



Ministry of Employment and Labour



# **EQUAL**

## **COMMUNITY INITIATIVE PROGRAMME**

**Hungary**  
**2004-2006**

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## EXECUTIVE SUMMARY

EQUAL aims to address all forms of discrimination and inequalities in connection with the labour market through developing, testing and disseminating innovative approaches and methods and transnational co-operation. The projects supported by EQUAL comply with the policy frames of reference defined by EU strategies, primarily by the European Employment Strategy and the Social Inclusion Strategy.

The present document, the Hungarian EQUAL Community Initiative Programme (CIP) sets the framework of implementing EQUAL in Hungary. On the basis of an analysis of the labour market situation and in view of the relevant policy strategies, the document identifies the priorities and thematic fields to be supported through EQUAL in Hungary. It also draws up the planned activities under the actions of EQUAL, the implementation system, and the financial resources earmarked for each priority and theme.

The Hungarian EQUAL programme will support experimental initiatives which foster the training, job access and employment of disadvantaged people – those who are excluded from the labour market or experience difficulties in accessing employment due to discrimination related to gender, ethnic origin, disability or age, low schooling, lack of qualifications, lack of job experience etc.

EQUAL is built on six leading principles:

- The **principle of partnership** is present in all phases and on all levels of implementation. Projects in EQUAL are implemented by Development Partnerships that are the final beneficiaries of the Programme. Development Partnerships are essentially strategic alliances that bring together interested actors with relevant competence in the given issue for the period of implementing the project.
- **Empowerment** in EQUAL is twofold. On the one hand it means that all partners of a DP are given the opportunity to contribute to the project and participate in the activities on an equal basis. On the other hand, it also means that Development Partnerships must ensure the active involvement of those associated with the target group, and ensure that their needs and requirements are taken into consideration throughout the project.
- **Transnational co-operation** is a source of significant value added activities and innovation in EQUAL.
- **Innovation:** The Programme supports the elaboration and application of innovative approaches, thereby providing an opportunity for testing and adapting new approaches or methods successfully applied elsewhere.
- **Thematic approach:** EQUAL is built around nine priority themes determined according to the earlier four pillars of the Employment Guidelines: employability, entrepreneurship, adaptability and equal opportunities. In the course of planning, Member States identify the priority themes under which activities will be supported. The purpose of thematic approach is to allow a problem-oriented approach in addressing inequalities and discrimination in the labour market in addition to the conventional target group oriented approach.
- **Mainstreaming** of the results and experiences of projects is another cornerstone of the Programme. It constitutes Action 3 in the EQUAL Programme, therefore has a prominent role throughout the implementation of the programme.

The analysis of the labour market situation in Hungary highlights various different factors, such as the low schooling level, lack of qualifications, the lack of ability to adapt to continuous change, homelessness, poor health condition, living in areas or settlements lagging behind, discrimination on the basis of gender, ethnicity, disabilities or age, the attitudes of employers, which lead to significant disadvantages in the labour market and may hinder employment. At the same time, the analysis also points out some target groups, including the Roma, people with disabilities, who are particularly affected by the disadvantages mentioned above. In addition, women also face disadvantages in the labour market due to the stereotypes related to gender roles, as well as the traditionally uneven distribution of burdens related to the family/household. Therefore, in the framework of the Hungarian EQUAL Programme, along with focussing on disadvantages in the labour market, special emphasis will be put on improving the labour market opportunities of these groups. In addition, asylum seekers also represent a high-priority target group across the EU, therefore all Member States are required to plan activities regarding asylum seekers in the framework of EQUAL.

In the light of the above, the priority themes of the Hungarian EQUAL programme are as follows:

- **Facilitating access or return to the labour market for those who have disadvantages in terms of the labour market (1A)**

The objective of this priority is to facilitate the integration of unemployed and inactive persons to the labour market through supporting initiatives based on a combination of the tools of education and training, employment and social services. Improving the employability of the most disadvantaged, including Roma people, should be based on an integrated approach that will take into consideration the complexity and accumulation of problems arising from social and economic disadvantages.

- **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 (3E)**

This priority aims to enhance equal opportunities for disadvantaged people within the labour market through promoting, on the one hand, “inclusive” work practices and flexible forms of employment and assigning new functions to already existing organisations or creating new forms of work organisation. On the other hand, the priority will support testing new ways to improve the adaptability of disadvantaged people, including low-skilled workers, people working in declining industrial sectors, older workers, by promoting their access to training and re-training, with special regard to the development basic competencies (e.g. literacy, communication, etc.) and ICT skills indispensable in the information society. To encourage the recruitment and retention of disadvantaged people by enterprises, developing and adapting “inclusive” human resources policies will be supported.

- **Reducing gender gaps and supporting job desegregation (4H)**

This priority promotes equal opportunities for women and men in the labour market through reducing gender gaps and fighting horizontal and vertical segregation. Measures under this priority aim at raising awareness of gender issues in the labour market, and changing stereotypes and patterns. In addition, actions improving the labour market position of women will require through training and skills development will be supported to reduce vertical segregation.



▪ **Asylum seekers (5)**

This priority supports the elaboration of new methods and services enhancing the employability and inclusion of asylum seekers by providing language and vocational training, experimenting new integrated services that rely on a connection of labour market, training, social, psychological and health promotion and training for trainers, support staff and official working in the asylum system.

The total amount of funding available for EQUAL in Hungary for the period of 2004-2006, is 35,7 million Euros, out of which 26,8 million Euros are from the Structural Funds coupled with 8,9 Euros national contribution from the Central Budget. Co-financing is 25 percent for each priority. The below table indicates the proposed allocation of funds by priorities and themes:

Priority	Share within programme budget
Facilitating access or return to the labour market for those who have disadvantages in terms of the labour market	41
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	37
Reducing gender gaps and supporting job desegregation	8
Asylum seekers	6
Technical assistance	8
Total	1

Managing the implementation of the programme will be a task of the Managing Authority operating within the Ministry of Employment and Labour. The work of the Managing Authority and the elaboration and implementation of the projects of the Development Partnerships will be supported by a National Support Structure established within the organization of the National Employment Foundation.



# 1 INTRODUCTION

## 1.1 *WHAT IS EQUAL?*

EQUAL is one of the four Community initiatives<sup>1</sup> supported by the Structural Funds, and it is financed by the European Social Fund. EQUAL aims to address all forms of discrimination and inequalities in connection with the labour market through developing, testing and disseminating innovative approaches and methods and transnational co-operation. Guidelines for EQUAL were established in a Communication from the Commission ( 2000/C 127/02).

Equal opportunities on the labour market mean that equal and discrimination-free employment conditions must be created for all, and equal access to work and training opportunities must be provided. Fitting into the policy framework defined by the European Employment Strategy and the Social Inclusion Strategy, EQUAL supports the initiatives aimed at creating equal opportunities on the labour market, and assists implementing the objectives of employment policy. At the same time, the new methods and procedures to be elaborated in the framework of the programme will shape the employment policy of the Community and Hungary, expanding the range of tools available in this field.

The EQUAL Community Initiative supports projects associated with the themes<sup>2</sup> determined on the basis of the four pillars of the former European Employment Strategy. The basic unit of implementing the programme is represented by the Development Partnerships, based on geographical or sectoral co-operation and jointly developed strategy of several actors. Furthermore, a specific element of EQUAL is transnational co-operation, with the aim of ensuring the opportunity of an exchange of experience between organisations implementing similar projects and operating in the different Member States, along with disseminating good practice.

The Hungarian EQUAL programme supports the experimental initiatives which foster the training, job access and employment of disadvantaged people – those who are excluded from the labour market or experience difficulties in accessing employment due to discrimination related to gender, ethnic origin, disability or age, low schooling, lack of qualifications, lack of job experience etc. The priority target groups of the programme are the Roma population, people with disabilities and women. In addition, in accordance with the basic principles of EQUAL, the objectives of the programme include the improvement of employability of asylum seekers. The EQUAL programme is basically distinguished from the other programmes<sup>3</sup> implemented by ESF support by that it is, on the one hand, aimed at elaborating innovative methods and supporting pilot projects, and, on the other, that in the course of its implementation the partnership and transnational co-operation play a decisive role.

Managing the implementation of the programme is a task of the Managing Authority operating within the Ministry of Employment and Labour (MoEL). Considering the innovative character of EQUAL, it is especially important to ensure an appropriate technical assistance in the course of implementing the programme. Therefore, the work of the Managing Authority and the elaboration and implementation of the projects of the Development Partnerships will be supported by a National Support Structure established within the organization of the National Employment Foundation.

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<sup>1</sup> The other three Community initiatives are LEADER, URBAN and INTERREG.

<sup>2</sup> See Section 4.

<sup>3</sup> Human Resources Development Operational Programme, Operational Programme for Regional Development

## **1.2 THE ROLE OF THE EQUAL COMMUNITY INITIATIVE PROGRAMME**

The EQUAL Community Initiative Programme (CIP) determines the framework of implementing EQUAL in Hungary. On the basis of an analysis of the labour market situation (chapter 2) and in view of the relevant policy strategies (chapter 3), the document identifies the priorities and thematic fields to be supported through EQUAL in Hungary (chapter 4). This document also draws up the planned activities under the actions of EQUAL and the implementation system. Furthermore, the CIP determines the financial resources earmarked for each priority and theme. The details of the measures and implementation will be included in a separate document called the Programming Complement. The CIP will be approved by the European Commission.

## **1.3 THE PLANNING AND CONSULTATION PROCESS**

The EQUAL CIP has been drawn up by the ESF Planning Unit of the Deputy State Secretariat for Employment Strategy (Ministry of Employment and Labour) with the contribution of the Managing Authority, the Government Office for Equal Opportunities, the Ministry of Education, the Ministry of Health, Social and Family Affairs and the National Employment Foundation. The planning has been carried out in the framework of the inter-ministerial EQUAL Working Group involving the representatives of the ministries and organizations mentioned above.

In the framework of a PHARE Twinning programme, the drafting of the CIP was assisted by a French team involving experts from the Managing Authority in France and RACINE (National Support Structure). The Twinning Team analysed in detail the draft CIP and made comments on the text both orally and in writing. A French evaluation expert assisted the preparation and implementation of the evaluation process, prepared the terms of reference for the ex ante evaluators and made proposals on the evaluation procedures. In addition, the Twinning Team produced several documents with a view to support the preparation for the implementation of the CIP, including a description of the tasks of the Managing Authority and the National Support Structure, different forms and contracts used in France for project management, etc.

The consultation of the draft CIP was carried out in the period between 15 August and 10 September 2003. In the framework of the consultation process 16 social partners and 45 non-governmental organisations – including a number of umbrella structures – received the draft CIP together with a letter and a questionnaire. The letter explains what EQUAL is, the role of consultation, and invites organisations to make written comments on the text. The main purpose of the questionnaire was to map out the preliminary interest in applying for EQUAL.

All the questionnaires returned to the Ministry of Employment and Labour show certain interest in applying for EQUAL funds. As for the topic, around 60 percent of organisations indicated pillar 1 (Employability), for the other chosen themes around 10-15% of organisations expressed their interest. A significant number of organisations indicated more than one theme. Regarding planning and implementation of the EQUAL projects, organisations consider partnership and transnational cooperation the most difficult requirements. The preliminary need for technical assistance seems highest in these fields. The results of the survey will be used by the National Support Structure in planning the information campaign preceding the launch of EQUAL in Hungary and Action 1 (*for the details of the questionnaire see Annex G*).

The draft CIP was also consulted with the European Social Fund Policy Coordination Committee (*see Chapter 7*) and the Disability Council. The Labour Market Committee of the

National Interest Reconciliation Council held a consultation meeting with the representatives of the Ministry of Employment and Labour, the Managing Authority and the social partners. In addition, the document was discussed with the representatives of NGOs operating in the employment and training sectors.

The ESF Planning Unit of the Ministry of Employment and Labour processed and evaluated the comments received; the final decision concerning the modifications to be introduced in the text were made by the EQUAL Working Group. Below a summary of the main comments is presented:

- All in all, the Draft CIP received positive feedback from those participating in the consultation process. They generally agreed that the problems addressed by the document and the proposed themes are highly relevant. However, there were some exceptions:
  - Social partners suggested that gender gaps in the labour market are not a topical issue in Hungary therefore it could be left out from the Hungarian EQUAL Programme. Measures promoting equal opportunities of men and women should focus on women returning to the labour market after years of absence and older female workers.
  - Others highlighted that the problems of homeless people are not primarily labour market problems and they should be addressed in a more comprehensive basis (including housing policy, health care etc.) and thus in a different context.
- Most of the comments were general. There were some specific comments on the analysis of the situation and the chosen themes. These were either asking for a more precise wording, suggesting to include further data or expanding the scope of activities. These comments were taken into account as far as possible and permitted by the regulations concerning EQUAL and the Structural Funds. As a result of the social consultation process new measures were added to all selected themes.

In addition to the social consultation, the CIP will be presented at various conferences and events during the autumn of 2003.

#### ***1.4 PERIOD OF COVERAGE OF THIS PROGRAMME***

In the framework of the EQUAL Community Initiative there are two rounds of call for proposals during the period 2000-2006. Hungary participated in the first round with PHARE support on an experimental basis. In the second round of call for proposals to be launched in 2004, Hungary will already be involved as a full rights Member State. The starting day for eligibility of expenditure will be 1 January 2004 and the end date will be 31 December 2008.

#### ***1.5 GEOGRAPHICAL COVERAGE OF THIS PROGRAMME***

EQUAL operates at the national level in all Member States. The whole territory of Hungary is eligible.

## **2 THE LABOUR MARKET**

### **2.1 INTRODUCTION**

This chapter discusses the Hungarian labour market situation. This situation analysis is based on the analyses included in the Human Resources Development Operational Program, the Joint Assessment of the Employment Policy Priorities (JAP) and its monitoring reports, as well as the draft Joint Memorandum on Social Inclusion. Besides giving a broad overview of the main labour market processes, the situation analysis focuses on the phenomena of particular importance from the point of view of the EQUAL Community Initiative: it presents the processes connected with labour market inequalities and discrimination and the situation of the disadvantaged groups.

### **2.2 GENERAL OVERVIEW OF THE LABOUR MARKET SITUATION**

#### **2.2.1 ECONOMIC CONTEXT**

Hungary has successfully negotiated the most difficult phase of economic transformation and by now, has evolved into a dynamically growing open market economy. The closing-up process of the economy has been going on since the second half of the nineties; the growth of the GDP has been steadily exceeding the EU average. In 2001, as a result of a downturn in the external economic environment, changes took place in the economic policy. The export-driven growth of the previous years was replaced by the stimulation of internal demand, increase of the standard of living, development of the infrastructure (motorway construction) and measures to combat inflation. Fiscal expansion – dynamic wage and pension outflow and the large-volume state investments – slightly curbed the fallback of the economic growth but both the external and the internal balance saw serious deterioration.

From the second half of 2001, slack external demand, the decreasing investments of the enterprises and the strengthening of the HUF put reins on the growth of the Hungarian economy. The grow rate of the GDP declined to 3.3% during the whole of 2002 which rate, although smaller than the dynamic growth rate of the preceding years, was still higher than the EU average. In the whole of 2002, the investments of the national economy increased by an impressive 5.8% over 2001 under the impact of extensive state budget-financed and housing projects. At the same time, the investments of the enterprises decreased which phenomenon is obviously connected with the economic downturn and the high interest rates. External demand is expected to pick up around the second half of 2003 only. Therefore the growth of the GDP will probably be around 3.5% in 2003.

Over the past two years the engine of growth was the consumption of the households, which hit a record 8.8% growth rate in 2002 as a consequence of the heavy wage outflow and the successful counter-inflationary process. Under the impact of this latter the consumer price index decreased to 5.3% by 2002 from 9.2% in 2001.

The gross nominal increase of the earnings in the national economy was 18.3% in 2002, the net increase was 19.6% and the real wage increase was 13.6%. From September 2002 the sum of the minimum wage became exempt from taxes as a result of the increase of employee tax benefits, thus on the whole the annual average tax burden also decreased. The measures aimed

at approaching salaries in the budgetary sphere to the competitive sphere continued in 2002. The salaries of the civil servants increased by an average 50% from September 1, 2002.

In 2002, the deficit of the central budget reached 9.2% of the GDP, therefore the state debt grew from 53.4% of the GDP in 2001, to 56.3%. However, also such one-time factors, accounting for 3% of the GDP, played a role in the deterioration of the 2002 balances, which will no longer impact the budgetary processes of the subsequent years. The Hungarian government adopted fiscal consolidation measures this year, substantially cut spending in the 2003 budget and approved a planned deficit of 4.5% of the GDP.

The current account deficit was around 4.0% of the GDP in 2002 (after 3.4% in 2001). With the invigoration of the economy, import is expected to grow faster than export, and as a result, the current account deficit is expected to reach 5% in 2003. This measure of deficit, in the case of a small, open and dynamically growing economy, does not put at risk the balance.

In 2002, the price level was, on average, 5.3% higher than in the preceding year; in 2001, the corresponding figure was 9.2%. Prices varied heavily according to the nature of the products and services. The rearrangement of the price proportions indicates that, while keeping the country's economic and historic specificities, we are gradually approaching the internal price proportions, and in many cases also the price levels, of the European Union. The current international and national trends (high oil and energy prices, slow-down of the strengthening of the HUF, the tax changes and the central price measures which are also part of our European Union accession efforts, the government expenditure programmes) forecast that inflation will not decrease by any appreciable measure in 2003, in fact, an annual average 5.0-5.2% price level increase is anticipated.

## **2.2.2 MAIN LABOUR MARKET TENDENCIES**

In the early nineties, the Hungarian labour market was characterised by a dramatic drop in employment and economic activity, soaring unemployment, and a rearrangement of the labour force among the major sectors and occupations. At the same time, the legal and institutional framework of the 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 then 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% in 1998 and 1999, respectively. From 2000, the growth of the employment rate began to slow down: in 2000, growth was 1%, in 2001 only 0.3% and the level of employment remained stagnant in 2002 (see Annex C, table 2).

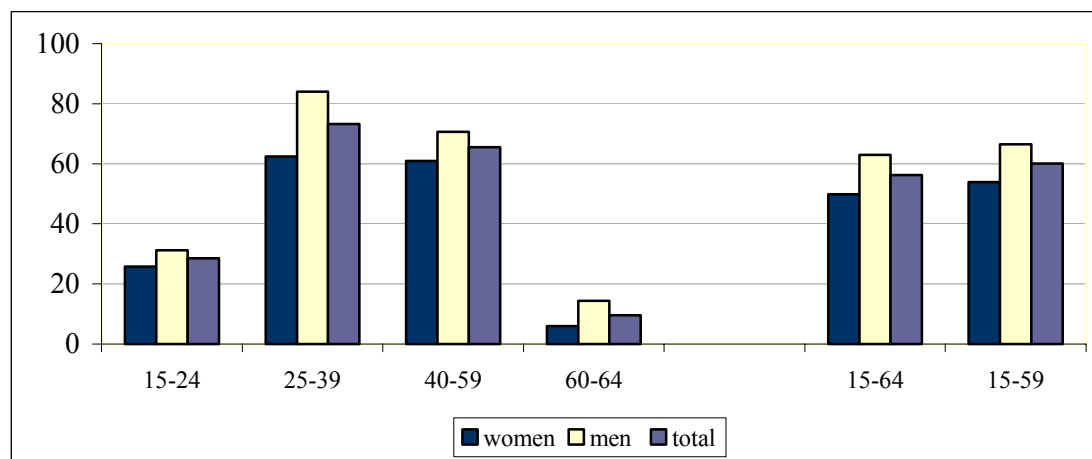
The acute problems of the labour market are the low level of employment, high inactivity rate, persistent regional disparities in the labour market situation and a weak regional mobility of labour. New sources of tensions are also evolving, such as an increasing mismatch between labour demand and supply. As a consequence of the slow-down of economic growth employment is stagnating which impairs primarily the employment opportunities of young people.

### **2.2.2.1 Employment**

As a consequence of the transition to the market economy, the number of employed decreased by over one quarter, almost 1.5 million people. The level of employment and economic activity bottomed out in 1997 when the employment rate of the population aged 15-64 sank to

52.7% and their activity to 57.8%, way below the EU average. From 1997, after over two decades of decline, employment and economic activity began to grow again. By 2001, the number of the employed grew by more than 200 thousand and thus totalled 3,850 thousand. Nearly half of this growth resulted from the employment of inactive persons.

**Figure 2.1: Employment rate by age group and gender, 2002 (%)**



Source: Central Statistical Office

In 2002, the average number of the employed was 3,884 thousand people, the employment rate of the age group 15-64 was 56.3%. The division by gender of the employed population has been stagnant for years: 45% of the employed are women. Men's employment rate is 63.1% and women's is 49.8%, with the male employment rate exceeding in all age groups the employment rate of women. A comparison of Hungarian employment rates with EU averages<sup>4</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 for men and women, respectively (*see table 3 of the Annex D*).

In 2002, both the number and proportion of the employed has decreased in the youngest age group (15-24); on the other hand, we see an increase in the age groups above 50. Within one year, 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 just like the number and proportion of young people participating neither in the labour market nor in education; based on these facts one may conclude that the labour market situation of young people has deteriorated (*see table 4 of Annex D*).

Parallel to these changes, employment rate has increased in all age groups above 50. 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. 64% of women between 50 and 54 have a job, while the highest employment rate (75%) is seen among women between 40 and 45, for whom child birth is already less typical. The employment rate of men 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.

<sup>4</sup> EU data refer to 2001



### 2.2.2.2 Unemployment

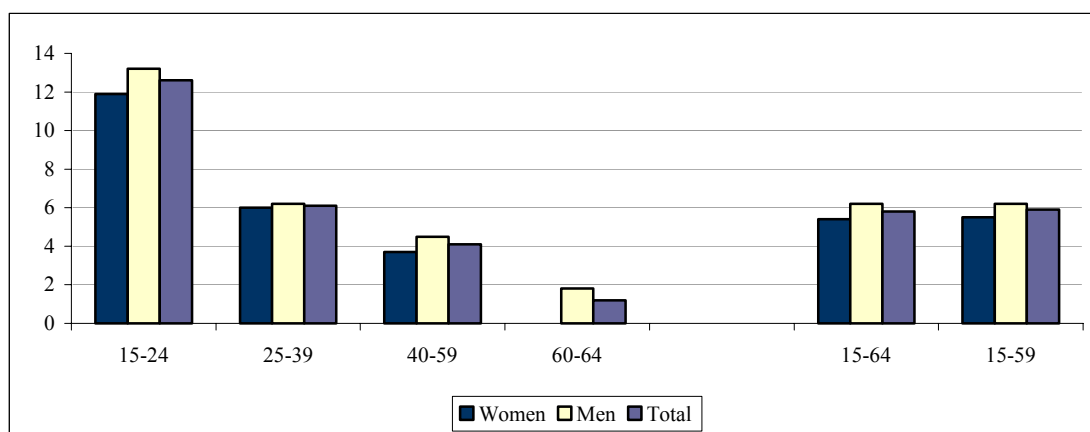
The unemployment rate reached its peak of 12.5% in 1993 and has been dropping continuously until 2001. By 2002, the number of unemployed had fallen to less than one-half, that is to 239 thousand<sup>5</sup>. However, in 2002, the drop in the number of unemployed has stopped and the unemployment rate has increased slightly from the previous year's 5.7 per cent to 5.8 per cent. The average period of unemployment has decreased (from 16.0 months to 15.9 months) along with the ratio of unemployed who did not have a job for a prolonged period that is for a longer time than one year. The share of the latter is approx. 45.0 per cent.

