives and the social economy.

The table below shows the correlation between the OPRD ESF-related measures and the EQUAL priorities and themes.



Draft EQUAL Programme		OPRD	
Priorities	Themes	Measures	Target groups
1 Employability	<b>A Facilitating access or return to the labour market</b>	3.2 Support for local employment initiatives (including the Social Economy)	Unemployed, inactive, women, Roma, people with disabilities, disadvantaged young people, older unemployed
	<b>B Combating racism and xenophobia</b>		
2 Entrepreneurship	<b>C Opening up the business creation process</b>	3.2 Support for local employment initiatives (including the Social Economy)	Unemployed, inactive, women, Roma, people with disabilities, disadvantaged young people, older people
	<b>D Strengthening the social economy</b>		
3 Adaptability	<b>E Promoting lifelong learning and inclusive work practices</b>	3.1 Capacity building of local public administration and local non-governmental organisations	Employed (public administration and civil sector) small and medium enterprises, micro-enterprises
	<b>F Supporting the adaptability of firms and employees</b>	3.3 Strengthening the co-operation of higher education institutions with local actors 3.4 Support of region-specific vocational training	
4 Equal opportunities for women and men	<b>G Reconciliation of family and professional life</b>		
	<b>H Reducing gender gaps and supporting job desegregation</b>		
5 Asylum seekers			



## ANNEX 7

## MONITORING INDICATORS

Indicators OP						
Objective	Type of Indicator	Indicator	Baseline (2002)	Target (2008)	Source of Data	Reporting frequency (Periodicity)
-	Context	Total number of working age inactive population expressed as a % of the total working age population	40.2	N/A	Hungarian Statistical Office (HCSO)	Commencement and completion of programme
	Context	Educational attainment levels of the working age (15-64) population (%) ISCED $\geq$ 1+2 ISCED 3+4 ISCED 5+6	(2001 Census) 28.5 57.0 14.5	N/A	HCSO	
	Context	Public expenditure on education as a percentage of the GDP	5.2 (2001)	N/A	HCSO	
Global	Impact	Employment rate	56.2	60	HCSO	Commencement and completion of programme
	Impact	Percentage of population aged 25-64 participating in training and education	3.3	4.0	EUROSTAT, HCSO	
	Impact	Rate of long-term unemployed	2.6	2.2	HCSO	

Indicators OP						
Objective	Type of Indicator	Indicator	Baseline (2002)	Target (2008)	Source of Data	Reporting frequency (Periodicity)
Supporting active labour market policies	Impact	Rate of inflow into long-term unemployment - Share of young unemployed (<25 years) who are still unemployed at the end of month X+6 without any break - Share of adult unemployed (>25 years) who are still unemployed at the end of month X+12 without any break	19.8  13.0	18.0  12.0	Public Employment Service (PES) Statistics	Commencement and completion of programme
	Result	Average lifetime of registered vacancies (days) <sup>31</sup>	37	30	PES Statistics	Annually
	Result	Number of people obtaining employment or other positive outcome	45,400	56,000	PES Statistics, Project reports	Annually
	Output	Number of people qualified	81,500	+ 22,880	PES Statistics, Project reports	Annually
Fighting social exclusion by promoting access to the labour market	Impact	Rate of early school-leaving (15-24)	12.5	10	HCSO	Commencement and completion of programme
	Impact	Rate of long-term unemployed	2.6	2.2	HCSO	Commencement and completion of programme
	Result	Number of people obtaining employment or other positive outcome	0	4,500	Project reports	Annually One year after completion of the project
	Output	Number of people qualified	0	25,000	Project reports	Annually

<sup>31</sup> Average number of days a registered vacancy is open, obtained by dividing the stock of all vacancies at a given time over the monthly flow of all vacancies.

Indicators OP						
Objective	Type of Indicator	Indicator	Baseline (2002)	Target (2008)	Source of Data	Reporting frequency (Periodicity)
Promoting lifelong learning and adaptability	Impact	Percentage of 22 years old (20-24 proxy) persons completed upper secondary school	53.5	64.0	HCSO, EUROSTAT	Commencement and completion of programme
	Impact	Percentage of population aged 25-64 participating in training and education	3.3	4.0	EUROSTAT, HCSO	Commencement and completion of programme
	Result	Number of people obtaining employment or other positive outcome	98,977	+ 76,300	Project reports	Annually
	Output	Number of people qualified	392,000	+ 163,720	Project reports	Annually
Developing the infrastructure of education, social services and health care	Impact <sup>32</sup>	Persons regaining their working abilities as a percentage of people in need of rehabilitation <sup>33</sup>		+ 7%	National Institute for Medical Expertise	Commencement and completion of programme
	Impact	Average number of treatment days/case <sup>34</sup>		- 5%	GYOGYINFOK or NHIF	Commencement and completion of programme
	Result	Accommodation, capacity: patient turnover <sup>35</sup>		+ 8%	Final beneficiaries	Commencement and completion of programme
	Result	Number of end-users of the IT services in health care	0	3,000	Project reports	Commencement and completion of programme
	Result	Number of students benefiting from the infrastructure development	0	80,000	Project reports	Annually
	Result	Households served by the newly created or upgraded infrastructure of social services	0	4,000	Project reports	Annually
	Output	IT capacity created or improved <sup>36</sup>	0	2,550	Project reports	Annually
	Output	Reconstructed and newly built area (m <sup>2</sup> ) <sup>37</sup>	0	46,000	Project reports	Annually

<sup>32</sup> Impact indicators under this priority are partial indicators (relating to measures 4.3 and 4.4 respectively). The full impact of the ERDF measures will be seen in the programme-level impact indicators and in priority level indicators (priority 3 in the case of measure 4.1 and priority 2 in the case of measure 4.2)

<sup>33</sup> Baseline data will be provided by the commencement of the programme.

<sup>34</sup> Baseline data will be provided by the commencement of the programme.

<sup>35</sup> Baseline data will be provided by the commencement of the programme.

<sup>36</sup> Number of IT workstations at health service providers

<sup>37</sup> Including education, health and social services; data will be collected by sectors.

<b>Indicators OP</b>						
<b>Objective</b>	<b>Type of Indicator</b>	<b>Indicator</b>	<b>Baseline (2002)</b>	<b>Target (2008)</b>	<b>Source of Data</b>	<b>Reporting frequency (Periodicity)</b>
Equal opportunities between men and women	Impact	Labour force participation rate for women (15-64)	52.7	55.0	HCSO	Commencement and completion of programme
	Result	Number of women obtaining employment or other positive outcome	0	50,000	Project reports	Annually
	Output	Number of women successfully completing education or training programmes under the OP	0	130,000	Project reports	Annually
Sustainable development	Impact	Environmental awareness	69	75	WWF – Cognitive Survey (2002)	Commencement and completion of programme
	Result	Number of people participating in environmental education	0	40,000	Project reports	Annually
	Output	Number of teachers trained in environmental education	0	450	Project reports	Annually