The unemployment indicators show a worsening in the situation of the youth: the unemployment rate of the 15-24 years old population has increased from 10.9 per cent to 12.3 per cent. The situation of the other age groups has not changed significantly. In comparison to previous year figures, the unemployment rate of men has decreased from 6.3 per cent to 6.1 per cent within each age group, but that of women has increased from 5 to 5.4 per cent.

In recent years, a decreasing in the unemployment rate was partly due to the shortening of the period of eligibility for unemployment benefit, and the narrowing of the group of people eligible for such benefit. As a consequence, people facing particular difficulties on the labour market have lost their opportunity to receive benefits or assistance, as their contacts to the labour organisation ceased to exist; in this way, their chances to return to the labour market have deteriorated.

The scope of employment-promoting assistance was widened through legislative changes introduced since 2001; the amount of training-related subsidies became higher in order to promote involvement in labour market training. The new regulation allows the application of rules that are more advantageous than the average in the case of the most disadvantaged groups, older workers and persons from a Roma origin. In order to facilitate the extension of flexible forms of employment it supports part-time employment and tele-work.

**Figure 2.2: Unemployment rate by age group and gender, 2002 (%)**



Source: Central Statistical Office

### 2.2.2.3 Inactivity

Besides soaring unemployment, the other decisive labour market process of the transition period was the withdrawal to inactivity of those employees who either lost their job or were threatened by unemployment. This tendency affected the lower educated, unskilled workers

<sup>5</sup> Annual average. Labour Force Survey, Central Statistical Office

and the older workers mainly. In 2002, the number of the inactive population of employable age was 2.3 million. 171 thousand of the inactive men and 260 thousand of the inactive women, in all 431 thousand people, were neither student, nor received pension, unemployment or maternity benefits. The high level of inactivity is explained partly by the fact that the decrease in the unemployment rate was more the result of the withdrawal of the unemployed from the labour market than the expansion of employment opportunities. The government also encouraged this process by making possible early retirement, especially in the first half of the 1990s, in an effort to ease the social tensions concomitant to the growth of unemployment, but the dynamic expansion of secondary and high-level education also contributed considerably to the increase of inactivity.

In Hungary inactivity is in many cases not a transitional period in one's life, but the start of an almost irreversible process of exclusion from the labour market. Long-term exclusion from the world of labour leads to the downgrading of one's ability and motivation to work and gradually reduces the chance of returning to the labour market. A significant part of the inactive should like to get a job. In their opinion, the main obstacles of their finding an employment are the lack of local jobs, their own health problems, old age and/or insufficient qualification; typically, women referred to their family commitments.

#### **2.2.2.4     *Shortage of labour***

Despite the low level of employment and high level of inactivity, in some occupations and regions the labour market supply also fails to satisfy the requirements of the employers, there is a shortage of skilled workers and the qualifications and skills of the available workforce are often poor. Therefore, besides the slow-down of economic growth, the expansion of employment is also hindered by a mismatch between the supply and demand of labour.

In the faster developing regions of the country, young replacement is especially scarce in the physical skilled labour (primarily metal industry, repair and maintenance, trade and catering industry workers). The shortage is caused not only by the low number of people seeking a job in the labour market in the above occupations, but to much greater degree by the fact that few of the job-seekers possess up-to-date knowledge. The employers are dissatisfied with the vocational attainment of the young school-leavers and also complain about their lack of practical experiences. This is partly due to the fact that, along with the expansion of secondary education, the knowledge level and basic competences of those participating in lower vocational schools has weakened. To address the needs of these disadvantaged groups and to prepare them for life-long learning, special training programmes, methodology and the training of trainers are required.

#### **2.2.2.5     *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, and the tendency of exclusion of older employees from the labour market has stopped. The change in the qualification structure of the employed clearly indicates that the economy needs more qualified workforce in its upgrading phase, therefore people with no schooling and no qualification are quickly excluded from the labour market (*see Annex D, 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 improving continuously. As young age groups, trained better than the average, enter the labour market, the number of employees with higher qualifications is increasing substantially while the number of unqualified people with not more than primary school education has dropped by 18% in four years. Therefore, in the

year 2002, only one-sixth of the employed fell into the latter category, one-third was skilled worker, one-third had secondary school education and more than one-sixth had a degree from higher education.

#### **2.2.2.6     *Health condition of the labour force***

Health condition, appropriate working ability, are factors important from the point of view of the employability of the labour force. In terms of health condition, the Hungarian population rank among the poorest in Europe, and also the comparative indicators of the past decades show slight improvement only. In Hungary, men's life expectancy at birth is 7.8 years lower and women's is 5.6 years lower than the EU average. It is especially the morbidity and mortality rates of the active age population, and of men, in particular, that give ground to concern, because these have far-reaching labour market consequences. In 2000, 40% of the deceased men were under the age of 65. Extremely poor health condition is explained, on the one hand, by unhealthy living and environmental factors, and by underdeveloped health preservation services and the inequalities of accessing them, on the other. Poor health condition is a powerful inhibiting factor of the labour market supply and it also impairs the competitiveness of the economy.

Health condition and life expectancy are closely correlated with the social-economic status and income level of the individual. The difference between the life expectancy of the most preferred social groups and the most disadvantaged Roma population is 10 years. There are striking regional differences in mortality rates, too. These differences correspond, for one part, to the social-economic inequalities of the regions, and for another part are connected with the size of the settlements and the accessibility and standard of the health services.

#### **2.2.2.7     *Structure of employment***

With the transformation of the economy, both the sectoral and regional structure of employment has changed considerably. The rearrangement of employment by main economic sectors was characterised by a decrease of the weight of agriculture and an increase of employment in the service sectors. In 2002, 6.2% of the employed worked in the agriculture, 34.0% in the industry and 59.8% in the service sector (EU: 4.4%, 26.9% and 68.8%). The processing industry that formerly expanded its labour, became an industry of declining workforce by 2002 (the growth of industrial production slowed down, it was only 2.6% last year), while employment continued to grow further in the so-called personal service provision industries.

The dramatic shrinking of agriculture, mining, metal and food processing industries reduced the number of jobs by hundreds of thousands and contributed to the emergence of job shortage regions and sub-regions, besides making masses of the skilled and unskilled workers of these industries unemployable. The downsizing process which affected a labour mass of some one and a half million between 1989 and 1993, hit primarily the manual workers or rather white-collar workers were more successful in making their way back to the labour market than their blue-collar and especially unskilled worker colleagues. While the percentage of high- and medium-level educated employees in management and senior staff positions in public administration and in the economic life increased from 19 % to 32 %, the office, administration and manual worker positions not requiring any special skill or qualification, decreased by a similar percentage. The tendency of decrease stopped already in 1995 in the skilled and trained worker positions of the industry and the building industry, and since that time these positions have been experiencing steady increases.

It has considerably changed the structure of employment that, as a consequence of the economic crisis following the transition period, extensive changes took place in the size structure of the employer organisations. By 1999, almost one million businesses emerged. Together with the one-man businesses, the small and micro enterprises provide employment for almost one and a half million entrepreneurs and employees. For this reason, promoting the operation of these businesses, helping their labour supply and maintaining and improving their competitiveness are of particular importance from the point of view of the employment policy.

#### **2.2.2.8     *Regional disparities***

Economic transformation took place in an extremely uneven manner, producing large labour market disparities between the regions. 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 has increased. The country is divided into relatively well-developed and urbanised areas where the level of employment is relatively high and relatively under-developed micro regions characterised by low levels of employment and high unemployment.

While in 2002, in the more advanced western and central regions of the country the unemployment rate was close to 4%, the employment rate hit 61-64% and in some industrial centres there was even a shortage of skilled labour in the local labour market, the unemployment rate was twice that high in the Northern Hungary and Northern Great Plain regions and the employment rate was around 50%. The stagnation of the employment level in 2002 was coupled with modest changes in the employment situation of the regions: employment grew by more than 1% in Central Hungary and in the Central and Western Transdanubia (by 12 thousand, 5.5 thousand and 6.3 thousand people), it changed slightly, by under 1% in Northern Hungary and the Northern Great Plain, the number of employed decreased in the Southern Transdanubia and the Southern Great Plain regions (by 4.7 thousand and 14.3 thousand). The unemployment rate grew by the greatest margin (0.8%) in Central Transdanubia and the Southern Great Plain.

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 mitigation of inequalities is aggravated by the fact that job creating investments are primarily focused on the more developed regions of the country and the mobility of labour available in more disadvantaged areas has been hindered by factors difficult to fight as yet, such as the low motivation for mobility and the rigidity of the real estate market. The costs of commuting and the rents of private flats are high, and this is not counterbalanced by differences in possible wages. Traffic network is insufficient, and the frequency of public transport vehicles is often not fitted to the working time.

Labour market differences have multiplied in the last decade at the level of small regions and locally, and 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. Regional disparities are closely related to the educational and skills level of the population and the differences of industrial culture. In the most disadvantaged regions, the level of employment cannot be increased without improving the factors that strongly influence the employment potential of these regions, that is the educational attainment and skills level of the working age population living in these areas. Therefore, improving the employability of

the disadvantaged people through supporting training programmes implemented in the regions and micro regions lagging behind should be an important means to reduce these disparities.

## **2.3 DISCRIMINATION AND INEQUALITIES IN THE LABOUR MARKET**

This section will describe the discrimination and inequalities in the labour market by presenting the most important characteristics of the labour market position of the various disadvantaged groups. Then, following the priorities of the EQUAL Community Initiative, it will summarise those institutions and tools which help combat the labour market disadvantages, their achievements and shortcomings. The situation of asylum seekers is discussed separately in chapter 2.3.6.

### **2.3.1 DISADVANTAGED GROUPS**

One of the decisive causes of poverty and social inclusion is exclusion from the labour market, unemployment and long-term unemployment in particular, and inactivity. This chapter presents the situation of those groups of society who are in a disadvantaged situation in the respect of labour market participation or entry into the labour market.

#### **2.3.1.1 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, in 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-economic situation. From a labour market point of view, the Roma are considered the “biggest losers” of the transition to 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; hence all their employment indicators are far worse than those of the majority society. The primary labour market offers hardly any pay-earning occupation for the uneducated and unskilled Roma, and they are also disadvantaged when they want to 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 running for well over a decade now, threatens more and more Roma with the prospect of hopelessly sinking into inactivity which is gradually becoming a norm for them. 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.

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. Therefore, the objectives of actions aimed at improving the employability of the Roma should include promoting their participation in secondary education.

The Roma live scattered in Hungary, but the majority of them are concentrated in the underdeveloped Northern Hungary, Northern Great Plain and Southern Transdanubia regions and 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 the 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 economical disadvantages. 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, transportation facilities, allowance to support transportation fees, upgrading community services (e.g. child care, education, health care), training and counselling.

The labour market integration of the Roma is also made difficult by discrimination experienced on the part of the employers. The experiences of the past years show that the majority of the society do not realise the problems of the Roma population, are not interested in improving their situation and that the local societies are often prejudiced against the Roma. Combating their discrimination in the labour market should be promoted through developing and disseminating new approaches addressing discriminative practices of employers, establishing new services promoting the integration of new labour market entrants into the working communities and training and awareness raising for employers.

### **2.3.1.2    *People with disabilities***

People with disabilities belong to the most vulnerable groups in terms of social exclusion, and they 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 preferably for integrated, but in the lack of this, for sheltered employment, their labour market presence<sup>7</sup> can be considered 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 and almost 10 thousand of them as unemployed. The labour market opportunities of the people with disabilities are heavily restricted. Among those employed, less than 1/5 were employed in special (so-called sheltered, supported) jobs. The majority of disabled people subsist on disability pension or allowance.

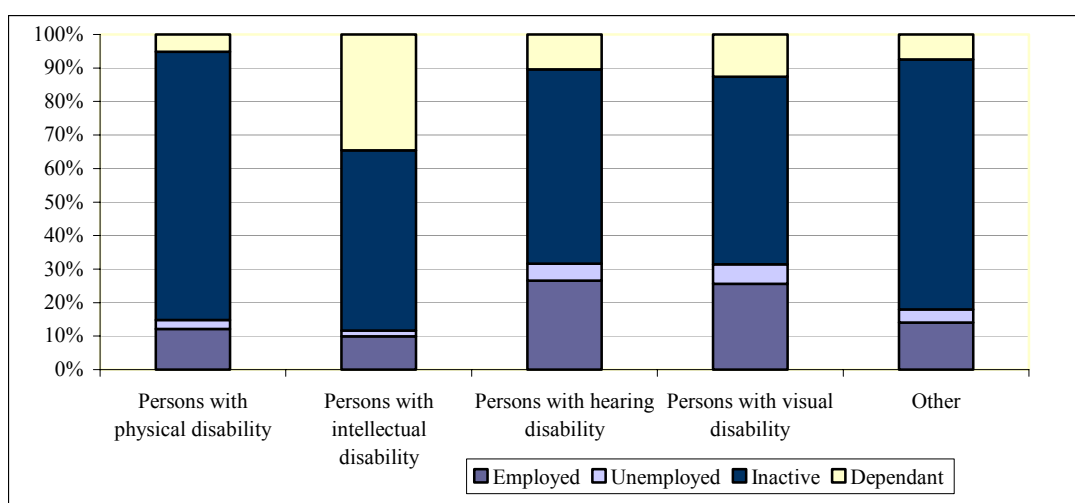
Looking at the group according to type of disability, people with disabilities of the sensing organs (sight and hearing) are in a relatively more favourable situation, in fact 25 per cent of the 15-64 aged population with such problems are employed, the proportion of the unemployed is about 5% in this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

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

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

**Figure 2.3: Activity of the 15-64 people with disabilities by type of disability, 2001**



Source: Central Statistical Office

The shortcomings of the education system can also be blamed for the labour market disadvantage of people with disabilities, namely the inadequate availability of integrated education, the lack of hindrance-free access of 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 answer 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 (*for more details see section 2.3.2.3.*). Sheltered organisations are important in the employment of disabled people, especially those special organisations where at least 60% of the employees are people with disability, however there are other types of organisations providing sheltered employment. These are predominantly non-profit organisations, for example foundations and associations.

### **2.3.1.3 Women**

In Hungary, the situation of women is, in certain respects, similar to that observed in the Member States, but because of the different course of historic development, it also differs from it, especially as regards their labour market situation. Women's employment indicators compared to men's show a mixed picture; some of their labour market indicators are more favourable, while others are poorer than the European average. This section presents the general employment situation of women in comparison with men. The disadvantages and inequalities faced by women at the labour market – discrimination, horizontal and vertical segregation – are discussed in section 2.3.5.

Women's employment and activity declined by about the same measure as men's in the period of transition. Since 1997, women's employment level has grown somewhat faster than men's, thus by 2002 women's employment rate rose to 49.8%, reducing the employment gap between women and men to 13.3 percentage points (EU: 18.1 percentage points). The lower employment level of women comparing to that of men is due to different factors, including the lower retirement age, higher participation in education, as well as the fact that a substantial part of the tasks related to child rearing and the family is carried out by women.

From the very start, women were hit less hard by unemployment than men. This is explained primarily by the fact that the mass loss of jobs affected to smaller degree the areas typically employing women, while it hit much harder the jobs in the industry and agriculture where the majority of employees were men. In 2002, women's unemployment rate was 5.4% and men's 6.1% (EU: 8.7% and 6.4%) which means a decrease of 0.2% in male unemployment and an increase of 0.4% of women's unemployment rate. Compared to the previous year, men's unemployment rate decreased from 6.3% to 6.1%, but women's rose from 5% to 5.4%.

However, besides the relatively better unemployment indicators, one also has to take into consideration that women's inactivity rate is higher than men's. In 2002, 47.3% of the women aged 15-64 were inactive. Those people, whose cause for being inactive is not known, account for about 20% of the inactive population. Within that figure, the proportion of women has substantially grown in the past decade: in 1990, women accounted for 27% of the inactive for unknown causes, and their proportion soared to 65% by 2001.

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 children and 4 or more children is 27.2% and 16% respectively. Nevertheless, besides the number of children, the education level of the mothers is crucial here as well. 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 (*see table 2.1.*). The employment of mothers with lower education is hindered by the facts 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.

**Table 2.1. Employed mothers as percentage of the total number of women with the same level of education and according to the number of children (%)<sup>9</sup>**

Mother's highest education	Number of children				
	One	Two	Three	Four or more	Altogether
Elementary school	47.3	42.7	17.0	12.1	38.6
Vocational school	57.5	60.1	25.3	21.5	54.8
Grammar school	64.9	67.5	21.0	19.2	62.3
Vocational grammar school	69.9	70.6	32.4	22.7	67.0
College, university	77.0	78.2	63.4	29.9	75.6
Altogether	61.6	62.3	27.2	16.0	57.0

Source: CSO

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

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

<sup>9</sup> *ibid idem* p. 64.



average earnings are 16% lower, and in the comparable jobs, about 13% lower than men's (see Annex D table 11).

#### **2.3.1.4 Disadvantaged young persons**

The labour market indicators of the young population show at least as much variation from the corresponding EU indicators, as observed in the case of the overall population. Both young people's employment and unemployment rates are lower than the community average. In 2002, the stagnation of employment impaired young people's chances to find a job. In the youngest age group of 15-24, both the number and percentage of the employed decreased. The year-on-year employment rate of the 15-19 age group decreased from 7.7 to 5.4%, while the corresponding rate of the 20-24 age group fell from 51.1% to 49.3%. (Parallel with these tendencies, employment rate increased in all the above-50 age groups). In 2002, 29.1% of the 15-24 aged population held a job, in contrast to the EU average of 40.3%. Unemployment hits young people harder than the adults. Until 2001, young people's unemployment rates were decreasing more than the average rate. But in 2002, the unemployment indicators also show the worsening of the situation of young people: the unemployment rate of the 15-24 population increased from 10.9% to 12.3%.

Young people's efforts to find a job are made difficult, especially in the backward and stagnating Eastern regions of the country, by the lack of jobs, but also by the problems of making contact between the entrepreneurs and the job-seekers. Another problem is that the majority of the young people enter the labour market either without any skills or qualifications or with such skills and qualifications that do not match the requirements of the market. Employers prefer to employ persons who already have some experience, and are reluctant to train inexperienced career starters. This is particularly true for those socially disadvantaged young people who either come from a Roma family or leave some state child-care institution. The majority of the young people who are dismissed from state child-care institutions (about 2000 young people annually) are running a great risk of becoming homeless. Except for one or two model experiments, providing targeted help for these people remains an unsolved problem.

#### **2.3.1.5 Older workers**

In the early 1990s one possible way of escaping unemployment was early retirement or retirement on disability pension, which was also encouraged by the state. However, in the second half of the decade, the conditions of retirement were gradually tightened, therefore the number of people in working age pensioned for health or employment policy reasons has been decreasing since 1998. Nevertheless, as a result of previous mass early retirement schemes, only a small minority of the above-55 population is present in the labour market at present. On the other hand, it is also fact that the expansion of employment – partly as a consequence of raising the retirement age – that followed the economic boom was the biggest in the older age groups. Even so the employment rate of the 55-59 population only rose to 42.2% (EU: 50%). It makes difficult the return of older people to the labour market that they find it harder to adapt to the changed labour market requirements and the employers may also use discrimination against the older employees.

The skills composition of the above-50 unemployed is very unfavourable. Therefore, training, re-training and employment support are important tools in strengthening the labour market position of the older job seekers and helping older workers in keeping their employment.

### **2.3.1.6 People with low levels of education**

In Hungary, the participation rates of those with low levels of education are well below the EU average and 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 12.5%, 4.8% and 1.1%, respectively.<sup>10</sup> These data show that educational attainment is a decisive factor of the labour market position and employment opportunities of the individual. Increasing the level of employment and reducing inequalities in the labour market, therefore, require actions to improve the employability of people with low levels of education and creating new employment opportunities for them.

### **2.3.1.7 Homeless Persons**

Hungary had to seek new answers for the problems of homelessness in the period of economic transition. The number of homeless is estimate to be between 20 thousand and 50 thousand. Various forms of helping homeless people have already evolved, like providing night shelter and day care, street social work. The number of homeless shelters has almost doubled over the past five to six years; at the end of 2002 these shelters could accommodate about 8000 people. Non-state organisations play an outstanding role in providing care for the homeless.

Despite the efforts of the recent years, there are few prevention and re-integration programmes in place, although some organisations helping the homeless people have gained considerable experience through the pilot programmes of the Ministry of Social and Family Affairs. Promoting programmes that enhance the employability of homeless people should be a priority because employment is crucial in creating independent living and leaving behind homelessness.

According to research in the field, 25-30% of people living in homeless shelters are employed and have regular income, another 25-30% work on an occasional basis and thus earn some money. Strengthening their employability and improving their conditions are equally important tasks.

It is also particularly important to promote the employment of young homeless people, most of who were previously in state care. Similarly important problem is the labour market re-integration of homeless women, especially women with children. Homeless families or single mothers with children can find shelter in the temporary homes for families. These provide services for some 3000-4000 people annually, of which some 1500 are adults. Homeless families may use the services of the temporary homes for one year; in case of particularly serious or long-term problem this period may be prolonged by half a year. These families often experience serious losses, which are accompanied not only by the temporary or permanent loss of their home but also of their job. In order to prevent the disintegration of the family, it would be particularly important to support the targeted labour market integration of these homeless families, too.

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<sup>10</sup> OECD Education at a Glance (2003)

Homelessness is usually coupled with other problems, the loss of the job and poor health condition are often the reason and/or the consequence of homelessness. Therefore to address this problem adequately, it is necessary to combine the various health, welfare and employment services.

### **2.3.2 IMPROVING EMPLOYABILITY**

Improving employability means, on the one hand, that the knowledge and skills of unemployed, those threatened with unemployment and inactive people have to be improved in order to make them suitable for employment. On the other hand, it comprises those instruments and services, which stimulate the individuals to take up a job and help them find one. The number one tool for improving employability is constituted by the active labour market policy measures, which help the return or integration of unemployed and inactive people to the labour market. In addition to these, education and training also play a decisive role for employability, labour market opportunities and employment possibilities. The education system must ensure for young people the attainment of the skills and knowledge indispensable for successful integration into the labour market, must help transition from the world of education to the world of labour and efforts have to be taken to reduce the number of drop-outs. The improvement of employability is also a tool in the struggle against social exclusion, one that promotes the entry or return of disadvantaged people into the labour market.

This chapter discusses how the active labour market policy instruments, formal education and social services promote the improvement of employability and what deficiencies exist in this respect.

#### **2.3.2.1 *Active labour market policies***

The most important institution of the implementation of the employment policy is the Public Employment Service (PES) operating under the auspices of the Ministry of Employment and Labour. The PES consists of the Employment Office, the labour centres in Budapest and in the 19 counties and the 174 regional offices belonging to them, as well as of the Regional Labour Development and Training Centres. The most important among the active labour market policy instruments of the PES are labour market training, the employment organisation, public work and supported employment. In 2002, the active instruments provided re-training and supported employment opportunities for almost one fifth (19.8%) of the registered unemployed population.

Training is considered to be a particularly important instrument for promoting return or integration to the labour market. Today, the programmes of the employment services are targeted primarily at young people about to start a career, and mainly serve to supplement the knowledge acquired in formal education. Because of the rigidity of formal education, and its inability to adjust to the genuine requirements of the economy, a great majority of the young people leaving school lack those skills and knowledge which would be necessary for their labour market integration. Thus those who cannot find a job, can acquire the necessary skills in the framework of these labour market-conform training programmes.

The national network of labour office financed with public instruments is dealing with the comprehensive change of career and career orientation of young school-leavers and adults. Besides the labour counsellors and psychologists, the Occupational Information Consulting (OIC) network also plays a key role. Research findings indicate, however, that the career orientation activity, especially among adults, is not widespread. It would be important to

provide for young people still in formal education wide access to the career orientation activities, which offer a strategy compliant with the requirements of the economy and the long-term objectives of the individual.

The PES provides employment services for people seeking a job. The efficiency and success of these employment services are decisively influenced by the fact whether the labour market organisation has appropriate contacts on the labour market, whether it has adequate information on the labour demand of the local enterprises, and whether it has established a reliable enough mediation service to build trust in the labour mediated by them. The share of the PES in the employment markets varies by region. It can be said in general that the bigger the settlement, the smaller the percentage of the vacancies enters into the horizon of the labour centres. The employers prefer to hire labour through advertisements and personal recommendation, and will only contact the Public Employment Service as a third option. Besides, the Service successfully satisfies mass demand for unskilled or trainable labour, but is rigid to respond to individual requirements, and is even less capable of taking the initiative in identifying demand. Although, employers are increasingly using the services of the Public Employment Service in hiring labour in the recent years, in 2002 there were still only 12.9 reported vacancies to 100 registered unemployed.

Employment in public work is aimed at giving temporary work to long-term unemployed people in order to maintain their working ability. Public work is usually organised by the local municipalities for the performance of the communal tasks of the locality. However, public work as a means for promoting people's return to the primary labour market, did not prove successful, only a fraction of the public workers (in 1994, 3.5%, in 1996, 1.9% and in 2000, 1.4%) could convert their public work status into a non-supported job. In an effort to counterweight this tendency, an array of programmes were launched in the recent years everywhere in the country. These programmes coupled public work with training and counselling with the aim of making the participants suitable for returning to the secondary or primary labour market.

The aim of the employment expansion wage support is to improve the opportunities in finding work of long-term unemployed people, by granting support to their employment. Such wage support is available on unemployed persons who have been out of work for at least six months (in the case of young career starters, three months). The support given to the employer up to 50-100% of the wage is designed to encourage employers to hire unemployed people or young career starters. There is also a special support scheme for employers hiring people with disabilities. The wage support is available for maximum one year and the employer is obliged to continue the employment of the supported person for a period identical with the period of support.

The amendment of the employment legislation in 1999 made it possible to support labour market programmes, and provided for the use of active instruments built on one another. These measures were called for by the fact that the nature of unemployment has changed and primarily, because it has become long-term and responded to an ever smaller degree to the individual active labour market instruments.

The active labour market programmes of the PES are being supported and its services are being developed and modernised in a comprehensive manner in the framework of the Human Resource Development Operational Programme.

### **2.3.2.2      *Participation in education and employability***

In the last decade, a significant expansion of education took place; there was a considerable increase in both the number and rate of those participating in secondary and higher education. In school year 2002/2003, compared to 56% a decade ago, 77% of the secondary school age population learning in day institutions, attend such secondary schools that provide maturity certificate. The number of participants in higher education has almost trebled, and within that, the involvement of the 18-24 aged population doubled. Although in the beginning of the nineties there was a significant gap in the enrolment rates by ages compared to the EU average, during the last ten years the full time enrolment rates reached the EU average within the cohorts of the population aged 15 to 20. In 2001, 91% of the 15 years old population participated in full-time education; the same rate was 92% for 16 year-olds, 84% for 17 year-olds, 73% for 18 year-olds, 56% for 19 year-olds and 44% for 20 year-olds. Along with the expansion of higher education, in accordance with the tendencies experienced in other European countries, the entrance to the labour market is postponed.

It can be established in general that, despite the achievements, the system of education faces various difficulties. The structure of vocational training has failed to adjust with appropriate speed and flexibility to the changing requirements of the economy and the labour market. Formal education fails to provide for the mastering of skills and abilities that constitute an appropriate basis for lifelong learning, on the one hand, and are indispensable to successful entry to the labour market, on the other hand.

According to the PISA 2000 analyses, in the Hungarian education system the performance of the students is influenced to greater than average degree by the social-economic background, in other words Hungary provides to the least degree equal opportunities to children coming from a low educated, poor family scarcely supplied with cultural goods. The education system amplifies the disparities rooted in the social-economic disadvantages. Equal opportunities are not enforced adequately neither in the access to appropriate quality education, nor in terms of successful participation in the education. Although promising programmes were elaborated in the recent years in promotion of the objective, in the lack of appropriate support and well-prepared adaptation programmes, these remained isolated experiments only.

Disadvantaged children have less chance to stay inside primary education, let alone qualify for secondary or higher education. Less than 10% of young Roma pass the maturity examination, and this heavily restrains their labour market opportunities, too. The drop-out rate is also rather high among the disadvantaged groups, and their learning performance is poorer than the average. Those young people, who fail to finish primary school, do not learn on in a secondary institution, drop out from vocational or secondary education or hold such trade certificate, which is not demanded in the labour market, run particularly high risk of exclusion from both the labour market and the society.

The transformation of the public education system affected to great degree the vocational training schools: from September 1998, the education law made compulsory 10-year general education and vocational training could only follow that. This means that the general training stage of education was separated from the vocational training stage both in the vocational training secondary schools and the trade schools, with the two forms of training not running parallel but rather in sequence. The function of grades 9 and 10 is to strengthen general training. A survey conducted by the National Vocational Training Institute with the involvement of the vocational training schools shows for the period between academic years 1998/1999 and 2001/2002 that the danger of drop out is highest in grade 9, namely the stage of education, which precedes vocational training. The drop out rate here is close to 13% and the percentage of failed students also permanently exceeds 20% both in the trade schools and

the vocational training schools. This means that a large part of the students lose the opportunity to obtain some qualification because they drop out of general training.

This tendency calls the attention to the fact that formal education must find more efficient ways for preventing and keeping under control school failure and dropping out. For those students who find it hard to fit into the frames of conventional education such new forms of training have to be developed which take into consideration the disadvantages rooted in their social-economic situation, family background or other circumstances, and offer appropriate help to overcome them.

### **2.3.2.3 *Improving the employability of disadvantaged people***

Exclusion from the labour market and from society hits particularly hard the Roma population, people living in backward regions, unskilled people, people with disabilities and addicts. To improve their employability and labour market opportunities, we have to build on the instruments of education and training, employment and social services alike. In the case of the long-term unemployed and inactive people, during the long time spent outside the labour market, the contacts with the world of labour weaken and people's ability to work fades. Thus helping these people back to the labour market is a long process, which also calls for programmes that provide support from several quarters and for personalised services adjusted to the possibilities and conditions of the individual.

It is primarily the non-governmental organisations that can reach those unemployed and inactive people, who are not in contact with the Public Employment Service. The National Employment Foundation (OFA) has, for ten years, been supporting pilot programmes that promote the labour market participation of disadvantaged people with target-group-specific instruments. In the framework of these programmes, a number of methods were developed which proved efficient in the promotion of return to the labour market. The programmes are built up from elements of training, employment, labour market services and psychological support services adjusted to the needs of the individual participants. (For example, transit employment, KID programme, Back to Work, etc. *for details see section 2.4.*) The partnership and co-operation of the organisations of different profiles have outstanding importance in the implementation of the projects based on an integrated approach.

Besides the services provided by non-governmental organisations, special services adjusted to the particular needs of certain disadvantaged groups have been developed in the framework of the Public Employment Service. The labour market integration of persons with disability 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. The Decree on supports promoting the employment of people with disability<sup>11</sup> creates incentives for employers in implementing practical training for disabled job-seekers or employees. However, the achievements are still limited, the co-operation and the integrated approach of the players need to be strengthened further in supporting the labour market inclusion of persons with disabilities.

In the recent years various grants have been available on application for programmes promoting the employability of homeless people. The Ministry of Social and Family Affairs, with support from the Labour Market Fund, launched an experimental programme in 2000

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<sup>11</sup> 8/1983 Ministry of Health and Ministry of Finance joint decree

under the name of central model experiment programme for promoting the employment of homeless people. The social organisations and the employment centres closely co-operated in this programme, which helped provide for the homeless people social, training and employment support corresponding to their needs. In the composite programme promoting the employment of homeless people, after a physical and mental conditioning phase, the participants also used the services of the Employment Centres (motivation and job-hunting training, development of communication skills, etc.) in finding a job. Almost 50% of the 317 persons involved in the programme managed to find a job, 41% attended re-training courses and 9 per cent tried to find a job on their own.

### **2.3.3 ENTREPRENEURSHIP**

#### ***2.3.3.1 The role of small and medium-size enterprises in employment***

In Hungary, micro-, small- and medium-size enterprises account for more than 99% of all businesses (similarly to the European Union). Entrepreneurial activity is high, the number of working SME per one thousand inhabitants is 63.4, compared to the EU value of 52.4. Nevertheless, two thirds of the Hungarian enterprises operate without employees, while this is characteristic to only 52% of the enterprises in the European Union. The present structure is still largely the result of the labour market processes concomitant to the economic transformation: as a result of the outsourcing exercises following privatisation, many small enterprises came into being, and a large number of the people who lost their job, started a business of their own (which in many cases were rather "forced businesses"). However, only few of these enterprises could enter a growth phase.

This figure nonetheless fundamentally determines the structure of employment in terms of the size-structure of the employing organisations. Together with their role in self-employment, the one-man and micro-size enterprises represent over 1 million jobs. Together with the small enterprises, the small and micro businesses provide employment for almost one and a half million entrepreneurs and employees. However, their efficiency is typically low, the combined share of the GDP of the micro- small and medium-size enterprises is only 45%. The productivity of the small enterprises compared to the large enterprises is about half, and of the medium-size enterprises, two thirds of the corresponding EU data.

The main reasons of the low productivity figures of the small- and medium-size enterprise sector include the lack of capital, the use of obsolete technology, inappropriate entrepreneurial knowledge and difficult access to business services and consulting. The business management skills of the entrepreneurs are often inadequate: extensive scientific or technical knowledge is seldom coupled with management skills and the marketing approach is also missing. Often even the basic level entrepreneurial knowledge is missing because there is only limited possibility to obtain practical business knowledge and skills in formal public education. The lack of IT equipment and the low level of knowledge required for their use, also present a formidable challenge because the large enterprises increasingly demand their suppliers to use these tools. As a result, those enterprises that are not using ICT or modern technologies are in competitive disadvantage. Considering the high proportion of jobs provided by the micro-, small- and medium-size enterprises and their employment potential, promoting their growth and improving their adaptation and competitiveness are crucial from the point of view of employment. In view of this, support to business development and the improvement of entrepreneurial skills plays outstanding role in the Objective 1 operational programmes.

### 2.3.3.2 *Social economy*

Non-profit enterprises constitute a special type of business and their activities are mainly linked to the social economy. The social economy combines the unmet service demands of local communities and private households with unused labour capacities to create new jobs. These demands are typically identified at the level of the individual or the local community. Social economy is exposed only to a very limited degree to international competition, in contrast it has a strong social dimension. It follows partly from this fact that the social economy is seldom able to organise itself through market mechanisms, as a rule, state intervention plays a crucial role in its emergence.

In Hungary, in the decade following the political transformation, parallel with the shrinking of the organised labour market, more and more jobs were transferred to the unregistered economy: to the scope of activities performed without registration and to the world of unpaid work. While many estimates were published about the volume of the black and the grey economy, far fewer information was available on the activities performed in the household economy. However, whatever information is available prompts the conclusion that the quantity of time used in the household has greatly increased against pay-earning-productive activities.

It is traditionally the women who do the majority of the unpaid household jobs, men only share 25% of them. But it is a relatively new phenomenon that the average monthly time women spend on the household actually exceeds the amount of time men spend in income earning activities. Answering the increased job requirements in the organised labour market and meeting the family and household commitments which have also grown bigger, present a serious problem for many employed women.

At present, demand for the services of the social economy is mainly satisfied in institutional frameworks or in the form of household help. However, a certain measure of ambiguity is characteristic of this area: on the one hand, there is a scarcity of the available capacities- for example, personal assistance services available to people with physical disabilities are basically missing – and on the other hand, solvent demand is very limited as well. But demand is expected to grow in the future in view of the demographic changes – decreasing births and ageing population –and the poor health condition of the population. The employment expansion effect of the social economy is not a negligible aspect either, especially for certain disadvantaged groups in the labour market, such as the older or female workers with low qualifications, people with disabilities etc.

In 1998 the National Employment Foundation launched a program promoting the personal (social) service activities of the community-public benefit enterprises, with which they attempted to assess the job creating capacities of the civil sector in the social economy. In the wake of the positive experiences of this programme, a new experimental programme was launched in 1999 for the support of projects implementing the personal services of the community and public benefit organisations. The aim of the programme that lasted till 2002 was to increase the employment capacity of the social economy, create the conditions of sustainable employment and to promote adjustment to the workplace requirements. The experiences of the programme were used to develop the measure supporting local employment initiatives (measure 3.2.) of the Operational Programme for Regional Development.



### 2.3.4 ADAPTABILITY

Improving adaptability means, on the one hand, promoting the adjustment of the employees to the changing labour market expectations and in this context, rests on the possibilities of continuous training and lifelong learning. On the other hand, adaptability also comprises promotion of the flexible adaptation of the work organisation, the enterprises to the economic environment.

#### 2.3.4.1 *Adaptability of the employees*

The knowledge-based economy requires qualified labour capable of adapting to the new challenges of the labour market. In order to improve the competitiveness of labour and promote its adaptation to the technological development, it is necessary to improve the job abilities and competencies of the employees and to develop the appropriate framework of lifelong learning. The disparity between the supply and demand of labour also shows that the number of employees participating in training must be increased and more and better opportunities have to be offered for the employees to develop their skills and knowledge. Considering the employment potential of the micro-, small- and medium-size enterprises, improving their competitiveness and adaptability is of strategic importance from the point of view of the expansion of employment. It is of decisive influence on the growth of the SME whether or not its managers and employees possess the appropriate skills and competence.

As a consequence of the dramatic decrease of jobs and the number of employees, the exclusion from the labour market of the poorly educated and qualified people, the composition of labour and its level of qualification saw major improvement in Hungary in the early 1990s without any major expenditure. Simultaneously, the transformation of the ownership structure of the companies, privatisation, the disintegration of the large enterprises weakened the formerly strong and well-established institutional and enterprise background of vocational training and together with it, of adult education and training. In the recent years, lifelong learning has been receiving growing emphasis and as a result of the increasing structural tensions of the labour market, the financing structure, institutional and legal framework of adult education and training is being developed.

In-company training plays an outstanding role for improving the adaptability of the enterprises and the employees. The human resource expenditures of the companies are more and more important indicators of their present, but even more so, of their potential future efficiency and competitiveness. A Central Statistical Office survey conducted in 2000<sup>12</sup> showed that in-company training most frequently consists of courses and education on company premises, but distance learning and computer-aided independent learning are also playing a growing role. The size of the enterprise is decisive from the point of view whether or not a given enterprise organises further training for its employees in a given year. In 1999, the great majority (85%) of the large enterprises (more than 500 employees) supported some form of training for its employees, also about one half of the enterprises with staff between 50 and 249 used this opportunity, but less than one third (29.2%) of the small enterprises (employing between 10 and 49 people) offered extension training for their employees. Since the enterprises in the latter two categories play a very important role in employment, the training policy and practice of the small- and medium-size enterprises are decisive from the

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<sup>12</sup> The data given here are calculations based on the data of the Central Statistical Office survey called *Main data of in-company training schemes*. A uniform survey covering the EU Member States and the candidate countries was carried out in 2000.

point of view of the opportunity of the majority of the employees to participate in some form of on-job training.

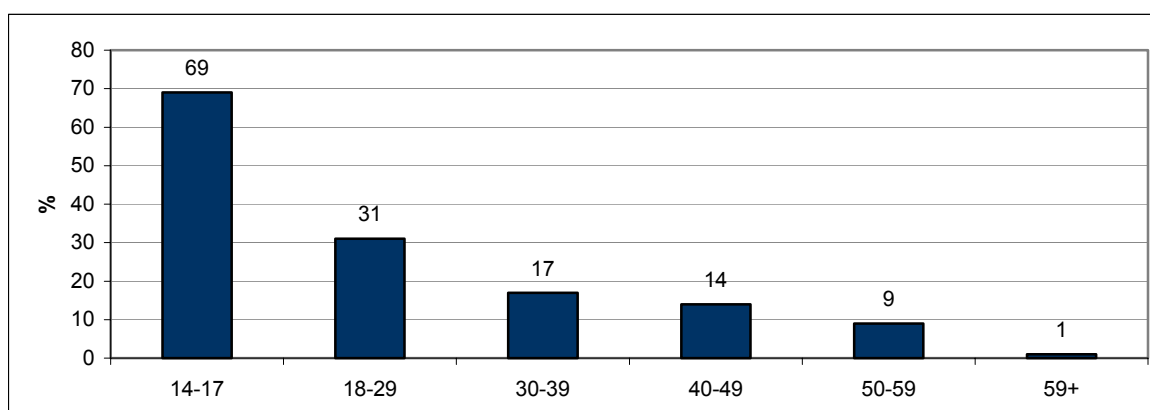
In addition to their size, the proportion of the enterprises offering training is also influenced considerably by the fact in which sector of the economy the given enterprise operates. In-company training is provided in the greatest percentage by the enterprises of the service sector (financial, telecommunication, etc.) and the public utilities (electricity, gas, water, etc.). Those sectors that lag far behind the average include the textile industry, the garment industry, the leather industry, catering, mining and the construction industry. The greatest proportion of the enterprises offering training are active the sectors undergone fast technological and organisational changes in the recent years.

Another finding of the survey was that in 1999, 12.3% of the total number of employees participated in some form of conventional vocational training. This figure for male employees was 12.9% and for women it was 11.4%.

Another important element of the adaptability is skills connected with the use of information and communication technology necessary for participation in the information society. In 2002, approximately one third of the Hungarian population used a computer either regularly or occasionally.<sup>13</sup> The most frequent places of using computer is the office, the home and the school.

In the light of international figures the use of Internet in Hungary, despite the rapid growth, is still considered low. According to estimates, in 1998 only 4 out of 100 inhabitants used the Internet, and this number increased to 15 by 2001. This is still rather low, less than half of the average calculated based on the figures of 15 Member States (31).<sup>14</sup> The use of IT equipment, the Internet and the related skills show wide variation according to social and demographic factors. The most important factors are age, home access, personal income and level of education in this order. The proportion of Internet users is particularly low in the older population.

**Figure 2.4: Internet users by age group (%)**



Source: TÁRKI WIP residential basic survey (September 2001)

44 per cent of those people who do not use the Internet, do so in the lack of a computer, but a similarly high proportion (40%) do not use the net simply because it does not interest them. 21% do not use it because they consider the access too expensive, and a rather high proportion (17%) do not use the Internet because they cannot operate the necessary equipment. It can be said, in general, that younger people do not use the Internet for economic reasons mainly

<sup>13</sup> Based on the results of the Information Society Monitoring survey 2002 (IHM)

<sup>14</sup> Source: KSH report 2002/8

(have no computer, using the Internet is too expensive), and the older population refrain from its use for cultural and cognitive reasons.

#### **2.3.4.2      *Organisational framework of the employment of employees with special needs***

The existing system promotes the employment of people with disabilities with a number of measures. The law prescribes a compulsory quota for the organisations employing more than twenty people, including also the public and non-profit organisations: 5 per cent of their statistical staff should be disabled persons or persons with lasting health problems. If this requirement is not met, the employer has to pay a specific sum of contribution into the Labour Market Fund, which will be distributed for rehabilitation purposes. The enterprises employing fewer than 20 people are eligible for tax reduction on their employees with disability or lasting health problems. Those organisations that employ people with disabilities above the statutory quota, are eligible for wage support.<sup>15</sup>

Despite the existing incentives, few people with disabilities find a job in the open labour market. Sheltered employment is still the most widespread, primarily by those special sheltered firms where at least 60% of the statistical staff are people with disability, or to a less extent by social firms or other non-profit organisations, associations and foundations.

The employees of sheltered firms remain permanently under protected conditions irrespective of the type or degree of their disability. These organisations are not interested in "releasing" those employees who are capable (or can be made capable) of moving on to the open labour market, because mainly these employees are capable of producing the revenue required for eligibility to state support. Some further characteristics of sheltered firms are:

- They can seldom provide differentiated tasks for their employees, therefore many of them are employed below their skills or qualifications
- Employment rehabilitation is not implemented in their operation, they do not provide development or training opportunities for their employees.
- The majority of the people employed in sheltered organisations besides the – usually – rather low wage also receive disability pension or other social allowance. In this way, the resources spent on rehabilitation are not used efficiently, they do not stimulate activity and do not reduce the social expenditures of the state.

Therefore to help people with disabilities to enter the open labour market, it is seen necessary to investigate and experiment new approaches in sheltered employment and supplementing it with services promoting rehabilitation, personal development and improvement of skills and knowledge. Furthermore, novel and alternative forms of employment should be experimented and introduced in the labour market.

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

Equal opportunities for women and men is one of the most important democratic cornerstones of the Community and of Hungarian legislation as well. In this respect, Hungarian legislation is in line with the European policies. The Constitution, the Labour Code and other statutory regulations pronounce the prohibition of the various forms of discrimination, including gender discrimination. However, in the field of the enforcement of the laws, Hungary experiences similar problems to those in the Member States (complaint mechanism, sanctions, indirect discrimination).

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<sup>15</sup> Act IV of 1991 on the Promotion of Employment and Unemployment Benefits

In addition to the inequalities that can be expressed in statistical figures, some measure of latent discrimination can also be perceived against certain groups of women. Mothers with young children and women wanting to find a job after long years of absence due to child-raising or other causes, experience especially great hardships in returning to the labour market. One of the reasons is the discrimination, but the lack of access to opportunities in acquiring or renewing competitive knowledge and skills, also plays a role.

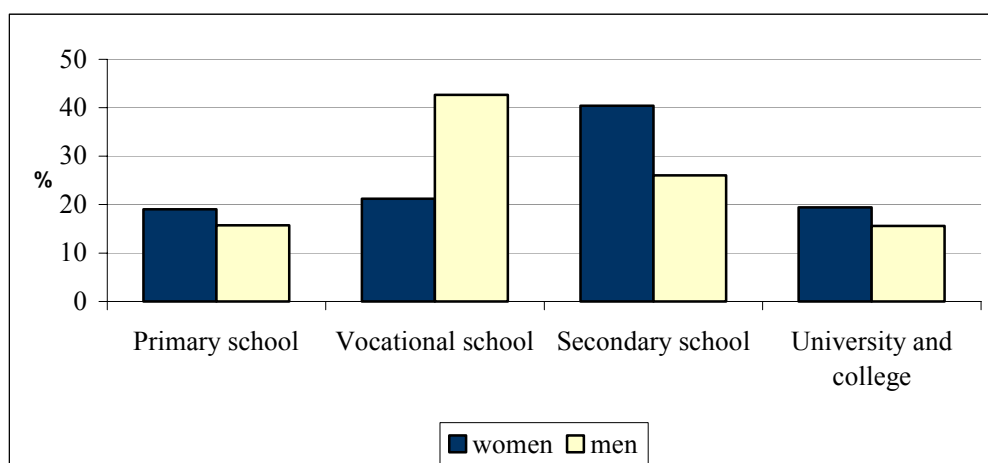
One of the basic conditions of women's labour market participation and the reconciliation of family life and work is access to appropriate quality child-care services and other care services providing for the care of old or ailing family members. From 1990, the number of places in the crèches that provide for the care of children aged 0-3 (in case of children with disabilities, 0-6) first saw a drastic, and later on more moderate decrease. However, the decline was not accompanied by corresponding increase in new types of care, such as family day-care and home baby-sitting services. Similarly there are serious shortcomings in care services for sick or elderly family members. At present, usually female family members are providing home care for ill or disabled family members. They are entitled for a so-called "care allowance" and the period spent at home caring for a family member counts towards pension. However, the amount of the care allowance is rather modest and the work is often a heavy psychological and physical burden in the absence of available support services. This clearly inhibits the labour market participation of these women.

In an effort to reconcile work and family life, each year since 2000 applications are invited for the Family-friendly Workplace award, which is given to companies and institutions implementing outstandingly family-friendly policies. The main objective of the award is to learn and evaluate those good practices which have already appeared at the level of the management and whose declared aim is to help the employees reconcile their work and family life.

In Hungary, horizontal and vertical segregation are equally characteristic of women's employment in Hungary and segregation is maintained through stereotypes related to gender roles and patterns. The former is manifested in the great concentration and over-representation of women labour in certain sectors and occupations characterised by wages below the average. This is shown by the fact that in contrast to 50% of men, 71% of women work in the service sector. Over three quarters of the health and education employees are women that can be explained by low wages and relatively favourable working conditions regarding the reconciliation of family and work (shorter working time, longer holidays - e.g. in the case of teachers). While women represent 45% of all employees, in the office jobs their representation reaches 93%, and women fill 65% of those jobs that although require high-level qualifications but are only auxiliary activities.

There are also some gender-related differences in the schooling ratios on the various levels of education which determine the employment opportunities later on: while boys typically preponderate in basic-level vocational training, girls' participation is higher in secondary education that provides maturity certificate, and especially in secondary grammar schools which provide a general certificate of maturity (*see table 10 in Annex D.*). This latter form of school essentially prepares the students for advanced studies and this partly explains the larger participation of women in higher education. But those students who do not continue their studies find it rather hard to enter the labour market in the lack of appropriate vocational skills. The impact of the gender difference in schooling clearly manifests itself in the composition of the employed population by educational qualification.

**Figure 2.5: Composition of the employed by educational qualification and gender, 2001**

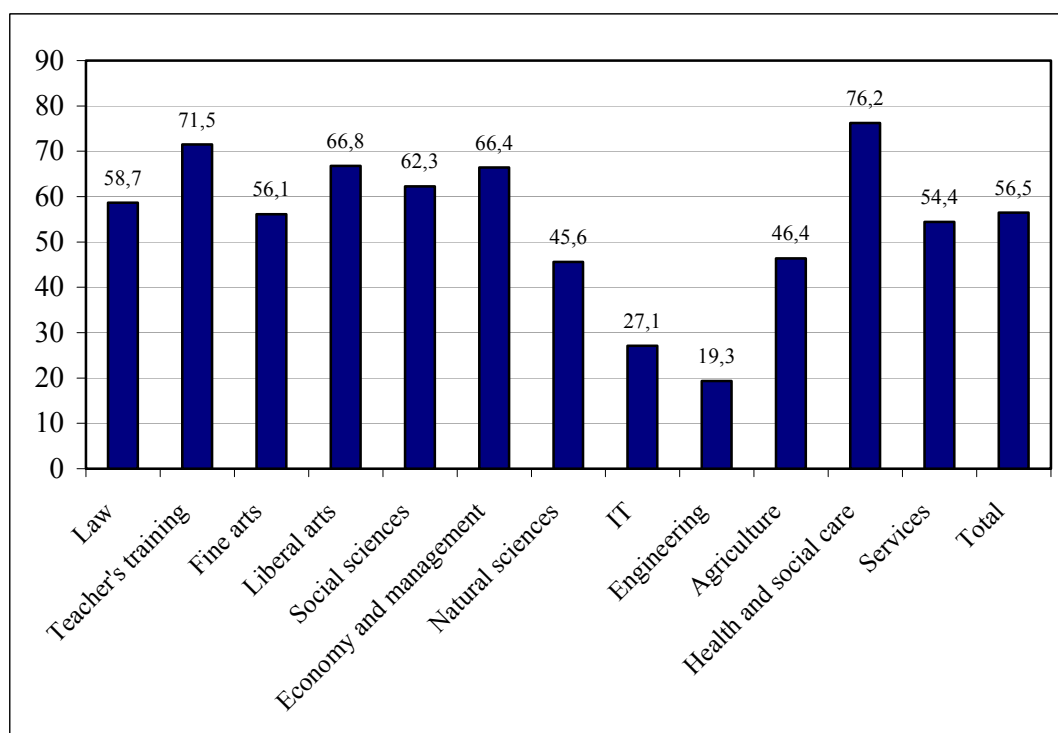


Source: CSO-LMF

Women thus preponderate among the graduates, on the one hand, and among the participants of non-vocational secondary education on the other. In addition, there are further differences in participation in higher education as well. Despite the fact that women's overall participation in higher education exceeds the participation of men, in certain faculties and forms of training their participation is considerably lower.

In the fields of technical science and information technology women are represented by 19% and 27%, respectively. Nonetheless, men's participation is similarly low in the health, social and teacher's training institutions (23% and 28%). This fact influences the labour market opportunities later on, and produces major discrepancies, for example in terms of wages.

**Figure 2.6: Women's participation in college and university education, by area of training, in school year 2002/2003 (%)**



Source: CSO

In summary, it is seen necessary to start the efforts to combat horizontal labour market segregation in the early stages of career orientation, by overcoming the stereotype social expectations regarding women's and men's choice of career in every level of education. Furthermore women should be encouraged to participate in vocational training and professions that are typically chosen by men these days. On the other hand, the participation of graduate women in research and development activities has to be encouraged.

Vertical segregation can be seen best on the fact that only one tenth of the managers meaning the top of the employment hierarchy, and 30% of the entrepreneurs are women. The low percentage of female entrepreneurs is also explained by the fact that women usually take part in the family business as assisting and not as executive staff.

This particular form of employment is made possible by the law in the case of family members assisting the private entrepreneur: an assisting family member may be the entrepreneur's close relative – spouse, next of kin, other relative. In 2000, 0.9 per cent of the employed women worked as assisting family members (at men the corresponding rate was 0.4%)<sup>16</sup>. For full-time assisting family members (working at least 40 hours a week) a sum equal to the current minimum wage, can be paid. Their labour market position is uncertain however: although they are formally in an employee status, neither the social security system and nor, in many cases, the environment recognise this as full-value work. Similarly to the private entrepreneurs, the helping family members have very limited opportunities for renewing their knowledge and acquiring new, marketable skills, which makes their eventual entry/return to the labour market rather difficult. Therefore training and access to modern business and entrepreneurial skills that help improve the competitiveness of the business can play an important role in improving the labour market position of the assisting family members.

To combat vertical and horizontal segregation it is also seen necessary to promote in wide circle such individual career planning and non-discriminative admission and advance procedures, which help women become entrepreneurs and fill management positions in the private sector and the scientific sphere in much larger numbers.

### **2.3.6 ASYLUM SEEKERS**

Hungary has been receiving and registering asylum seekers since 1988, and it joined the 1951 Geneva Convention on Refugees in 1989. Parliament passed legislation on asylum in 1997.<sup>17</sup> Over the past one and a half decade the composition of the asylum seekers changed considerably from period to period. The history of Hungarian refugee affairs so far can be divided into four stages. Between 1988 and 1991 the people requesting refugee status were almost exclusively Hungarians from Transylvania in Romania, who came to Hungary with the intention of finding permanent settlement and integration here. The majority also succeeded because of the linguistic and cultural identity and the social-political atmosphere. The second wave of refugees hit Hungary at the time of the outbreak of the war in Yugoslavia. The majority of the refugees were fleeing the war in bigger communities. Many of them only spent a few days in Hungary and travelled on to Western Europe, but tens of thousands were given temporary protection for longer or shorter periods of time in Hungary. In 1999, the crisis in Kosovo and the bombing of Yugoslavia sent many people from Serbia and the Voivodina to survive the NATO bombing in Hungary.

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<sup>16</sup> Source: Employment and Labour Market in Central European Countries (EUROSTAT, 1/2001)

<sup>17</sup> Act CXXXIX of 1997

Since the end of the 1990s, more and more asylum seekers have been coming to Hungary from Asian and African countries. The majority of them (over 80%) disappear yet before the asylum procedure is over, they presumably move on to Western Europe. A big part of the asylum seekers are single young males. The recognition rate is very low, many more are given subsidiary protection ('person authorised to stay'). The integration strategies of those people who choose to stay are rather diverse, and range from clear integration/assimilation efforts through integration in segregated ethnic communities to continuous maintenance of the possibility of moving on.

The past two years show the following picture in applications and recognition rates for refugee status.

**Table 2.2: Requests for asylum and decisions in 2001-2002 (persons)**

Year	Number of requests	Decision				
		Recognised as refugee	Recognised as person authorised to stay	Rejected	Procedure cancelled/transferred	Total number of decision
2001	9 554	174	290	2 995	5 132	8 591
2002	6 412	104	1 304 <sup>18</sup>	1 274	5 073	7 755

Source: Ministry of the Interior, Office of Immigration and Nationality

In the two years studied, the greatest number of people requesting refugee status came from Afghanistan, Iraq and Bangladesh, in both years in this order. The three most frequent countries of origin of the people recognised as refugees were in 2001, Afghanistan, Iraq and Armenia, in 2002, Iraq, Afghanistan and Turkey. Most of those people who were granted humanitarian status in 2001 came from Afghanistan, Yugoslavia and Iraq, and in 2002, Afghanistan, Iraq and Sudan was the order.

In 2002, 564 people with a rejection order were expelled from the country by the immigration authorities. In terms of numbers, people from Bangladesh, Vietnam and Turkey topped the list. Many of those under expulsion order wait in detention custody for the implementation of the order, which may take as long as a year. If the order cannot be executed beyond one year (generally for administrative reasons), the foreigner will be entitled to residence permit which, in the majority of the cases, is temporary and has to be renewed in every few months.

The conditions of work of asylum seekers and temporarily protected persons<sup>19</sup> are regulated by the Act on Asylum. It clearly pronounces that those asylum seekers whose request is being processed "with the exception of employment at the refugee reception centre, they may not take up work".<sup>20</sup> Those recognised as temporarily protected, however, in line with the relevant EU directive, are entitled to work without any special permission.<sup>21</sup> The conditions of work of persons authorised to stay and foreigners holding humanitarian residence permit and

<sup>18</sup> From January 1, 2002 the legislative background and official name of the status have changed, its content and conditions of eligibility are regulated by the Aliens Act, and may be defined as "under expulsion ban", "holder of humanitarian residence permit" and "person authorised to stay" alike.

<sup>19</sup> Currently, this category is not used in Hungary because, in case of massive inflow of refugees, the Government may determine the scope of those people to whom this form of international protection may be extended.

<sup>20</sup> Refugee Law 19 § (2) d)

<sup>21</sup> Refugee Law 20 § (1) b)

subject to expulsion ban are mainly regulated by the legislation on the entry and residence of foreigners<sup>22</sup>, commonly referred to as the Aliens Act. According to that law, people holding humanitarian residence permit may work under the general rules applicable to foreign citizens.<sup>23</sup> However, a decree of the Ministry of Social and Family Affairs<sup>24</sup> provides for an exception in the case of persons authorized to stay: they might be issued a work permit on an extraordinary basis if their employment outside refugee reception centres is justified by humanitarian reasons and endorsed by the Office of Immigration and Nationality. Despite this regulation, the labour market integration of asylum seekers is still rather problematic. Taking up work may serve dual purpose for persons authorised to stay and the holders of humanitarian residence permit: on the one hand, it can be a means of creating the conditions of independent existence (through the income earned), and on the other hand, it can also be an instrument of changing their extremely precarious present status because, through the employment and regular income providing for their subsistence, they become eligible for a settlement permit, which means much more stable social position. For these reasons, there is much demand on the part of the asylum seekers for taking up employment.

A number of NGOs with the financial support of the United Nations High Commissioner for Refugees (UNHCR) have been providing assistance and individual counselling for recognised refugees and persons authorised to stay trying to find employment. According to the experiences, the main factors obstructing employment are the following:

- Lack of appropriate status: an asylum seeker cannot even come into question outside the refugee reception centre, and the employers usually do not want to bother with the permit procedure of the persons authorised to stay.
- There is large over-application for the lower qualified or unqualified jobs which the target group can also focus on, on the one hand, and on the other hand, the nature of the work is such that labour is "wanted promptly", therefore the foreigners waiting for their permit to be processed are not competitive.
- The lack or inadequate knowledge of the local language presents a problem here too, and not necessarily in learning or implementing the work process, but rather in communicating with the employer and the prospective colleagues.
- Prejudice and xenophobia often experienced on the part of the employer and the colleagues may also prevent a foreigner in taking up a job even if he would otherwise answer the requirements of the employer. Social workers can often mediate successfully in managing the relevant conflicts.

## **2.4 LESSONS LEARNT FROM PREVIOUS PROGRAMMES**

To prepare for the implementation of the EQUAL Community Initiative it is necessary to draw on the lessons learnt from previous employment and training programmes, with special focus on the role and capacities of the civil sector. This section presents the experiences learnt from the Hungarian EQUAL Programme supported by PHARE and the pilot programmes of the National Employment Foundation that can be considered precursors of the EQUAL Community Initiative in Hungary.

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<sup>22</sup> Act XXXIX of 2001

<sup>23</sup> Aliens Act, 15 § (3)

<sup>24</sup> 8/1999. Ministry of Social and Family Affairs decree on the issuing of work permits for foreigner employed in Hungary



## **2.4.1 EQUAL PHARE PROGRAMME**

### **2.4.1.1 *Brief summary of the programme***

Hungary currently participates in the EQUAL Community Initiative as a Candidate Country within the framework of PHARE with projects aiming to improve the employment opportunities of the Roma people. The pilot EQUAL was the third sub-programme under PHARE Programme HU0101-01 “Promoting the social inclusion of disadvantaged young people, especially Roma youth”.

The main objective of the programme is enhancing the labour-market integration of Roma people, promoting their sustainable employment and combating discrimination based on ethnic origin, gender or age in the labour market. Furthermore, the programme aims to intensify the exchange of information and experiences between Member States of the EU and Hungary and also to create common strategies for tackling similar problems.

Within the framework of the programme 5 development partnerships were set up and receive funding. The total budget of the programme is 2 million euros, provided by PHARE and the Ministry of Education.

### **2.4.1.2 *Experiences related to the implementation of the programme***

This section gives a brief summary on the implementation of projects and functioning of the Development Partnerships (DPs) from the perspective of the basic principles of EQUAL based on the mid-term monitoring report of PHARE EQUAL.<sup>25</sup> The main findings and conclusions of the report will be used in designing the activities of the National Support Structure in the preparation phase and Action 1.

#### *Partnership*

The pilot EQUAL Projects are also implemented by Development Partnerships that are strategic alliances bringing together relevant actors. In the 5 DPs there are altogether 40 organisations involved, including municipalities, public agencies, NGOs, schools and private enterprises. The largest DP has thirteen members while the smallest has only four. It can be concluded that the formation of Development Partnerships was on the whole successful: the partners involved were relevant from the point of view of projects and partnership resulted in a closer and more intense cooperation than in previous consortia. The involvement of Roma organisations in the DPs was particularly important.

#### *Empowerment*

Empowerment on the one hand means the equal participation of DP members in all decisions concerning the project and the partnership. On the other hand it means the involvement of final beneficiaries of the project in the planning and implementation. In general, projects prove successful in the empowerment of the final beneficiaries; there are however considerable weaknesses with regard to empowerment of certain DP members. Further efforts are needed to ensure the full participation, in opposite to the ‘mere presence’ of Roma organisations within the Development Partnerships.

#### *Transnational Cooperation*

Transnational cooperation was probably one of the most difficult requirements of the Programme. At the initial phase some of the DPs experienced difficulties in finding

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<sup>25</sup> "PHARE program. No. HU 0101-01/3" *Monitoring and evaluation report on the results of the EQUAL projects between 1. November 2002. and 15. April 2003.* (by Dr. Judit Csoba, manager, Consulting '95 Tanácsadó és Szolgáltató Betéti Társaság)

transnational partners. Those DPs that had a separate project component on setting up the transnational partnership proved most successful in finding transnational partners. Those DPs where the management lacked the necessary resources, experienced more difficulties and took longer to establish transnational cooperation.

### *Innovation*

All five projects are innovative in one or another dimension. The innovation is shown by the complexity of projects currently being realized, in the composition of the target group, in the novelty of the forms of cooperation in the DPs, in their more democratic character and in the innovations of some program elements (training, supporting, employing, etc) Nevertheless the report points out “The application of the *innovative elements present in the original project plans must better be supported* regarding both the working form, the everyday work and special services. We should not let the project loose its vitality because of the lack of time or daily routine.”<sup>26</sup>

### *Mainstreaming*

An important element is that cooperation and implementation of activities go beyond the boundaries of the DPs and drawn on a broader network of organisations. This enhances the publicity and visibility of projects and helps dissemination as well. Dissemination and horizontal mainstreaming activities started parallel with the implementation of the projects.

#### **2.4.1.3     *Impact of EQUAL on the organisations***

The pilot EQUAL programme is still running, thus it is too early to make any definitive conclusions yet. However, it seems plausible to claim that implementing EQUAL projects is a serious challenge for the organisations involved. It is a unique opportunity to strengthen existing capacities and building networks for future partnerships. Even for those organisations that have previous experience in implementing projects, the pilot EQUAL brought about new roles by widening the networks of cooperation and thus helping to become a regional actor. This is a particularly valuable result that will have a positive impact for future cooperation in EQUAL. Furthermore, the members of Development Partnerships have strengthened, their organisational structure has changed, they have become more professional and their infrastructure has also improved. The pilot programme has brought about positive changes on a larger scale as well: by strengthening the stability of these organisations, the absorption capacity of their regions has also improved.

#### **2.4.2     PILOT PROGRAMMES OF THE NATIONAL EMPLOYMENT FOUNDATION**

The National Employment Foundation has a leading role in promoting and implementing innovative programmes in the field of employment. It has been supporting the labour market integration of disadvantaged unemployed persons since 1992 through pilot programmes building on local partnerships and cooperation. During this period, approximately 14,8 billion HUF were spent on promoting the labour-market integration of some 300 thousand persons.

Programmes build on training, employment, labour market and psycho-social support services and counselling and they are adjusted to the individual needs of participants. Some examples of the pilot programmes:

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<sup>26</sup> *ibid.* p. 46.

- The Transit Programme combines employment and training to improve the labour-market position of disadvantaged people. Out of the 662 persons involved in the programme, 523 found employment.
- In 1999, the programme “Developing Human Services to Promote the Employment of Long-term Unemployed Persons” was launched aiming to map out the employment potential of the social economy. Within the framework of the programme, 20 projects received funding.
- In 2000, the “KID” (Complex, Integrated, Differentiated) Programme was launched to support the development of pilot projects aiming to prevent the social and labour-market exclusion of young people with a high risk of unemployment. The Programme also sets as an objective the dissemination of good practices.

Within the framework of the above programmes innovative methods and activities were elaborated and experimented that proved effective in promoting labour market integration. These methodologies are now applied by a larger number of NGOs and thus they were “mainstreamed” to the Human Resources Development Operational Programme. Building on the previous experiences and institutional capacities – i.e. expertise and network of organisations – of The National Employment Foundation it will be the National Support Structure in the EQUAL.

### **2.4.3 CIVIL SECTOR CAPACITIES IN THE FIELD OF EMPLOYMENT**

Non-governmental organisations play an important role in the EQUAL Programme because often they are in ‘closer’ to the target groups and they are more flexible and less formalized thus more open to innovation. Therefore, they can contribute significantly to the success of projects.

Following political transformation, the number of non-governmental, non-profit organisations increased rapidly and now their total number is approximately 70,000<sup>27</sup>. Out of these around 350 are specialised in labour-market services, and there is a great number of NGOs focusing on specific target groups, such as Roma people or people with disabilities. As regards NGO capacities, there are great differences: some organisations are highly professional with years of experience of project management and international cooperation, others are lacking even the basic resources and are without a clearly defined mission.

Non-governmental organisations active in the field of employment have a significant role in the implementation of the employment policy in Hungary. On the one hand, they are involved in the employment and training of registered unemployed persons with the support of the Public Employment Service. Authorities and local municipalities also have the possibility to outsource certain social services to NGOs. Furthermore the activities of the National Employment Foundation and pre-accession funds have strengthened NGO capacities in Hungary and there is a number of non-profit organisations that are well prepared to participate in the Hungarian EQUAL.

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<sup>27</sup> Source: Central Statistical Office

## **3 POLICY CONTEXT**

The Community Initiative EQUAL supports innovative projects that comply with the policy frames of reference defined by EU strategies, primarily by the European Employment Strategy and the Social Inclusion Strategy. The EQUAL programmes of the Member States must be closely attached both to their national employment strategy and their strategy promoting social inclusion. Furthermore the EQUAL Programme must be synchronised with the Operational programmes implemented under Objective 1. and subsidised by the European Social Fund. This chapter gives an overview, on the one hand, of interdependencies and coherence between the national EQUAL Programme and relevant EU/national strategies; on the other hand it also describes links to the Human Resources Development Operational Programme and Regional Operational Programme.

### **3.1 THE EUROPEAN POLICY CONTEXT**

#### **3.1.1 EUROPEAN EMPLOYMENT STRATEGY**

The main objective of the European Employment Strategy is to create full employment; this shall enhance the competitiveness of knowledge-based economy, strengthen social cohesion and facilitate sustainable development. The Member States help to fulfil the goals identified in the strategy by the specific design of their national employment policy. In the framework of the open co-ordination process, Employment Guidelines are specified by the Council in each year; based on these, Member States elaborate their annual National Action Plan for Employment indicating how and by what concrete measures/programmes they will enforce the Employment Guidelines.

In the period lasting till 2002, Employment Guidelines relied on the following four pillars:

1. Employability
2. Entrepreneurship
3. Adaptability
4. Equal opportunities for women and men

The objective of the EQUAL Community Initiative is to promote the accomplishment of the European Employment Strategy and the National Action Plans for Employment. For this reason, EQUAL themes were identified basically in connection with the four pillars (*for the details of the themes see Chapter 4*).

In 2002, the Guidelines were reviewed by the Commission and the Member States based on the evaluation of the experiences that had been gathered in connection with the European Employment Strategy over the last 5 years. The evaluation of these experiences has confirmed that employment strategy had played an important role in achieving the results seen on the labour market in the past period. At the same time, economic, social, and demographic changes, globalisation, the necessities of modern economy and EU expansion pose serious challenges for employment. The goal of the new Guidelines is to provide an appropriate basis for restructuring the employment strategy, to make it suitable for responding to such challenges in an expanded European Union. By focussing on the fulfilment of mid-term goals envisaged in Lisbon for 2010, guidelines will be characterised by a greater constancy in the

future. Within the new strategy, a strong emphasis will be put on an outcome-oriented approach enabling the Member States to elaborate appropriate action plans.

The new Guidelines rely on three objectives mutually complementing and reinforcing each other:

- Full employment,
- Improving quality and productivity at work
- Strengthening social cohesion and inclusion

These objectives shall be reached along ten specific guidelines:

- Active and preventative measures for the unemployed and inactive
- Job creation and entrepreneurship
- Address change and promote adaptability and mobility in the labour market
- Promote development of human capital and 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
- Address regional employment disparities.

In spite of the fact that the new Guidelines no longer rely on a framework provided by the former four-pillar structure, the Community Initiative EQUAL is still based on themes that have been specified in connection with the four pillars. The connections among specific guidelines and EQUAL themes are shown in the following table.

**Table 3.1: Correlations between the Employment Guidelines and EQUAL themes**

Specific guidelines	Related EQUAL theme <sup>28</sup>
Active and preventative measures for the unemployed and inactive	1A 1B
Job creation and entrepreneurship	2C 2D
Address change and promote adaptability and mobility in the labour market	3E 3F
Promote development of human capital and lifelong learning	3E 3F
Increase labour supply and promote active ageing	5 3E
Gender equality	4G 4H horizontal
Promote the integration of and combat the discrimination against people at a disadvantage in the labour market	horizontal
Make work pay through incentives to enhance work attractiveness	
Transform undeclared work into regular employment	3E
Address regional employment disparities.	

The new Guidelines put a strong emphasis on making available the institutional framework connected to the implementation of employment policies, enforcing the principle of partnership, involving local and regional actors. This objective complies with the principle of partnership qualifying as one the basic principles of EQUAL; this means that the implementation of the program relies on the co-operation of various organisations, the participation of local actors and the involvement of affected parties.

Based on the Employment Guidelines, Hungary's first National Action Plan for Employment shall be completed by October 2004. As part of the preparations made for the elaboration of the action plans, a Joint Assessment of Mid-term Priorities of Employment Policy (JAP) has been prepared, formulating the strategy of national labour market policies in the pre-accession period. The connections between this document and EQUAL Programme are described in Sub-Chapter 3.2.1 among the national labour policy strategies.

### **3.1.2 SOCIAL INCLUSION STRATEGY**

In 2001, the process of open co-ordination was launched in the policy area of promoting social inclusion, too; within this process, the Member States elaborate an action plan every second year that details their measures taken to combat poverty and social exclusion. The action plans rely on the common objectives approved at the European Council's meeting held at Nice (in December 2000):

- to promote participation in employment and access by all to the resources, rights, goods and services;
- to prevent the risks of exclusion;

<sup>28</sup> The themes are presented in detail in Chapter 4

- to help the most vulnerable;
- to mobilise all relevant bodies.

When combating social exclusion, the basic challenge is to ensure that even people in the most disadvantaged circumstances or in the greatest danger of being socially excluded have access to goods and services, and can enforce their rights. This can be achieved through appropriate mechanisms (labour market, tax system, social protection system, education, housing, health and other services) governing the distribution of opportunities and resources.

In this respect, one of the most important challenges is to establish an inclusive labour market and ensure labour rights and opportunities for everyone. In essence, this complies with the main goal of EQUAL i.e. ensuring equal opportunities on the labour market. For this reason, the EQUAL Programme is closely connected to the national strategy of social inclusion designed in the framework of the Joint Memorandum on Social Inclusion (*see Sub-Chapter 3.2.2*).

### **3.1.3 E-INCLUSION: STRATEGY OF PROMOTING INCLUSION IN THE INFORMATION SOCIETY**

In October 2001, the European Council adopted a resolution on e-Inclusion based on the recommendations of the high-level group “Employment and Social Dimension of the Information Society” (ESDIS). The primary objective is to take full advantage of the information society’s potential for promoting social inclusion. This initiative is connected to the Commission’s “e-Europe” initiative launched in 1999 and the subsequent action plans (*eEurope 2002* and *eEurope 2005*) to promote the development of the European information society.

Facilitating access and promoting participation in the information society form part of the strategy to combat social exclusion and poverty. According to findings of the ESDIS working paper, there are great differences among the participation level of various social groups in the information society. It can be concluded that people who are in a disadvantageous position from other aspects as well have a much more limited access to information technology, and this lag is constantly increasing due to quick technological changes. Of course, all this has an impact on their labour market situation. Unemployed and inactive persons, minority groups, elderly people or persons with disabilities have especially restricted possibilities to participate in the information society. Women in all groups have a special disadvantage regarding access to information society.

The e-Inclusion strategy on the one hand, aims at improving access opportunities through training, Internet connection and making available an appropriate infrastructure. On the other hand, it calls for making a better use of the possibilities of modern information and communications technologies, infrastructure in the employment of disadvantaged people. This includes upgrading of skills and knowledge, promoting of tele-work and support technologies as well as on-line labour market services.

The Hungarian Information Society Strategy shall be elaborated by the end of October 2003 with the coordination of the Ministry of Informatics and Telecommunications.<sup>29</sup> The strategy integrates the sub-strategies of other ministries and identifies 18 program-fields. Two of these are directly linked to e-Inclusion: *Access* aims to promote individual and community-based access by creating access points throughout the country; *eChance* aims at promoting the inclusion of disadvantaged groups in the information society.

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<sup>29</sup> 1214/2002 Government Decision

Under the EQUAL Programme, ICT training of disadvantaged people is one of the high-priority tools facilitating access to the labour market. As one of the horizontal priorities of ESF is to facilitate inclusion in the information society, the upgrading of skills connected to the use of IT and communications technologies (as a means improving labour market position) constitutes a part of all priorities of the program.

### **3.1.4 COMMUNICATION FROM THE EUROPEAN COMMISSION ON IMMIGRATION, INTEGRATION AND EMPLOYMENT**

In the conclusion of the Tampere European Council held in November 1999, the European Council set the goal to elaborate overall policy guidelines in four areas of a common European immigration and asylum policy, namely: closer co-operation and partnerships with countries of origin; development of a common European asylum policy; fair treatment of third country nationals; and the management of migration flows.

In November 2000, the Commission issued a Communication on how the goals and guidelines formulated in Tampere should be translated into concrete action. As a result of consequent work, in June 2003 the Commission Communication on Immigration, Integration and Employment was published.<sup>30</sup> This document takes account of the major events and processes launched since the Tampere Council, most importantly the Lisbon Strategy approved in March 2000. Due to the demographic changes that take place in the majority of the Member States (namely the decreasing birth number and the increasing ratio of the elderly population), refugees and immigrants lawfully staying in the territory of the Member States have a significant role in enhancing economic performance and competitiveness. This also adds to the importance of the social integration and inclusion of immigrants and refugees, paying particular attention to labour market integration as a key element.

The Communication formulates three objectives to enhance the efforts of national governments and the EU in promoting integration of immigrants and refugees:

- Mainstreaming the social inclusion of refugees and immigrants in the various policies, with a special emphasis on the European Employment Strategy and the process promoting social inclusion.
- Support from the European Refugee Fund to Member State programmes and actual high-priority areas.
- Strengthening co-ordination among the Member States in questions affecting immigration and asylum policy.

The Communication puts a special emphasis on the role of EQUAL in the Structural Funds programming period starting in 2007. The experiences of the projects related to asylum seekers and financed by EQUAL must be disseminated through horizontal and vertical mainstreaming.

## **3.2 NATIONAL STRATEGIES**

### **3.2.1 JOINT ASSESSMENT OF THE MID-TERM PRIORITIES OF EMPLOYMENT POLICY**

At present, the strategy of national employment policy is basically represented by the strategy formulated in the *Joint Assessment of the Priorities of Employment Policy* (Joint Assessment

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<sup>30</sup> Communication from the Commission on Migration, Integration, and Employment (Brussels 3.6.2003. COM (2003) 336 final



Paper, JAP). This document (signed in November 2001) was elaborated by the Hungarian Government in co-operation with the European Commission as part of the preparations made for participating in the enforcement of the European Employment Strategy. The objectives of Hungarian employment policy and the measures taken for their enforcement are summarised in the Joint Assessment Paper, identifying following priorities:

- increasing level of employment;
- decreasing unemployment;
- moving towards a more flexible labour market;
- human resources development;
- strengthening the institutional and legal conditions of labour market policies.

After signing this document, an agreement has been reached on the Hungarian Government's preparing pertaining Progress Implementation Reports. The first Progress Report summarises developments in the period between May 2001 and April 2002, the second covers the time between April 2002 and March 2003. The main elements of the strategy defined in the above-mentioned documents are as follows:

- The most important objective of the Hungarian employment policy is an overall increase of the employment rate, parallel to retaining financial stability and economic/social cohesion. A significantly higher participation of labour force in the labour market is a precondition of economic growth, enhanced competitive capabilities and sustainability of the social security system; to facilitate this, measures must be taken both on the demand and supply sides of the labour market.
- In terms of labour demand, increasing employment rate presupposes the establishment of new jobs. This requires the development of an enterprise-friendly tax and contribution system, a gradual decrease of labour costs, the strengthening of the employment potential of small and medium enterprises, the creation of a stable financial and legal environment reinforcing the safety of smaller employers.
- The service sector has especially high opportunities for creating new jobs; for this reason efforts must be taken to ensure an increased exploitation of employment opportunities in the service sector, to identify and support new activity and work forms. In regions where the level of employment is lower and unemployment rate is higher than the Hungarian average, the development of social economy and the promotion of local employment initiatives are of an outstanding significance.
- In terms of labour supply, the widening of employment must be helped by enabling return to the labour market for the unemployed and inactive population ousted from there, and by preventing transition to long-term unemployment.
- When measures targeting the expansion of employment are taken, a special attention must be given to promoting women's participation and integration in the labour market; this presupposes services that facilitate the reconciliation of family and work.
- To overcome labour shortages and eliminate the mismatch between labour supply and demand, it is of a key significance to promote and stimulate investments that target human resources development, to strengthen the regional mobility of labour.
- The education and training systems must continuously and flexibly be fitted to the economy; the quality of education and training must be improved, and transition from the education to the world of work must be assisted. Efforts must be made to prevent early school leaving, and to help to re-integrate early school leavers into the training system.

- The possibility of lifelong learning must be ensured in the framework of training, ongoing training, re-training programmes aligned to labour market demand, in a way that is available for everyone.
- In order to create equal opportunities in the labour market and to prevent social exclusion, more attention must be paid to ensure equal opportunities in the course of education and training or when accessing assistance services.

By supporting innovative initiatives that aim at creating equal opportunities on the labour market, the EQUAL Programme facilitates the implementation of the objectives of the Hungarian employment policy. The increase of employment presupposes that the employability of disadvantaged people is enhanced and their inclusion in the labour market is promoted. The improvement of the adaptability of labour, labour organisations and enterprises facilitates compliance with challenges resulting from structural transformations and an alignment with changing economic environment; this is implemented with a special focus on the target groups that are exposed to the greatest risk of being excluded from the labour market – and, by that, from the society.

At the same time, the new methods and procedures established in the framework of EQUAL shall transform – in compliance with one of the basic objectives of the programme – national employment policy strategies and will enrich the methods and tools thereof.

### **3.2.2 JOINT INCLUSION MEMORANDUM**

As to the questions of social inclusion, the European Commission has concluded to initiate a co-operation and open-coordination process with the candidate countries as well. The primary goal of the process is to establish a co-operation based on which all candidate countries can prepare a *Joint Inclusion Memorandum* with the assistance of the Commission by the end of 2003. In Hungary, the Ministry of Health, Social and Family Affairs coordinates the task in close cooperation and dialogue with other concerned ministries, public authorities and non-governmental organisations.

The Hungarian draft identifies the most important problems along the five dimensions defined by the EC as follows:

#### *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, elderly people, addicts, homeless people etc.

### *Mobilising all relevant bodies*

- Lack of integrated approaches in social services.

The draft 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 EQUAL Community Initiative supports projects addressing inequalities and discrimination on the labour market and thus promotes social inclusion. Improving the employability and supporting the employment of disadvantaged persons can prevent poverty and social exclusion and are in line with the strategy set out in the Joint Inclusion Memorandum. Furthermore, EQUAL also addresses existing problems and help combating poverty and eliminating exclusion. Due to its innovative character and strong emphasis on partnership, EQUAL seems particularly suitable to address the complex challenge of social exclusion and serve as a laboratory to test new methods and approaches for the Hungarian social policy and social welfare system.

## **3.3 POLICY FRAME OF REFERENCE IN THE FIELD OF HUMAN RESOURCES**

The policy frame of reference set out by the Hungarian National Development Plan (NDP)<sup>31</sup> serves as a basis for all Structural Fund interventions in the field of human resources development for the programming period 2004-2006 in Hungary. The purpose of the policy frame of reference (PFR) is to ensure the coherence between the Hungarian employment objectives defined in the Joint Assessment Paper and through its Progress Reports and the interventions of Structural Funds. Furthermore, it establishes links with the European Employment Strategy (EES), in line with Article 9 of Council Regulation 1260/1999/EU on the use of Structural Funds.

The overall objective of the NDP is to reduce the income gap compared to the EU average. In order to achieve that, 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.

According to the PFR, the shortcomings of the Hungarian labour market and the deficiencies of public services promoting employment highlight a number of ways in which appropriate measures are needed to promote employment and social inclusion and require a skilled labour force supply necessary for sustainable economic growth. Investment in human resources increases the competitiveness of companies, it reduces the skills mismatch or shortage of appropriate skills in certain sectors, promotes the knowledge and use of IT skills, contributes to effective R&D measures and is an important element to attract and retain direct foreign

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<sup>31</sup> See National Development Plan Annex 1, p 158

investment in the country. It significantly supports the productive sector priority and the objective to increase economic competitiveness. To achieve long-term changes in environmental standards promoting sustainable development and making students and workers environmentally conscious through education and training through the work place is important. Measures promoting employment and supporting investment in human resources all have a local dimension or application, but Structural Funds support interventions directly serving local needs, for instance in the field of social economy, promoting job-creation trainings designed to meet local needs or investment in human resources that attracts capital investment in the regions.

In the field of human resources development the following actions will be supported by the Structural Funds:

- Promoting active labour market policies to increase employment and to reduce the consequences of the mismatch between the needs of the labour market and education, with regard to the labour market needs of knowledge-based economy and by improving the public employment services.
- Fighting social exclusion by improving employability of the disabled, the Roma minority and other disadvantaged groups.
- Improving education and training as part of lifelong learning, modernising teaching material, improving vocational training, education and guidance, and facilitating entry into the labour market.
- Improving the adaptability and the entrepreneurial skills and ensuring an appropriate framework for adult education and training.

In addition to these areas of intervention related to ESF, activities supported by the European Regional Development Fund (ERDF) will also have an important role to play in ensuring an appropriate infrastructure for activities related to human resources development. Activities supported by the ERDF will include investment in the infrastructure of education and training and social services, as well as investment in the infrastructure of public health services promoting the labour market participation of the working age population.

### **3.3.1 DESCRIPTION OF STRUCTURAL FUNDS INTERVENTIONS ACCORDING TO THE ESF POLICY FIELDS**

The priorities for Structural Funds intervention are presented in the PFR according to the ESF policy fields<sup>32</sup> as follows:

#### ***3.3.1.1 Developing and promoting active labour market policies***

The key issues in this field are the low levels of employment and high rate of inactivity amongst certain groups of workers, investment in and promotion of human resources development and implementation of employment policy and reinforcement of institutional framework. The employment and activity rates are considerably lagging behind the figures of the European Community (by 7% and 9% respectively), while the qualification structure of the employed people reflects the fact that people with no or inadequate qualification are more likely to be excluded from the labour market. In these groups, both the employment and the unemployment rates are worse than the community average.

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<sup>32</sup> Art. 2. of Regulation 1784/1999 on the European Social Fund

To promote the employability of the unemployed Structural Funds will support training and re-training, counselling and guidance tailored to individual needs, career orientation services as well as programmes that ensure the obtaining of work experience. Actions in this field comprise training of the young people, the older workers and women, that is labour market groups of special needs since active labour market policy has to pay special attention to improving the employability of these groups and integrating them into the labour market, in line with the EES objective ‘Strengthening social cohesion and inclusion’. The effective implementation of active labour market policies, and the improvement of the level and quality of employment require consistent improvement of the public employment services, too.

### ***3.3.1.2 Fighting social exclusion through promoting access to the labour market***

The Roma, the long-term unemployed, those living with disabilities, addicts and those living in underdeveloped regions, etc. are at a disadvantage in entering or re-entering the labour market. The improvement of access to training/employability for the most disadvantaged groups (including the long-term unemployed, the young, the older workers, disabled people, and particularly the Roma who are not integrated into society) is a requisite to a further increase in employment. Tackling social exclusion requires improving the employability of the excluded and a number of different activities are needed, including training and education, improving the management, the quality and accessibility of employment and social services and the fostering of a positive attitude to change. Support for social economy and local employment initiatives will be important to provide employment opportunities for disadvantaged people.

### ***3.3.1.3 Promoting and improving training, education and counselling as part of lifelong learning policy***

The most important issues in this field are the insufficient links between education, training and the labour market and the poor conditions of physical infrastructure in education system. It is necessary to develop education and training in the schooling system – thereby creating the foundations for life-long learning and supporting the learning of skills and abilities that correspond to the needs of the labour market, with particular regard to IT knowledge. Only economies that have adequate levels of skilled labour and human capital are able to keep up with international competition, thus the development of human resources is an especially important task for Hungary within the European Union. The promotion of employability as part of lifelong learning is an area that contributes to improving human capital by developing teaching staff and improving and modernising the teaching material. As part of the policy of life long learning, support should be given to supporting and improving the vocational training, education and consulting, facilitating entry into the labour market, improving and sustaining employment capacity and support to employment mobility. The widening of provision of higher level and post-secondary vocational courses in order to increase the numbers of young people opting for this route is desirable to ease their finding work after secondary schooling.

### ***3.3.1.4 Promoting a skilled, trained and adaptable workforce***

Low employment and high inactivity are the most serious labour market problems, there is a shortage of qualified labour in certain occupations and regions and a mismatch between the supply and demand for workers with specific skills. This is due to the lack of flexibilities within and appropriate links between the education and training system and the economy. Adult training and in-company training has a major role in improving the competitiveness and

adaptability of the workforce and enterprises. It is primarily the size of the company that determines whether further training is organised for the employees, with small companies investing significantly less in training than the large ones. Investment in this field will enhance labour productivity and quality of jobs, which is one of the new objectives of EES. The training of entrepreneurs helps to increase the employment capacity of these firms, improve their flexibility, their entrepreneurial skills, and improve their chances of survival, contribute to higher employment and higher quality of human capital. This is supplemented by improved adult education that promotes employability.

### **3.3.1.5     *Specific measures to improve women's access to and participation in the labour market***

The situation analysis points out that although the labour market position of women is more favourable than the EU average (unemployment rate, difference between the employment rates for women and for men), there exists a considerable gap between the genders and women face difficulties in returning to the labour market. Special attention will be paid to the women's entry into and improved participation in the labour market, including measures that facilitate their access to new jobs, launching business enterprises, reducing vertical or horizontal segregation by gender in the labour market, and increasing participation and the rate of self-employment of women. Despite the fact that women are often well educated, they often face discriminatory working practices, and find it difficult to return to the labour market. Measures will be taken to improve the opportunities of women in the labour market and ensure that equality of opportunities is practiced.

## **3.3.2     HORIZONTAL ESF PRIORITIES**

The PFR presents the coherence of Structural Funds interventions related to human resources development with the horizontal ESF priorities<sup>33</sup> as follows:

### **3.3.2.1     *Local initiatives concerning employment***

There are significant disparities of the labour market situation at the level of regions and small regions in Hungary. Job creating investments are primarily focused on the more developed regions of the country and the labour in more disadvantaged areas is not mobile. For this reason Structural Fund assistance will be directed to support local initiatives concerning employment, particularly initiatives aimed at agreements that serve the purpose of local employment and regional employment, as well as to support social economy which has a potential to increase local employment and interventions in the field of job creation and human resources development. These mean actions complementary to sectoral programmes but sectoral programmes should also take into account regional needs. Actions in this area support the EES priority 'Addressing regional employment disparities'.

### **3.3.2.2     *The social and labour market dimensions of information society***

The development of human capital in the field of Information Society Technologies is a main driver for change. The knowledge and use of IT skills is indispensable in the labour market and the information technologies sector has a significant job creation capacity. The number of IT teachers and the IT skills of teachers is very low. The lifelong-learning is yet to be embedded and it is necessary to re-train teachers. Training in IT skills for employees and

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<sup>33</sup> Art. 2. of Regulation 1784/1999 on the European Social Fund

adults in particular is needed. Entrepreneurs and the business sector require training in IT skills because in some instances where IT systems are available the systems are only partly used due to the lack of appropriate skills. Structural Fund support has to be targeted at actions to develop IT skill transfer in the education system, to provide IT training for the disadvantaged, unemployed and employees of SMEs, as well as at the dissemination of information technologies in the field of distance learning – such as e-learning - and labour market services.

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

The key issues in the field of equal opportunities of women and men are the horizontal and vertical segregation in the labour market, insufficient family-friendly policies, disadvantageous employment practices and low wage earning capacity, lack of or insufficient competitive skills required by the labour market, and ineffective gender mainstreaming policies. Structural Fund support can be devoted to reduce the labour market segregation of women and to provide women the skills necessary for finding a suitable job. Direct Structural Fund assistance is provided for the labour market integration of women under policy field ‘Specific measures to improve women’s access to and participation in the labour market’. Apart from this, it is important that equal opportunities are dually observed throughout all programmes supported by Structural Funds, which can be ensured by effective monitoring and control systems.

## **3.4 COHERENCE WITH OTHER ESF SUPPORTED PROGRAMMES**

For the period between 2004 and 2006, the Hungarian Government has elaborated (compliant to Objective 1) five Operational programmes in the framework of the National Development Plan. From among these, the Human Resources Development Operational Programme and the Operational Programme for Regional Development include measures financed from ESF. The following chapters describe the activities of these two programmes, which are subsidised by ESF, and identify related EQUAL Themes.

### **3.4.1 HUMAN RESOURCES DEVELOPMENT OPERATIONAL PROGRAMME**

Under HRD OP, developments in the area of employment, education and training, social services and health care system are subsidised. The strategy of the programme relies on the following three overall objectives:

- To raise the level of employment;
- To improve the competitiveness of labour force,
- To promote social inclusion.

The HRD OP will promote the increase of employment primarily through activities that are related to the supply side of the labour market: by improving the employability of the unemployed and inactive population, enhancing women’s access to the labour market, upgrading entrepreneurial skills, sponsoring training programmes that are connected to job-creating investments etc. In the area of improving the competitiveness of labour force, the strategy of the programme relies on various factors. On the one hand, it supports quality improvements in education/training and the development of the institutional framework of lifelong learning; on the other hand, a strong emphasis is put on improvements in the adaptability and health status of labour force. The main tools of the program used to

implement the third goal (social inclusion) include assistance to participation in the labour market and ensuring equal access to education opportunities, social services and health care.

The programme is implemented along the following four ESF priorities:

- Promoting active labour market policies,
- Combating social exclusion by promoting access to the labour market,
- Developing the system of education and training as part of lifelong learning,
- Upgrading adaptability and entrepreneurial skills.

The fifth priority of the programme helps – with the aid of the European Regional Development Fund (ERDF) – the development of the education, social and health infrastructure, ensuring thus an increased efficiency of human resources development measures and the availability of necessary infrastructural conditions. In the period between 2004 and 2006, the full budget of HRD OP totals EUR 667 million. ESF and ERDF contribute to the implementation of the programme approx. EUR 323 million and EUR 177 million, respectively. The connections among EQUAL priorities and HRD OP ESF measures are shown in the following table.

**Table 3.2: Correlations between HRD OP ESF measures and EQUAL themes**

<b>EQUAL priority</b>	<b>Human Resources Development Operational Programme</b>		
	<b>Target groups</b>	<b>Activities</b>	<b>Measure No.</b>
1 Employability	Unemployed, inactive, women, Roma, people with disabilities, people under restraint, disadvantaged young people, older people	- active labour market policy programmes (PES) - alternative labour market services, - target group specific training, - subsidised employment, - promoting the integrated education of Roma pupils and those living with disabilities, - developing the system of education and training, - comprehensive development of the vocational training system	1.1. 1.2. 2.1. 2.2. 2.3. 3.1. 3.2.
2 Entrepreneurship	Micro-enterprises, small and medium enterprises, self-employed, starting entrepreneurs	- upgrading entrepreneurial skills, - helping women to become entrepreneurs	4.1. 1.3.
3 Adaptability	Employed, self-employed, micro-enterprises, small and medium enterprises, companies	- training programmes connected to job-creating investments, - upgrading entrepreneurial skills and knowledge, - upgrading IT skills, - development of the adult training system	4.1. 4.2.
4 Equal opportunities for women and men	Women (having small children; inactive, unemployed women)	- help inactive women to return to the labour market, - helping women to become entrepreneurs, - introducing flexible forms of employment	1.3.
5 Asylum seekers	–	–	–



### 3.4.2 OPERATIONAL PROGRAMME FOR REGIONAL DEVELOPMENT

The overall goal of the Operational Programme for Regional-Development (OPRD) is to facilitate balanced regional developments. This defines a development policy where regions characterised by distinct social and economic features develop on different, specific development courses but in a synchronised manner; at the same time, regional differences are reduced and the country becomes an organic part of the European regional structure. According to the plans, the contribution of the Structural Funds to OPRD budget totals EUR 316 million in the period between 2004 and 2006; this will be subsidised partly by ERDF, partly by ESF.

In the framework of OPRD, ESF aids human resources developments – in line with the special characteristics, opportunities and labour market status of the given regions – in the following themes:

- establishing a choice of education and training in line with regional demand,
- developing the capacities of local public administration and NGOs,
- promoting local employment initiatives and social economy.

**Table 3.3: Correlations between ESF measures under the OPRD and EQUAL themes**

EQUAL priority	Operational Programme for Regional Development		
	Target groups	Activities	Measure No.
1 Employability	Unemployed, inactive, women, Roma, people with disabilities, disadvantaged young people, older unemployed	- promote local employment initiatives	3.2.
2 Entrepreneurship	Unemployed, inactive, women, Roma, people with disabilities, disadvantaged young people, older people	- promote social economy	3.2.
3 Adaptability	Employed (public administration and civil sector) small and medium enterprises, micro-enterprises	- vocational training and adult training programmes - IT and language training	3.1. 3.4.
4 Equal opportunities for women and men	–	–	–
5 Asylum seekers	–	–	–

### **3.5 ACT ON EQUAL TREATMENT AND ANTI-DISCRIMINATION**

This section gives a brief overview of the Hungarian equal treatment and anti-discrimination act currently in preparation. In March 2003 the Hungarian Government accepted the conception of the Act on Equal Treatment and Anti-discrimination. At present, the Ministry of Justice is preparing the text of the new law that will be submitted to the Parliament and can be accepted by a simple majority. The act may enter in force in the second half of 2003. The purpose of the preparation of the new Act is to create an effective legal basis against discrimination. Below, some of the most important elements of the act in preparation are summarised.

In line with the EU legislation both direct and indirect discrimination will be prohibited. Indirect discrimination is a new term in Hungarian legal terminology. At the codification the Ministry of Justice has used the text of the Directive 2000/78/EC, which says: indirect discrimination shall be taken to occur when an apparently neutral provision, criterion or practice would put persons with a particular religion or belief, a particular disability, a particular age or a particular sexual orientation at a certain disadvantage, as compared with other persons.

For the efficient application of the regulations, the Act will provide the opportunity for legal sanctions. Some of them are already incorporated in the Code of Civil Law in the form of reparation, admission, satisfaction and fine for public interest. The conception ensures the possibility for the application of administrative sanctions by imposing a fine or by suspending advantages. Furthermore, according to the draft bill – in harmony with the Directive 2000/78/EC – the burden of proof will change in every procedure of anti-discrimination. An important novelty will be the introduction of “*actio popularis*”, i.e. associations, organisations or other legal entities, by approval of the person or group of people who have suffered the discrimination, will be able to take legal proceedings. In current Hungarian legislation, only persons who consider themselves wronged by a failure of the application of the principle of equal treatment can launch a judicial or administrative procedure.

The act will establish the Equal Treatment Committee that will be responsible for the fair execution of the regulations in the field of anti-discrimination. As far as the rights and obligations of the Committee are concerned, it can be concluded that the institution will be stronger than the similar ones in some EU Member States. The Committee will be able to investigate (by demand or officially) whether the regulations have been respected. If the rules have been breached, the Committee may impose a fine. The Committee will be authorized to start procedures on behalf of persons suffering any kind of discrimination, and it may publish reports and make recommendations on any issue relating to equal treatment. Furthermore, it may propose new regulations or amendments of the rules in force to the government, in relation with the subject of equal treatment.

Another new element introduced by the Act will be establishment of the National Equal Opportunities Program, prepared every four years by the government. The goal of the Program is to promote the acceptance of the rules on equal treatment. The EQUAL Program by promoting equal opportunities and combating discrimination at the labour market will contribute to the implementation of the Act.

## 4 PROGRAMME PRIORITIES

### 4.1 CHOICE OF THEMES

Thematic approach is one of the basic principles of EQUAL. This means that Member States must select the themes to be supported in the framework of the EQUAL programme from among the nine thematic fields specified in line with the previous four pillars of the Employment Guidelines. These are the following:

#### 1 *Employability*

- A) Facilitating access or return to the labour market for those who have disadvantages in terms of the labour market;
- B) Combating racism and xenophobia in relation to the labour market;

#### 2 *Entrepreneurship*

- C) Opening up the business creation process to all by providing the tools required for setting up in business and for the identification and exploitation of new possibilities for starting a business and creating employment;
- D) Strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs;

#### 3 *Adaptability*

- E) Promoting lifelong learning and inclusive work practices that encourage the recruitment and retention of those suffering discrimination and inequality in connection with the labour market;
- F) Supporting the adaptability of firms and employees to structural economic changes and the use of information technology and other new technologies;

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

- G) Facilitating the reconciliation of family life and work, as well as the re-integration of women and men who have temporarily left the labour market, by developing more flexible and effective forms of work organisation and support services;
- H) Reducing gender gaps and supporting job desegregation.

#### 5 *Asylum seekers*

The objective of the Community Initiative Programme EQUAL is to eliminate discrimination and create equal opportunities in the labour market through testing innovative methods within the framework of the national and European employment strategies. Equal opportunities in the labour market imply that equal and discrimination-free employment conditions are created for all, and equality is ensured in terms of access to work and training opportunities.

The analysis of the labour market situation highlights various different factors, such as the low schooling level, lack of qualifications, the lack of ability to adapt to continuous change, homelessness, poor health condition, living in areas or settlements lagging behind, discrimination on the basis of gender, ethnicity, disabilities or age, the attitudes of employers, which lead to significant disadvantages in the labour market and may hinder employment. At

the same time, the analysis also pointed out some target groups, including the Roma, people with disabilities, who are particularly affected by the disadvantages mentioned above. In addition, women also face disadvantages in the labour market due to the stereotypes related to gender roles, as well as the traditionally uneven distribution of burdens related to the family/household limiting their career opportunities. Therefore, in the framework of the EQUAL Programme, along with focussing on addressing disadvantages in accessing or participating in the labour market, special emphasis will be put on improving the labour market opportunities of these groups.

The Roma population is characterised by an especially high percentage of unemployment and long-term unemployment, low schooling, early school leaving or no vocational training at all. Early school leaving is a decisive factor underlying training insufficiencies. In addition, discriminative attitudes of employers also hinder the participation of Roma people in the labour market. Improving their employment opportunities is made difficult also 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 and combined means of several different services. Improving their employability requires promoting participation in education and training, supporting the vocational training of early school leavers and assisting the long-term unemployed to access the labour market. Experiences of previous programmes indicate that, from among the initiatives aimed at improving the Roma's position, those proved to be successful that identified their target group by focussing on a given problem (e.g. early school leaving, long-term unemployment), without considering ethnic backgrounds. Nevertheless, the highest possible number of Roma beneficiaries must be guaranteed by involving both Roma and Roma-supporting organisations into the enforcement of such measures. This is also in line with the thematic principle of EQUAL implying a problem-oriented approach when addressing labour market inequalities.

The labour market activity of people with disabilities is low, therefore many of them live from various allowances or are supported by their family members. However, it is important to see while developing a strategy that this is a highly heterogeneous group comprising sub-groups with different needs and capacities according to their disability. All this justifies a twofold strategy: on the one hand, integrated employment and access/return to the open labour market should be primarily promoted in cases where this is possible or desired. This requires, on the one hand, support and rehabilitation services and, first of all, training opportunities adapted to the special needs of people with disabilities. The last is especially justified by the fact that the qualification level/structure of people with disabilities significantly differs from the average; typically, they have outdated qualifications that can hardly be utilised in the labour market. On the other hand, the institutional structure of sheltered employment must be modernised as well. This would include the elaboration of new types of employment forms and the expansion of the functions of already existing institutions (specialised organisations), a reinforcement of their rehabilitation character. An "intermediate" labour market ought to be created where skills and experiences can be acquired that comply with the requirements of the open labour market.

The aspects of women's employment and equal opportunities in the labour market constitute a horizontal goal within all priorities. When planning and implementing the activities, the special position and needs of women within the disadvantaged groups must be considered. In addition to that, the opportunities and position of women in the labour market must be promoted by specific measures as well. Until now, the labour segregation of women has been given insufficient attention in labour market programmes, thus innovative initiatives may

have an especially great importance in this area. The labour market segregation of women is indicated by the fact that female labour force is concentrated and/or is over-represented in occupations with wages below the average..

In addition to the above, asylum seekers represent another high-priority target group. In the EU policies related to asylum seekers and refugees have been given an increasing emphasis recently (in connection with labour market policies as well). In agreement with this fact, all Member States must elaborate measures regarding asylum seekers in the framework of EQUAL. Although the number of asylum seekers is low, it would be important to elaborate pilot programmes that enhance the employability of asylum seekers, and to prepare for a greater influx of asylum seekers after EU accession. The legal/regulatory and institutional framework encompassing refugees and asylum seekers must be surveyed and reviewed (whereas the expected impacts of EU accession must also be considered), and an appropriate co-operation framework must be established among various institutions, authorities and organisations which get into contact with asylum seekers.

The priority themes of the Hungarian EQUAL programme are as follows:

- **Facilitating access or return to the labour market for those who have disadvantages in terms of the labour market (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 (3E)**
- **Reducing gender gaps and supporting job desegregation (4H)**
- **Asylum seekers (5)**

In order to enable concentrated programming and flexible implementation, the programme relies on a limited number of thematic priorities. However, some elements of other themes may also be included under the chosen thematic fields. When identifying the priorities of the Hungarian EQUAL Programme, the strategy and objectives specified in the Joint Assessment Paper, the related Progress Reports as well as the Joint Memorandum on Social Inclusion have been taken into account. In addition to these, attention has been given to ensure the complementarity with other ESF supported programmes (Human Resources Development Operational Programme, Operational Programme for Regional Development).<sup>34</sup> The theme *Combating racism and xenophobia in relation to the labour market (1B)* constitutes an integral part of activities belonging to theme 1A. The presentation and dissemination of good practice developed in this area help to combat the discrimination of disadvantaged (first of all Roma) people.

*Promoting enterprises and help to become an entrepreneur (2C)* is an important element of the National Development Plan and these activities will be supported under the Economic Competitiveness Operational Programme, the Human Resources Development Operational Programme, as well as the Operational Programme for Regional Development. *Strengthening the social economy (2D)* is a measure included in the Operational Programme for Regional Development; in order to avoid overlaps, this activity does not constitute part of the EQUAL Programme.

Certain elements of the theme *Supporting the adaptability of firms and employees to structural economic changes and the use of information technology and other new technologies (3F)* are included in theme 3E; in the case of several target groups such as

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<sup>34</sup> Coherence with these documents are presented in Chapter 3.

women, older workers and people with disadvantages, an especially great emphasis is put on upgrading ICT skills, which is also a horizontal priority of ESF.

Activities related to the theme *Facilitating the reconciliation of work and family life, as well as the re-integration of women and men who have temporarily left the labour market, by developing more flexible and effective forms of work organisation and support services (4G)* are included in the Human Resources Development Operational Programme (Measure 1.3.).

When measures connected to the individual themes are specified, an especially strong emphasis must be given to components of the Community Initiative EQUAL that differentiate it from the framework of development activities implemented as part of the operational programmes; this must be done in order to avoid parallelisms and to ensure an appropriate number of projects.

EQUAL Programme will be distinguished from “mainstream” ESF programmes by supporting innovative projects and by the fact that partnership and transnational co-operation are decisive elements of its implementation. This partnership-based co-operation has a strategic importance by facilitating the disadvantaged people’s access to the labour market, as it enables the elaboration of innovative approaches that consider the complexity and aggregation of disadvantages resulting from the economic and social situation, and accordingly rely on the connected activities of various professional areas and institutional systems. When specifying the contents of the priorities and related activities, it is an important criterion to maximally utilise the potentials inherent in the co-operation of organisations of various profiles both in the case of sectoral and regional Development Partnerships. Sectoral Development Partnerships unite a wider scope or organisations of a similar profile and working with a certain target group. Regional Development Partnerships mobilise organisations of various profiles that operate in the same region, and try to elaborate complex solutions on a local level.

In the following we shall describe the selected priorities and the scope of activities to be supported under the various priorities.

#### **4.1.1 FACILITATING ACCESS TO THE LABOUR MARKET FOR DISADVANTAGED PEOPLE (THEME 1A)**

The objective of this priority is to facilitate the integration of unemployed and inactive persons to the labour market through supporting initiatives based on a combination of the tools of education and training, employment and social services. Improving the employability of the most disadvantaged, including Roma people, should be based on an integrated approach that will take into consideration the complexity and accumulation of problems arising from social and economic disadvantages. Special attention should be given to the participation of women and equal opportunities.

Unemployment (especially long-term unemployment) influences the individual’s family and social environment as well. In addition to the poverty accompanying long-term unemployment, some other psycho-social problems are also likely to arise that have an impact on the people living with the unemployed, and might deteriorate their labour market opportunities, too (e.g. the probability of school failures and early school leaving is aggravated by social/cultural disadvantages and lack of motivation). In this respect, young people are especially vulnerable. Since the late 1980s a generation has grown up including many young people who had already been born into long-term unemployment. For this reason, integrated approaches must be elaborated for managing unemployment that reckon with the fact that such situations have an effect on the family as a whole, and try to seek

solutions that – in addition to promoting the labour market inclusion of the parent – provide a multi-directional help to the other members of the family, too.

Access to the labour market for young people is often hindered by their “non marketable” vocational qualification or a lack of qualification; in this field, early leaving of formal training is a decisive factor. Early school leaving may result of various reasons such as school failures, lack of motivation, family and social background. We see an especially high proportion of early school leavers among the young Roma and young people living in institutional foster homes. At present, formal education has no appropriate answers to these complex problems. There are no adequate interfaces among the educational system, social services and services helping the young; as a consequence of this fact, early school leavers are often finally excluded from formal training and, accordingly, from the labour market, too. This means that education/training forms must be developed that offer a new chance for young school-leavers to accomplish their studies and to acquire a marketable qualification. In recent years, several non-formal, alternative training programmes were launched for disadvantaged young people that rely on training programmes fitted to the individual developmental needs of the participants and are implemented as an integral part of employment and accumulation of work experiences.<sup>35</sup> However, it would be important (similarly to the ‘Second Chance Schools’ operating in several EU Member States) to introduce such methods and training forms into the formal training as well, relying on the co-operation of the educational system and organisations/enterprises etc. providing social services.

Access to the open labour market and integrated employment of people with disabilities – including people with mental disabilities and chronic illnesses – is hindered by several factors and improving their situation calls for a comprehensive approach. Individuals must acquire new skills and learn technologies and thus become more competitive in the labour market. Efforts to improve employability should make use of modern technologies. Another goal is to map the professional, methodological and financial aspects of the repertoire necessary for (re-)integration. This includes various active labour market measures and supplementary services that facilitate access to the labour market (i.e. personal assistance, transportation service etc.). Based on the conclusions, a comprehensive labour market integration model can be elaborated that relies on a strict methodological and quality assurance background and, at the same time, enables the development of a nation-wide network, the co-ordination and connection of the already existing services.

Homelessness, living without a constant shelter hinders participation in the labour market, as this implies a lack of the basic conditions that would enable employment and regular access to work. Another important factor of employability is the significant deterioration of health conditions, being another consequence of homelessness. All this necessitates services that comply with the complexity of labour market disadvantages resulting from homelessness and, in line with these, create adequate means and methods to promote the employment of homeless people.

**Activities under this measure could include the following:**

Helping disadvantaged people to access the labour market:

- Enhancing employability through creating new integrated services (training, skills upgrading, improvement of the health conditions, psychological assistance), by connecting and co-ordinating already existing services.

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<sup>35</sup> For details see Chapter 2.4

- Creating new services that seek solutions for tackling unemployment and other related problems in a way that considers the whole family, as the unemployment of the parent has an impact on the situation of other family members as well.
- Complementing the already existing labour market, human resources and enterprise development services with target-group specific service components designated for disadvantaged groups.
- Developing new methods to improving the employability of homeless people and to promote their employment.

Developing new forms of education and vocational training for early school leavers on the basis of the “Second Chance School” model:

- Developing and testing flexible training methods based on practical experience.
- Promoting the active learning of individuals by new forms of education and guidance that rely on individual needs and capabilities.
- Providing social support services for people participating in trainings in order to help them combat disadvantages resulting from their social status.
- Close co-operation with enterprises to ensure practical training and work experiences.
- Training to facilitate the acquisition of skills and individual learning abilities connected to ICT.
- Training for teachers and trainers.

Experimenting new forms of integrated training and employment of people with disabilities:

- Developing and adapting flexible and practice-oriented training methods adjusted to the special needs of people with disabilities;
- Promoting trainings that are connected to the application of new technologies.
- Creating new jobs enabling the integrated employment of people with disabilities.
- Developing a comprehensive labour market integration model with an appropriate methodological background and quality control.
- Co-ordinating already existing services that promote the labour market integration of people with disabilities, develop a nation-wide network, elaborate new methods and adapt best-practice models.

Combating labour market discrimination:

- Developing and adapting new work practices and non-discriminative procedures intended as preparatory steps for employers receiving (especially Roma) employees affected by labour market discrimination; adapt pertaining best-practice models.
- Establishing new services promoting the integration of new labour market entrants into the working communities (e.g. with the help of labour mentors etc.).
- Training and awareness raising for trainers and teachers, and also employers.



#### **4.1.2 PROMOTING LIFELONG LEARNING AND DEVELOPMENT OF INCLUSIVE WORK PRACTICES WHICH ENCOURAGE THE RECRUITMENT AND RETENTION OF PEOPLE QUALIFYING AS DISADVANTAGED IN THE LABOUR MARKET (*THEME 3E*)**

The objective of this priority is to ensure equal opportunities for disadvantaged people within the labour market through promoting, on the one hand, “inclusive” work practices and flexible forms of employment and assigning new functions to already existing organisations or creating new forms of work organisation. On the other hand, the priority will support testing new ways to improve the adaptability of disadvantaged people, including low-skilled workers, people working in declining industrial sectors, older workers, by promoting their access to training and re-training, with special regard to the development of basic competencies (e.g. literacy, communication, etc.) and ICT skills indispensable in the information society. To encourage the recruitment and retention of disadvantaged people by enterprises, developing and adapting “inclusive” human resources policies will be supported.

New forms of employment may include the connection of occasional and seasonal jobs and their combination into a continuous employment opportunity for disadvantaged people, including the Roma and those living in backward areas. At the same time, such actions help in transforming unregistered work into declared employment, and meet the seasonal labour demand of the enterprises.

Although the employment level of the older age groups has recently been improving, further efforts must be taken to enhance their position in the labour market in accordance with the priorities specified in the Employment Guidelines on active ageing. The recruitment and retention of older workers are made difficult by the discriminating attitudes of employers, their poor health conditions and the difficulties of adaptation to rapidly changing technologies and labour market expectations. In order to improve their adaptability and retain their labour capabilities, the training of the older workers and health promotion services could be made part of the human resources policies of enterprises. Initiatives must be launched that call the attention to the values of the work experiences of older workers. This group has significant disadvantages regarding computer and Internet literacy, first of all due to the lack of knowledge and skills connected to the use of such tools. Nowadays, IT literacy is an important component of employability; for this reason trainings must be provided enabling the older workers to use ICT.

At present, sheltered organisations constitute an important scene of employment for people with disabilities in Hungary. The great majority of the people employed there perform monotone activities of a low professional level and requiring no qualifications. Although the primary goal is to promote the integration of people with disabilities into the open labour market, the system of sheltered employment must also be developed, with due respect to the social integration of people with disabilities and independent living. New methods and approaches should be developed or adopted within sheltered organisations to create the opportunity of promotion and advancement for people with disabilities either from sheltered to open employment or to more challenging positions within sheltered employment. This task requires comprehensive and coordinated approach from DPs bringing together various activities such as survey of individual job-expectations, capacities, training needs, counselling, social services, personal assistance etc.

##### **Activities under this measure could include the following:**

Promoting the employment and training of disadvantaged people through:

- Investigating new employment opportunities, or developing new forms of employment that facilitate the inclusion of disadvantaged people in the labour market.
- Ensuring continuous employment opportunities based on a combination of occasional/seasonal jobs.
- Innovative work practices (e.g. job-rotation) and training or retraining for people threatened by unemployment or people working in declining industrial sectors.
- Promoting the development of key competences of people with low levels of education and promoting their participation in life-long learning of .Creating training programmes for women returning to the labour market after long period of absence to upgrade and renew their skills and knowledge.

Promoting the employment and job retaining of older workers (including women):

- Developing “inclusive” human resources policies aimed at promoting the employability and adaptability of older workers.
- Upgrading of knowledge and skills related to the use of ICT.
- Providing trainings on the application of new technologies and procedures.
- Improving their health conditions through health promotion services within the work places, and providing services that are connected to the retaining of working capacities.
- Awareness raising to influence the attitudes of employers regarding older workers.

Experimenting new work and organisational forms facilitating the employment of people with disabilities and working in sheltered jobs:

- Establishing flexible forms of employment and training and inclusive work practices adapted to the different types of disability.
- Elaborating new procedures and methods at the level of work organisations that ensure that people with disabilities get wages of an appropriate level, may change their activities and have the possibility of a professional career.
- Creating an “intermediate” labour market through upgrading the existing organizational framework ensuring sheltered employment for disabled people with the aim of helping the integration to the open labour market.
- Upgrading knowledge and skills related to the use of ICT.

#### **4.1.3 REDUCING GENDER GAPS AND SUPPORTING JOB DESEGREGATION (*THEME 4H*)**

The objective of this priority is to ensure equal opportunities for women and men in the labour market through reducing gender gaps and fighting horizontal and vertical segregation. In order to strengthen women’s position on the labour market, to decrease gender-based labour market disparities and segregation, efforts must be taken in several areas. Horizontal and vertical segregation of women is evident in all age groups and schooling levels, maintained and re-produced by stereotypes and prejudices specifying traditional, social gender roles. All actors of the labour market (employees, employers, family members etc.) must be made aware of these, and segregating practices must be changed by introducing new tools and approaches. An important element of these actions can be the introduction of flexible forms of employment and in-company training that help the reconciliation of family

life and work. In addition, improving the labour market position of women will require, among others, training related to ICT skills and knowledge.

Until now, the training of family members employed by family business has hardly appeared in labour market programmes. Therefore launching pilot programmes targeting this special group is topical and justified. By providing training to those working in family business (e.g. to equip them with competitive business knowledge or upgrade their ICT skills), their work within the family enterprises will become more valued, family businesses might become more competitive and their labour market position might strengthen as well.

The attitudes of employers and employees should also be tackled when addressing the issue of labour market segregation. Changing existing patterns is a complex process involving various activities, such as advocacy, legal counselling etc. and thus calls for a coordinated strategy.

**Activities under this measure could include the following:**

Promoting women's employment and supporting job desegregation:

- Introducing new forms of employment and in-company training that enable the reconciliation of family life and work.
- Training for women to upgrade knowledge and skills that are related to the use of ICT.
- Developing and introducing new tools in the human resources policy of the companies that promote the women's work career.
- Promoting women's participation in R&D activities, first of all in areas connected to technology and natural science.
- 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.
- 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.
- Creating support networks for women in non-traditional occupations.
- 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.

#### **4.1.4 ASYLUM SEEKERS (THEME 5)**

The currently valid statutory background ensures extremely disadvantageous labour market opportunities both for people applying for a refugee status and those who have been granted a subsidiary form of protection. The legal harmonisation that must take place parallel to EU accession creates a better situation for persons enjoying subsidiary protection, but the conditions of people applying for a refugee status will be characterised by significant disadvantages in the future as well. In their case it would be expedient to increase the motivation for and efficiency of their employment at the reception centres, what is actually

allowed by present-day statutory provisions as well; this could be achieved through targeted employment programmes that are more in compliance with the actual market situation.

The labour market programmes provided for the target group can operate with an appropriate efficiency in the framework of an integration programme package offering both language trainings, general orientation and vocational training programmes that constitute one system. Labour market programmes aim not only at improving their income position, but also at settling the legal status of the target group and to giving them a more stable social status than they have today. Consequently, employment and self-employment concepts must reckon with such “status generating” impacts as well.

It would be expedient if programmes targeting asylum seekers and those who have been granted a subsidiary protection were fitted into the already existing national labour market and employment policy structures instead of operating these separately, under the administrative control of the Ministry of Interior and some international, non-governmental organisations. On the one hand, this would significantly improve the integration chances of the affected persons by decreasing social distances and, on the other hand, present-day project-based and isolated initiatives could be replaced by stable, sustainable and efficient services. Of course this would not imply a “replacement” of the previous participants but would require their involvement and integration into the service system.

There is a high fluctuation among people applying for refugee status; most of them spend only a few weeks or maximum some months in the country; for this reason, it would presumably not an efficient solution when long-term programmes aimed at integration into the Hungarian labour market would be elaborated. It could be a viable solution to provide them labour market knowledge that could be used either in a third country or after returning home (including e.g. general job hunting techniques, entrepreneurial information, vocational skills that can be acquired on a short run).

In the case of people ready to return to their home country or facing expulsion from Hungary, it would be expedient to base programmes on communication with organisations and services operating in their home country; in this way they could be followed-up and helped after returning home. Both in such and secondary migration cases (transition to a third country), program components facilitating and stimulating regional co-operation are of a key importance. Special attention should be given to the equal opportunities and special needs of women asylum seekers.

The present physical environment of the refugee reception centres is not suitable for implementing inclusion-promoting programmes that rely on a new approach. Accordingly, the implementation of programmes aimed at improving the employability of asylum seekers and promoting their inclusion in the labour market presupposes the establishment of an integration centre offering an appropriate physical environment.

**Activities under this measure could include the following:**

Elaboration of new methods and services enhancing the employability and inclusion of asylum seekers:

- Providing language and vocational training for asylum seekers.
- Experimenting new integrated services for asylum seekers that rely on a connection of labour market, training, social, psychological and health promotion services and enhance employability.

- Promote the inclusion of asylum seeking families by establishing new services based on linking activities of organisations of various profiles.
- Training for trainers, support staff and official working in the asylum system (e.g. inter-cultural training).
- Research and studies regarding the statutory regulations and practice applied in connection with asylum seekers, with special regard to EU accession.

## **4.2 EVALUATION OF THE EXPECTED IMPACT**

The expected impacts of the programme can be evaluated from various aspects. On the one hand, we can survey direct impacts on the target group's position in the labour market; on the other hand, some other impacts are evident on the level of organisations participating in the implementation of the programme. In addition to that, it is important to consider programme impacts at the policy level.

In line with its basic principles, the EQUAL Programme will contribute primarily to improving the labour market position of the most disadvantaged people. In terms of the various priorities the following impacts are expected:

- New methods or services helping the inclusion of disadvantaged people to the labour market are developed and tested.
- New forms of employment offering jobs to disadvantaged people are experimented.
- Innovative approaches to fight horizontal and vertical segregation in the labour market are developed or tested.
- New methods and services are developed to enhance the employability of asylum seekers and to promote their inclusion.

The implementation of the programme implies a learning process for the participating organisations. When implementing the innovative projects, the organisations acquire and disseminate experiences in the framework of mainstreaming and transnational co-operation, what will become part of their future activities and induces qualitative changes in their operation. The new methods and procedures developed will be disseminated, and will be incorporated in the activities of similar organisations, too.

The enforcement of the partnership principle will also have an impact on the future operations of the organisations participating in the implementation process. Organisations of various profiles will recognise the opportunities inherent in co-operation and the complementarity of their activities, what may become another drive stimulating co-operation on the long run. Partnership and the involvement of smaller organizations, including Roma organizations, will reinforce these organizations and “empower” them to play an active role in the implementation of activities promoting social and labour market inclusion. Transnational co-operation will reinforce partnership between organizations operating in the various Member States, and will ensure that successful methods and innovative approaches are disseminated at European level.

Innovative methods that prove to be successful will have an impact on labour market policies, too, that will allow for disseminating best practices and promoting these in wider areas, e.g. through transferring these to “mainstream” ESF activities.

### 4.3 *FINANCIAL ALLOCATION*

The indicative allocation of EQUAL Programme funds is shown in the following table. In case of all priorities, national contribution amounts to 25%.

**Table 4.1: Indicative allocation of funds by priorities and themes**

Priority	Theme	Share within programme budget
1 Employability	1A	41
	1B	0
2 Entrepreneurship	2C	0
	2D	0
3 Adaptability	3E	37
	3F	0
4 Equal opportunities for women and men	4G	0
	4H	8
5 Asylum seekers	5	6
Technical assistance		8
Total		100

The detailed financial table of the programme is included in Annex A.

## **5 LEADING PRINCIPLES OF EQUAL**

### **5.1 PARTNERSHIP**

One of the basic values of the EQUAL programme is the principle of partnership, manifest in all phases and on all levels of implementation, including the national and European levels of management and implementation.

The projects are implemented by Development Partnerships (DPs) that are the final beneficiaries of the Programme. DPs are essentially strategic alliances bringing together interested actors with relevant competence in the given issue for the period of implementing the project. The EQUAL Communication distinguishes two types of Development Partnerships:

- Geographical Development Partnerships attempt to handle the problems arising in a given area (region, town or village, etc.) by cooperating with local organisations specialising in different subjects.
- Sectoral Development Partnerships deal with problems reaching beyond the boundaries of a closer geographical environment, with the involvement of the broadest possible range of relevant organisations in the given subject.<sup>36</sup>

Sectoral and geographical Development Partnerships may both be supported in association with any priority of the programme.

Development Partnerships should be inclusive, ensuring that all relevant actors – with no limitations concerning the organisational form – are included. Nonetheless, efficiency-considerations should also be taken into account when setting up partnerships. Therefore the number of partners involved in a given DP is expected not to exceed 8. A given organisation can be involved in more than one DP tackling different issues. DPs should furthermore be capable to develop an integrated approach, a common and coherent strategy, and a detailed work programme to tackle the selected issue. One of the partners in a DP is the so-called lead partner responsible for steering and coordinating the partnership.

The principle of partnership is also manifest in the work of Transnational Co-operation Partnerships based on the joint activity of at least two Development Partnerships from different Member States or associated partners.

Partnership is also fundamental in the implementation of EQUAL on the national level. It is reflected by the composition and operations of the EQUAL Monitoring Committee and the forums for mainstreaming (*see also Chapter 7*).

### **5.2 EMPOWERMENT**

The principle of empowerment is closely related to the partnership, and represents its basic operating principle. Empowerment has a double meaning regarding EQUAL:

- On the one hand it means that those involved in the implementation of the project are also involved in decision-making as equal partners. Or differently, all partners of a DP should be given the opportunity to contribute to the project and participate in the activities on an equal basis.

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<sup>36</sup> Indent 24.

- Empowerment also means the involvement and active participation of those targeted in the course of planning and implementing the projects. Development Partnerships must make efforts to actively involve those associated with the target group and ensure that the needs and requirements identified by the target group are taken into consideration. Active participation of those targeted should be encouraged in the evaluation of projects and in mainstreaming as well. Empowerment will be positively assessed in the selection for Action 1 and Action 2. Proposals with clear commitment and description of methods to implement the principle of empowerment will enjoy priority.

Special emphasis will be laid on developing the capacities of Roma organisations and to promoting their participation in the work of the Development Partnerships with the aim of helping these organisations to become able at a later stage to initiate and coordinate similar activities.

### **5.3 TRANSNATIONAL CO-OPERATION**

The experience of earlier Community initiatives has proven that transnational co-operation can be the source of significant value added activities and innovation. Therefore, in the EQUAL Programme, transnational cross-border co-operation plays a fundamental role. In the activities of Development Partnerships, the transnational dimension implemented within the framework of a transnational co-operation partnership must appear decisively.

Transnational co-operation should not merely mean an exchange of information, but jointly implemented activities, for example the adaptation of models of good practice, the joint elaboration of new methods, organising of joint events, etc. Transnational Partnerships are nevertheless more flexible than DPs; it is possible to add new transnational members during the implementation of the project or in some cases members might leave the partnership.

### **5.4 INNOVATION**

EQUAL supports the elaboration and application of innovative approaches, thereby providing an opportunity for testing and adapting new approaches or methods successfully applied elsewhere. In most cases innovation does not mean the invention of something entirely new, but it represents a novelty in a given environment or area. Already from the outset, Development Partnerships must be able to define clearly the innovative elements of their projects as against current practice.

In the EQUAL programme, three types of innovation should be distinguished:

1. Process-oriented innovation is focused on the testing and adaptation of new methods, tools or approaches.
2. Goal-oriented innovation aims at formulating new objectives, developing new qualifications or opening up new areas of employment.
3. Context-oriented innovation contributes to the development of the labour market system and adaptation of institutional structures.

### **5.5 THEMATIC APPROACH**

The EQUAL Community Initiative is built around nine priority themes determined according to the earlier four pillars of the Employment Guidelines (*for a detailed description of thematic fields and priorities, see Section 4*). In the course of planning, Member States identify the



priority themes under which activities will be supported. The purpose of thematic approach is to allow a problem-oriented approach in addressing inequalities and discrimination in the labour market in addition to the conventional target group oriented approach.

The thematic approach is also supported by the European Thematic Networks established in relation to the priorities. European Thematic Networks bring together Development Partnerships and other relevant actors and experts with the primary aim of mainstreaming, dissemination and exchange of experience (*see also chapter 7.*).

## **5.6 MAINSTREAMING**

Innovation is not self-contained in EQUAL. Mainstreaming – both horizontal and vertical – of the results and experiences of projects is another cornerstone of the Programme. Mainstreaming constitutes Action 3 in the EQUAL Programme, therefore has a prominent role throughout the implementation of the programme (*for details see section 6.3*). Mainstreaming is carried out both at the national and at the European level by thematic networks (National Thematic Networks and European Thematic Networks) and the Monitoring Committee. Nonetheless, individual DPs have also an important role and responsibility in mainstreaming through the dissemination of information on their projects in the form of brochures, web sites, conferences etc.

## **5.7 GENDER MAINSTREAMING**

The principle of equal opportunities of women and men is a horizontal principle, in accordance with the regulations applying to the Structural Funds. The gender mainstreaming approach is applied systematically in programming, implementing, monitoring and evaluating the projects. It should also be present at the level of projects. To this end, organisations will receive appropriate guidance and they can make use of technical assistance. In addition, the CIP includes positive measures aimed at improving the labour market situation of women and at manifesting equal opportunities (*see Section 4.1.3*).

## 6 ACTIONS UNDER EQUAL

The implementation of the EQUAL Programme consists of the following four actions:

- *Action 1:* Elaborating the work programme of Development Partnerships (DPs), finalising the composition of the DPs, concluding the Development Partnership Agreements and the Transnational Co-operation Agreements;
- *Action 2:* Implementing the work programmes of the Development Partnerships;
- *Action 3:* Thematic networking and dissemination of good practice and integrating them into the national employment policy;
- *Action 4:* Technical assistance to support actions 1,2 and 3.

Action 1 and Action 2 represent consecutive phases, while Action 3 and Action 4 are activities that accompany the implementation of the whole programme.

### 6.1 ACTION 1

The purpose of Action 1 is the establishing and strengthening of Development Partnerships suitable for durable co-operation and able to ensure a successful project implementation, defining a comprehensive work programme for Action 2 and establishing transnational partnerships. The period of Action 1 is minimum six months, the scheduling of which is coordinated in the EU Member States. At the end of Action 1, those Development Partnerships are selected that receive a grant for the implementation of their work programme in the framework of EQUAL.

In Action 1, as much as 5 per cent of the Programme's budget will be utilised.

#### 6.1.1 CALL FOR PROPOSALS AND SELECTION

Prior to Action 1, the Managing Authority (*see Sub-section 7.1.1.*) publishes a call for proposals. Jointly with the EQUAL National Support Structure, in the framework of an information campaign, the Managing Authority informs the potential applicants on the objectives of the EQUAL Community initiative, the themes and implementation of the Hungarian EQUAL programme, the application, etc. The widest possible range of local, regional and sectoral level organisations will be informed in the course of the information campaign.

The purpose of the call for proposals is to select the Development Partnerships that may participate in Action 1. An application may be jointly submitted by organisations initiating the establishing of a Development Partnership. The application should include the following<sup>37</sup>:

- The partners to be involved in the Development Partnership,
- A description of the procedures that ensure the active participation of each member of the Development Partnership (with special regard to the involvement of smaller organisations),
- The arrangements for handling responsibility regarding the administrative and financial tasks,

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<sup>37</sup> Communication from the Commission to the Member States establishing the Guidelines for the Community initiative EQUAL C(2000) 853, point 33.

- The objective of creating the Development Partnership, the description of the problem it undertakes to address, and description of how the needs of the potential target group (beneficiaries) will be taken into consideration,
- A work plan regarding Action 1,
- A description of the character and substance of the activities to be pursued in the framework of the project,
- Concepts and expectations in relation to transnational co-operation.

In addition to the points above, the Managing Authority may identify further conditions regarding the content of applications in the call for proposals, which must be in line with the Community regulations, with special regard to the rules applying to public procurements and state aids.

The selection criteria are determined by the Managing Authority in harmony with the purpose and leading principles of EQUAL. Preparation and implementation of the call for proposals, processing of the applications, and organising the assessment procedure are the responsibilities of the Managing Authority with the assistance of the EQUAL National Support Structure (NSS) (*see Section 7.4.*).

Preliminary checks on applications will be undertaken by the National Support Structure and the assessment and proposals for selection will be carried out by Thematic Selection Committees<sup>38</sup> operating as Sub-committees of the Monitoring Committee. The final decision on the Development Partnerships selected for participation in Action 1 is made by the Managing Authority.

### **6.1.2 THE TASKS OF THE DEVELOPMENT PARTNERSHIPS IN ACTION 1**

Action 1 will start after the assessment of applications and the closure of the selection procedure. In the course of Action 1, the Development Partnerships elaborate their detailed work programme (project), the procedures and agreements related to the operations of the partnership, and the mechanisms that ensure the handling of tasks and obligations in relation to implementing the project. At the end of Action 1, each Development Partnership will submit to the Managing Authority a Development Partnership Agreement and a Transnational Co-operation Agreement. Both documents will be assessed by the Managing Authority on the basis of criteria determined in advance (*see Section 7.1.2*). In Action 1, the National Support Structure will provide ongoing assistance to the establishment and activities of the Development Partnerships through specific consultancy in thematic field, legal counselling, guidelines, information services, training, seminars, workshops, etc. In the course of Action 1, by keeping efficiency and the programme results in mind, the Managing Authority may make a proposal on the fusion of Development Partnerships.

For meeting the tasks to be carried out in Action 1, the Development Partnerships may receive a fixed sum, the amount of which will be determined by the Managing Authority.

#### **6.1.2.1 The Development Partnership Agreement**

Each Development Partnership Agreement (DPA) will have to include the following:<sup>39</sup>

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<sup>38</sup> The composition of these sub-committees will be described in the programming complement.

<sup>39</sup> Communication from the Commission to the Member States establishing the Guidelines for the Community initiative EQUAL C(2000) 853, point 35.

- An assessment of labour market exclusion, discrimination and disparities in association with the thematic priority, area, sector and target groups relevant from the aspect of the Development Partnership project;
- A description of objectives and action priorities in view of earlier experience related to the relevant area/sector/target group;
- A detailed work programme for the Development Partnership and the associated realistic budget;
- A clear identification of the role of each member of the Development Partnership,
- Agreements and procedures related to the monitoring and steering of the Development Partnership as well as the administering of financial support;
- A description of the mechanisms for the continuous assessment mechanism, including the provision of data and information as well as the analysis of results;
- The commitment of the Development Partnership to contributing to the activities related to Action 3;
- The strategy and methods of the Development Partnership regarding gender mainstreaming.

In addition, the Managing Authority may also determine other requirements regarding the content of the DPA.

#### **6.1.2.2     *The Transnational Co-operation Agreement***

In the course of Action 1, each DP will have to select at least one partner from a different Member State and conclude a transnational co-operation agreement. In addition, the co-operation may be extended to similar projects supported in the framework of the PHARE, TACIS, or MEDA programmes, operating in a non-Member State. In exceptional and appropriately justified cases it is also possible to involve another partner external to EQUAL provided that the value added is clearly ascertained and this associated partner brings the proof of its capacity to cover its own expenditure carried out within the framework of this co-operation. Partners outside EQUAL will be called 'associated transnational partners', and their participation will be submitted for approval by the Managing Authorities of the Member States responsible for the various partners.

Within the framework of the transnational co-operation, each Development Partnership is in a contractual relationship with its own national Managing Authority, to which it gives account. Nevertheless, the various Development Partnerships (transnational partners) are connected among themselves by a transnational co-operation agreement (TCA) which specifies the objectives and common work methods of their "co-operation network".

This agreement mixing partners of different countries brought together around a joint project, exceeds the national scope of each partner and requires methods of management at European level. To this end, the publication, amendment and approval of the transnational co-operation contracts are assisted via the online module (*EQUAL Transnational Co-operation Internet Module - ETCIM*) established by the Commission. The data of the transnational partners and agreements are loaded into the database by the Development Partnership performing the secretariat tasks of the co-operation network. This must be approved by the other contractual parties and the involved Managing Authorities electronically. Each co-operation network selects a name, which is used for its identification.

The transnational co-operation agreement (TCA) concluded at the end of Action 1 will have to include the following:

- The partners to be involved in the transnational co-operation and the potential associated partners;
- The objectives of co-operation and the value added by each partner;
- A detailed work programme (types of activities, the budget associated with each activity and the implementation schedule);
- The Development Partnerships and the potential associated partners and their role (the amount earmarked for the co-operation, the tasks and responsibility related to implementation);
- A description of the mechanisms of collective decision-making;
- A description of the mechanisms of management (co-ordination and secretariat);
- A description of the mechanisms of evaluation of co-operation.

The ratio of resources devoted to transnational co-operation within the budget of the Development Partnership may not be less than 15 per cent of the budget. All costs can be offset as a cost of the activity related to transnational co-operation that is associated with the transnational aspect of the programme, including travel, subsistence and keeping in touch with transnational partners, as well as the costs arising at home in relation to transnational co-operation (for example, the wages, costs related to meeting the national tasks of transnational co-operation, rents, translation costs etc.).

### **6.1.3 CLOSING ACTION 1**

At the end of Action 1, the Development Partnership Agreements and the Transnational Co-operation Agreements are assessed by the Managing Authority. In addition to the conditions identified by the Managing Authority, these documents must also meet the following criteria:

- *Transparency*: The principle of transparency means that the Development Partnership must prove that it has the co-financing necessary for implementing the project. In Hungary, co-financing will be provided in all cases by the central budget. In addition, the project budget may also be supplemented by the Development Partnerships, using their own resources. The Development Partnership must accept that the project results (publications, means, methods etc.) represent a public property.
- *Representative capacity*: The Development Partnership must demonstrate that it is able to mobilise various actors in order to carry out joint work. It is especially important that the Development Partnership affords an opportunity to all relevant actors – for example the different authorities, the Public Employment Service, non-governmental organisations, the business sector (with special regard to SMEs) and social partners – to be involved in the activities of the Development Partnership during the project period. The Development Partnership must make sure that smaller organisations operating in the relevant area/sector may also participate in the Development Partnership as full members.
- *Co-operative spirit*: The Development Partnership must demonstrate that it has the necessary capacities for participating in the transnational co-operation as well as a co-operation ability. The Development Partnership must demonstrate the added value expected in the transnational co-operation agreement, in each phase of implementing the project. In addition, the work programme of Development Partnerships must

include a co-operation within the framework of networks, the dissemination of results, and mainstreaming, on both national and European levels.

When the assessment of both documents is closed, on the basis of the result of assessment the Managing Authority confirms in writing the earlier selection of those Development Partnerships, which have satisfied the requirements specified. At the same time the Managing Authority informs the Development Partnership about the grant given annually in the second phase of implementing the project.

## **6.2 ACTION 2**

Action 2 (the period of implementing the projects of the DPs) commences immediately after the closing of Action 1 and the period may range from 24 months to 36 months. The Development Partnerships implement the work programme (project) elaborated during Action 1 as well as the work programme identified in the transnational co-operation agreement.

The coordination and monitoring of implementing the project are provided by the Managing Authority with the contribution of the EQUAL National Support Structure, which also has the task of coordinating the implementation of the projects as well as the activities related to exchange of experience and to participation in the work of the thematic networks (*see Section 6.3*).

In the period of implementing the project, the Managing Authority is responsible for regularly collecting monitoring information and for loading the data into the EQUAL Common Database (ECDB). The monitoring information is collected and forwarded to the Managing Authority by the EQUAL National Support Structure.

In the framework of the EQUAL Programme, it is expected that approximately 50-80 DPs will be selected for Action 2. The minimum amount of grant is 300,000 euros. For Action 2, as much as 75 per cent of the programme budget will be used.

## **6.3 ACTION 3**

One of the basic principles of EQUAL and an important element in implementing the programme is mainstreaming<sup>40</sup> regarding the experience obtained during the implementation of the projects, the dissemination of results and the integration of good practices into the policies. In the framework of EQUAL, hence mainstreaming has two directions: on the one hand towards similar organisations specialising in the same area ('horizontal mainstreaming') and on the other towards the policy makers ('vertical mainstreaming'). Mainstreaming, that is the dissemination of good practice in both directions must be ensured on both national and Community levels.

The activities related to mainstreaming must be commenced simultaneously with the phase of project implementation, and this activity is completed simultaneously with the closing of the programme.

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<sup>40</sup> The general meaning of the expression 'mainstreaming' refers to a process in the course of which a given principle, procedure, method etc. becomes part of the mainstream of the policy. In the case of the EQUAL Programme, this represents an element of the implementation which ensures via mainstreaming, thematic network co-operation, and dissemination of results and experience the proliferation of the good practice and their integration in the policies and practice. The expression 'mainstreaming' does not have a Hungarian equivalent, therefore in the framework of the EQUAL Programme the expression 'tapasztalatátadás' (hand-over of experience) is used, to include all of the activities mentioned above.

Activities associated with mainstreaming could be the following:

- Revealing the reasons for labour market disparities and discrimination;
- Examining the impact or potential impact of the activities of Development Partnerships regarding the priorities identified in the National Employment Action Plan and concerning groups at a disadvantage in the labour market;
- Examining and assessing the factors that influence the efficiency of good practice and well established methods, setting up the means suitable for measuring the output;
- Dissemination of good practice on an ongoing basis starting from the closing of Action 1;
- Publishing the results in the press and on the Internet;
- Organising conferences, information events and seminars;
- Participation in the work of national level and EU level thematic networks.

These activities are important elements of the whole programme on the level of Development Partnerships, and also on the national and the European level.

The financial resources to be devoted to Action 3 represent 12 per cent of the programme budget.

### **6.3.1 MAINSTREAMING AT DP LEVEL**

Each Development Partnership is obliged to participate in activities related to mainstreaming. The related obligation must be included in the Development Partnership agreement.

Regarding their activities related to mainstreaming, the Development Partnerships receive further financial grants in addition to the financial support obtained for the implementation of the project.

### **6.3.2 MAINSTREAMING AT NATIONAL AND EUROPEAN LEVEL**

In the course of mainstreaming, efforts must be made to ensure that the effect of the programme is manifest as fully as possible on the level of employment policy. To this end, an increasing number of organisations – including the decision makers, the policy makers, the Public Employment Service, the non-governmental organisations, the civil sector and the social partners – must be mobilised and involved in the activities. The Managing Authority will develop and implement the strategy on mainstreaming with the assistance of the National Support Structure. The primary environment for national level mainstreaming comprises the National Thematic and Innovation Committee which will be primarily made up of policy makers and national actors who do not participate in various Development Partnerships or in implementing the programme but whose activities are related to the labour market and employment. The thematic networks are basically organised in subjects identified in the EQUAL Community Initiative Programme, and so-called horizontal thematic working groups are also established which allow an exchange of experience between Development Partnerships related to the various thematic areas. In controlling, monitoring and assessing the work of thematic networks, the horizontal thematic working groups will channel information to the National Thematic and Innovation Committee, which will work as a sub-committee attached to the Monitoring Committee (*see Sub-section 7.2.2*).

Operating and coordinating the activities of the national level thematic groups are the responsibilities of the EQUAL National Support Structure. The representatives of all involved

ministries – including the Ministry of Employment and Labour, the Ministry of Education, the Ministry of Health, Social and Family Affairs, and the Ministry of Interior – as well as the representatives of the relevant trade organisations are requested to contribute to the work of thematic groups via the National Thematic and Innovation Committee and the Monitoring Committee.

The purposes of mainstreaming on a European level are the dissemination of good practices and models in as wide a range as possible, examining them from the aspect of European policies. The European level mainstreaming primarily involves the European Thematic Groups (*ETG*) in which each Member State is represented.

## **6.4 ACTION 4**

Technical Assistance (*TA*) means the ongoing support to the implementation of the programme, which helps the activities of the Development Partnerships on the one hand and ensures the appropriate technical background for implementing the tasks of the Managing Authority on the other. In view of the innovative and complex character of EQUAL, technical assistance is of key importance for the success and efficiency of the programme.

The technical assistance which accompanies the whole programme includes among other things contribution to preparing and arranging the call for proposals, supporting and facilitating the creation and consolidation of the Development Partnerships in the course of Action 1, assisting and monitoring on an ongoing basis the operations of the Development Partnerships and the implementation of the projects in Action 2, organising and co-ordinating the activities related to mainstreaming and contribution to the thematic groups in Action 3.

In the framework of the EQUAL Community Initiative, tackling the tasks related to technical assistance is the responsibility of the appointed organisation/organisational unit<sup>41</sup>. For implementing the Hungarian EQUAL Programme, the technical assistance is provided by the National Support Structure established within the National Employment Foundation (*for more details, see Section 7.4.*). The resources to be earmarked for activities related to Action 4 will represent 8 per cent of the total budget of the programme.

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<sup>41</sup> The English name of the organisation performing technical assistance is National Support Structure (NSS). The equivalent expression in the Hungarian Programme Document is EQUAL Nemzeti Programiroda (EQUAL National Programme Office).



## **7 CIP IMPLEMENTATION**

### **7.1 *MANAGING ARRANGEMENTS***

#### **7.1.2 MANAGING AUTHORITY**

In Hungary, the EQUAL Community Initiative Managing Authority (hereinafter EQUAL MA) has been set up within the framework of the Human Resources Development Operational Programme Managing Authority (hereinafter HRD OP MA). The HRD OP MA will share responsibilities and tasks in the following areas between the implementation of HRD OP and the EQUAL CIP. These areas will be the followings: financial procedures, internal audit, internal evaluation, IT support, database operations. The Operational Handbook of EQUAL CIP will specify the actual time-share rates for each managerial area. Inside the HRD OP and EQUAL MA an EQUAL Unit will be set up and will consist of five designated, full time positions: Head of Unit, Financial Manager, Thematic Networking Manager, Operational and Monitoring Manager, Programme Coordinator. The Director General of the HRD OP MA assumes the function of the EQUAL Head of Mission.

The EQUAL Managing Authority shall be responsible for the efficiency and correctness of management and implementation of the EQUAL Community Initiative Programme (CIP), and it shall, in particular:

- set up a system to gather reliable financial and statistical information on implementation of the CIP and ensuring the transparency, efficiency and clarity of programme implementation;
- supervise and support the technical assistance activities carried out by the EQUAL National Support Structure (hereinafter NSS), the EQUAL Programme Office, National Employment Foundation (OFA);
- design, set up, and operate the EQUAL Community Initiative monitoring and evaluation system, in accordance with the relevant regulations;
- load and update in the information system the data collected on the implementation and necessary for monitoring indicators and evaluation;
- forward the data mentioned above to the European Commission by computer-based data exchange;
- adjust the Programme Complement, if necessary, and after approval by the Monitoring Committee it shall inform the Commission of the adjustment within one month;
- set up, operate and chair the EQUAL Community Initiative Monitoring Committee, fulfil secretarial functions;
- ensure the regulated and controlled management of the activities financed within the EQUAL Community Initiative, especially by the application of internal regulations that guarantee sound financial management and proper programme implementation;
- forward payment requests to the Paying Authority in line with the related legal and other regulations;

- ensure that the organisations participating in the delivery and implementation of the EQUAL Community Initiative use independent accounting systems and apply proper accounting rules in all transactions related to the EQUAL Community Initiative;
- arrange for the ex-ante and interim evaluation of the Programme;
- draw up and submit the Annual Implementation Report to the European Commission following its approval by the Monitoring Committee;
- ensure the correctness of operations financed under the CIP, particularly by implementing internal controls in keeping with the principles of sound financial management;
- ensure compliance with Community policies;
- send the Reports prepared in the format and chronological order specified by the European Commission to the Community Support Framework Managing Authority for information,
- ensure compliance with the obligations concerning information and publicity, elaborate and provide for the conditions to implement the Communication Strategy;
- arrange for the publication of the public procurement tender announcements;
- elaborate and provide for the conditions to implement the Mainstreaming Strategy;
- carry out tasks related to the EQUAL Community Initiative as defined in the Operational Handbook of the Human Resource Development Operational Programme, as well as the Operational Handbook of the EQUAL Community Initiative.

### **7.1.2 CONTROL ARRANGEMENTS**

The EQUAL Managing Authority is responsible for ensuring that the auditing and control of the programme implementation is transparent, effective, and reliable. Therefore it will implement the tasks listed below, based on the appropriate sections of EC Regulations 1784/99, 1260/99, 1685/2000, 438/2001, 2355/2002 and 448/2001 and the Hungarian legal statutes in force. The EQUAL Managing Authority:

- develops an audit trail and an audit system for the EQUAL Community Initiative as part of the control and audit system of the HRD OP MA;
- Ensures that according the control system specified by the above mentioned audit trail and audit system will operate at three distinct levels;
- The three levels of the control system will be as follows: (i) Internal audit of the EQUAL MA (system audit), (ii) Internal audit of the NSS, (iii) External audit (the 5% level), performed by the Control Department of Ministry of Employment and Labour and by the Control Office of the Hungarian Government (KEHI);
- Report irregularities and fraud based on an independent control system as part of the internal audit system of the EQUAL MA and part of the internal audit system of the NSS;
- includes, in agreement with the European Commission, a summary of the control and audit reports in the Annual and Final Reports required by the Commission;
- ensures that the Development Partnerships (DP) and the NSS, the EQUAL Programme Office have the necessary knowledge based on the EQUAL Operational Handbook about the sharing of responsibilities concerning the financial management ;

- The EQUAL MA will coordinate the implementation of controls and the audit system in the implementation structure over the EQUAL MA bears full and exclusive responsibility, in the case of coordination of the external audit and control system, the inter-ministerial committee, created by the Ministry of Finance has full responsibility;
- The EQUAL Managing Authority shall act in accordance with point 1 of section 38 of EC Regulation 1260/1999, and agrees to submit to the Commission a final audit statement prepared by an organisation functionally separated from the Managing Authority after the close of the Programme implementation period. This audit statement will summarise the findings of the controls conducted during the implementation of the EQUAL Community Initiative in Hungary, and it will make a judgement regarding the validity of the request for final payment, as well as the legality and regularity of the transactions listed in the final certification of expenditure.

## **7.2 MONITORING ARRANGEMENTS**

The Monitoring Committee is responsible for monitoring and controlling the implementation of the EQUAL Community Initiative Programme. The Monitoring Committee will be set up within three months as of the date of the approval of the Community Initiative Programme.

### **7.2.1 THE PRINCIPLES OF OPERATION OF THE MONITORING COMMITTEE**

Partnership is a key principle of EQUAL that will be reflected also in the operation of the Monitoring Committee, in accordance with EC Regulation 1260/1999.

The Monitoring Committee develops its own rules of procedure and Organisational and Operational Regulations, including all necessary and recommended constitutional and organisational forms. Members of the Monitoring Committee receive the monitoring and other reports on the implementation at regular intervals in paper and electronic form. As a rule, the Monitoring Committee shall meet at least twice annually. The secretarial tasks of the Monitoring Committee shall be taken up by the EQUAL MA. When convening the Monitoring Committee, the EQUAL MA will strive for equal gender representation.

### **7.2.2 THE TASKS OF THE MONITORING COMMITTEE**

According to EC Regulation 1260/1999 and EQUAL Communication no. C (2000) 853, the Monitoring Committee shall:

- confirm or adjust the Programme Complement, including financial and physical indicators to be used to monitor the programme;
- approve the selection criteria for applications to be financed;
- review in regular intervals the progress in the achievement of programme objectives (with the aid of interim and on-going evaluation) and examine the possible need for modification of the measures, performance indicators and selection criteria;
- monitor the implementation, with special regard to implementation of objectives adopted related to the different thematic areas, data collection and use of data, as well as the implementation of horizontal objectives, and make recommendations for the most productive and effective implementation based on the data and the results received;
- approve the re-allocation of financial resources among the Actions of EQUAL ;

- examine and approve the Annual and Final implementation reports prior to their submission by the EQUAL MA to the European Commission;
- examine and approve the proposals for modifications to the contents of the European Commission decision on the CIP;
- make recommendations to the Managing Authority for any review or possible modification which promotes more effective programme implementation and the objectives of the CIP including in respect of financial management;
- approve the communication and publicity strategies relating to the CIP;
- approve strategies and connected measures relating to Technical Assistance, National and European Thematic Network activities and Mainstreaming;
- make recommendations for convening sub-committees, and among these, the EQUAL National Thematic and Innovation Committee.

#### Planned composition of the Monitoring Committee:

A) Voting Members (each organisation delegates one representative):

##### Governmental partners, implementation organisation

- EQUAL Managing Authority – Chair person
- Ministry of Employment and Labour
- Ministry of Education
- Ministry of Health, Social and Family Affairs
- Ministry of Children, Youth and Sport
- Ministry of Informatics and Communications
- Ministry of Economy and Transport
- Ministry of Environment and Water
- Ministry of Interior
- Government Office for Equal Opportunities
- EQUAL NSS – EQUAL Programme Office, National Employment Foundation (OFA)

##### Non-governmental partners

- Employers' organisations  
The National Interest Reconciliation Council employer's side delegates one representative
- Trade Unions  
The National Interest Reconciliation Council employees' side delegates one representative
- Adult Training Organizations  
The Association of Adult Training Organizations delegates one representative
- Women' Organisations

The non-governmental side of the Council for Representation of Women delegates one representative

- Roma organisations

The non-governmental side of the National Roma Affairs Council delegates one representative

- Environmental protection organisations

The National Congress of Environment and Conservation Civil Organisations delegates one representative

- Organisation representing the disabled

The non-governmental side of the National Disabled Affairs Council delegates one representative

- Organisation representing asylum seekers

The IOM Hungary delegates one representative

- Organisation assisting the unemployed

The NGO Forum comprising non-governmental organisations active in the field of employment delegates one representative

- Educational non-governmental organisations

One representative of the Associations of educational NGOs

- Regional partners

One representative from one of the seven Regional Development Councils, rotating on a regular basis.

#### B) Consultative Members

- The Paying Authority (Ministry of Finance) delegates one representative,
- The Governmental Control Office (KEHI) delegates one representative,
- The Hungarian State Treasury (MÁK) delegates one representative,
- The European Commission General Directorate for Employment and Social Affairs delegates one representative,
- Community Support Framework Managing Authority delegates one representative,
- Regional Operational Programme Managing Authority delegates one representative,
- Economy and Business development Operational Programme Managing Authority delegates one representative,
- Agriculture and Rural development Operational Programme Managing Authority delegates one representative.

### **7.2.3 MONITORING INDICATORS**

The Managing Authority will collect, among others, the following minimum indicators:

#### *Action 1: Setting up partnerships*

- Total and Average Amounts spent to set up DP/TC,
- Geographical or sectoral DP, themes,
- Average Time spent to set up DP/TC,
- Average Number of partners in DP/TC.

#### *Action 2: Implementing work programmes*

- Amounts spent with distribution by core activities (list to be agreed) and separation for transnational co-operation activities (e.g. meetings with transnational partners),
- Where applicable, number of beneficiaries (persons/companies/other) in the core activities and distribution by gender and status in the labour market, asylum seekers (persons), size and sector (companies),
- Number of transnational meetings attended/time spent in events.

#### *Action 3: National networking, dissemination & mainstreaming*

- Amounts spent for specific preparation and participation,
- Number of events attended/Time spent in events,

#### *DPs participation in European level networking, dissemination and mainstreaming*

- Amounts spent for preparation and participation,
- Number of events attended/Time spent in events.

Further indicators, related to the thematic priorities and measures (including result, output and impact indicators specific to each activity) will be included in the Programme Complement.

## **7.3 FINANCIAL ARRANGEMENTS**

The Head of Mission of the EQUAL Managing Authority is responsible for effective and productive professional implementation in conformity with the contents of the EQUAL Community Initiative Programme, and thus is also responsible for operation of the financial payment system and setting up the connected control system, including operational rules for launching the call for applications and contracting.

### **7.3.1 THE PAYING AUTHORITY**

The Ministry of Finance is designated as *Paying Authority (PA)* for the Structural Funds and the Cohesion Fund, responsible for drawing up, certifying and submitting payment claims to

and receiving payments from the Commission. The Paying Authority was designated by Government Decision No 2187/2002. (VI. 14.).

The Paying Authority for the implementation of the EQUAL Programme in Hungary between 2004 and 2006 is therefore the Ministry of Finance. The Paying Authority is completely independent from the EQUAL Managing Authority and the National Support Structure.

The obligations of the Paying Authority (PA), are, among others, the following:

- The PA provides management of community contributions originating from Structural Funds on its bank accounts.
- The PA sees to it that the final beneficiary (based on the community support application summarised by the MA and submitted to the PA) receives the full contribution to which it is entitled to, coming from the Structural Funds, within the shortest possible time, from which no deduction, withholding or other cost may be validated.
- The PA certifies the accuracy and suitability of the cost statements to the European Commission, as well as the conformity of the MA management and control systems with legal requirements.
- The PA certifies the validated interim transfer request documentation which is based on statements prepared by the MA and actual costs incurred by the final beneficiary, and submits it to the European Commission by 31 March, 30 June, 30 September and 15 December of each year.
- The PA compiles payment forecasts for the reference year and the following year based on the payment forecast submitted by the MA, and submits them to the European Commission annually, by no later than 30 April.
- The PA implements payments of sums to the European Commission that were refunded to the EQUAL Community Initiatives belonging to the MA's area of responsibility and originate from the Structural Funds, as well as financial corrections to the European Commission which may become necessary due to administrative errors and irregularities in programme management.
- The PA supplies the monitoring system with the appropriate data and information in accordance with the applicable Government decree, as well as continuously informing the MA regarding financial processes belonging to its area of responsibilities.

## **7.3.2 FINANCIAL IMPLEMENTATION AND FINANCIAL CONTROL BODIES**

### **7.3.2.1 *Financial implementation body***

The Hungarian State Treasury (HST) will perform financial implementation related tasks for the projects funded by EQUAL Community Initiative as a special financial “intermediary” body.

Tasks and responsibilities of (HST) will include but not be limited to the following:

- checking the amount of public debt for each Development Partnership (hereinafter DP) to be funded
- monitoring the cumulated level of subsidies for each DP
- checking availability of allocated grant budget

- effecting transfers following a review of invoices and summary statements submitted, as well as of settlement confirmation issued by the National Support Structure
- financial monitoring during draw-down of funds and upon closing, final audit if liability is undertaken
- collecting money in the case of non-eligible draw-downs or funds to be repaid.

### **7.3.2.2 *Financial control body***

In accordance with Regulation No. 438/2001, the organisation responsible for financial control shall be an organisation independent from the Managing Authority, the Paying Authority and the National Support Structure. A unit of HST, functioning independently for the aforementioned financial implementation unit of HST will perform first level (100%) financial control duties as defined in Article 4 of Regulation No 438/2001. The financial control unit of the Hungarian State Treasury performs the 100% level financial control including periodical physical visits at the project sites. .

## **7.4 *TECHNICAL ASSISTANCE***

Technical Assistance means continuous technical support of programme implementation through helping the activities of the Development Partnerships on the one hand and ensuring the proper professional background for the Managing Authority for fulfilling its tasks on the other. Considering the innovative and integrated approach of the EQUAL Community Initiative, successful and efficient technical assistance by the National Support Structure will be of key importance during the CIP implementation.

In accordance with Point 49 of the Communication on the EQUAL Community Initiative, Member States will apply their own procedures of the organization providing technical assistance. The Hungarian Government, in its Decree No. 1218/2002 (12 December), designated the National Employment Foundation (OFA), a public organization as the National Support Structure for EQUAL. The Government made its decision in compliance with national procedures by taking into account the goals, activities, achievements and capacities of the National Employment Foundation.

### **7.4.1 *ARRANGEMENTS OF TECHNICAL ASSISTANCE***

#### **7.4.1.1 *National Employment Foundation***

The National Employment Foundation (OFA) was founded in 1992 by the Ministry of Labour. Since its foundation in 1992, the National Employment Foundation has been an active and effective actor of the Hungarian Labour Market. Its Foundation Document contains the objective of enhancing employment and moderating unemployment as a permanent public objective. Supporting the preparation for accession to the European Union is a significant part in its accentuated public benefit activity. According to its Foundation Document the tasks of the National Employment Foundation are the following:

- supporting non-governmental organisations and their activities through programmes and related services aiming to improve the training and employability of disadvantaged people,
- launching experimental and research programmes for the introduction and application of new active employment policy tools and evaluating the operation of those tools;



- supporting and coordinating labour-related research with special attention to decreasing the unemployment period and the number of long-term unemployed;
- providing support for social partners in their preparation for participation in labour-related interest reconciliation;
- providing temporary employment in a given area or with a given employer for employees threatened by mass redundancy by organising employment partnerships,

In 1997, OFA was turned into a Public Foundation<sup>42</sup> and the strategy of its operation was put in line with the four previous thematic pillars of the Employment Guidelines – similarly to those of the EQUAL Community Initiative – as follows:

- assistance with projects supporting the labour market reintegration of disadvantaged people to improve their *employability*
- promoting *entrepreneurship* through supporting small enterprises for building employment capacities and exploring local job opportunities
- initiating the introduction of experimental employment policy tools promoting a more flexible labour-market to improve *adaptability*
- promote *equal opportunities* for women and men through new forms of support.

Presently the operation of the National Employment Foundation is managed by the Advisory Board (AB) and supervised by the Supervisory Board (SB). The AB and SB are both tripartite and their members are appointed by the Minister for Employment and Labour along the recommendations of the National Interest Reconciliation Council. OFA has 37 full time employees, 50 external experts, 2 expert committees and 30 independent monitors.

During the past ten years, the National Employment Foundation elaborated and launched 44 innovative employment programmes, it adopted 5661 applications, out of which 2323 projects were supported with approximately HUF 12 billion. In the supported projects the National Employment Foundation helped almost 213 thousand people to reintegrate in the labour market.

In certain experimental programmes OFA also cooperated with international organisations. The "*Back to work*" programme, which was launched with the support of the Know-How Fund established by the UK Government, targeted alternative labour-market services based on local partnerships and methods tailored to individual needs. The National Employment Foundation also took part in the implementation of the *PHARE HU 9204-07* programme addressing pro-active employment measures by stimulating the development and provision of preventative training for those employed but facing redundancy.

The objectives, tasks and activities of the National Employment Foundation are fully in line with those of the EQUAL Community Initiative and its professional experience and institutional capacities are appropriate for implementing EQUAL-specific tasks, including programme implementation, technical assistance and monitoring activities.

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<sup>42</sup> "Public Foundation" is a special type of foundation that can be established by the Government, or other public bodies, with a view to undertake the implementation of public assignments. Enterprises and private individuals are not allowed to establish public foundations. The financial operation of public foundations is controlled by the National Court of Auditors.

#### **7.4.1.2      *Technical Assistance activities and budget***

Successful and efficient technical assistance by the National Support Structure will be of key importance during the CIP implementation. When providing technical assistance, the National Support Structure will be supporting both the Managing Authority and the Development Partnerships.

Technical Assistance will cover tasks including but not limited to the following:

- a) supporting the work of the Managing Authority, the EQUAL National Programme Office shall:
  - take part in the elaboration of the Programme Complement, the Calls for Proposals, the Selection procedure and selection criteria, the Communication Strategy and the Mainstreaming Strategy;
  - implement the measures / Calls for Proposals;
  - take part in the selection procedure, prepare the decisions on selection;
  - assist with contracting with the DPs;
  - help operate and update national and European Union databases;
  - promote the organization of Thematic networking activities, recruit and train EQUAL experts and provide expertise with vertical mainstreaming activities;
  - support the National Thematic and Innovation Network, dissemination and mainstreaming during implementation, support horizontal and vertical mainstreaming (Action 3) and successful integration into the European level Thematic work by helping to ensure an adequate flow of information towards the European Commission;
  - take part in the preparation of the Annual and Final Reports;
  - provide assistance with evaluation activities.
- b) supporting the work of the Development Partnerships (DPs), the EQUAL National Programme Office shall:
  - provide potential applicants and DPs with all the information and documentation necessary for successful application and project implementation, including the Calls for Proposals, the Application package, contract formats, monitoring report formats etc.;
  - help set up DPs, especially in the search for national and transnational partners (Preparatory Phase, Action 1), assist with making the Transnational Cooperation Agreements (TCAs);
  - supporting DPs with training, provision of information and on-going consultation, counselling, dissemination, the preparation and execution of public procurement procedures, monitoring activities and the preparation of reports (Action 2)
  - offer to DPs and commission a pool of experts to provide expertise with project management, including monitoring, evaluation and communication activities, as well as horizontal and vertical mainstreaming;
  - provide help for DPs with summarizing and disseminating their experience and results, with organizing the Thematic and Innovation Fora and participation in Thematic networking activities at both the national and the European level (Action 3);

- supporting successful integration into the activity of European Thematic Groups by ensuring an adequate flow of information for the DPs in Member States;
- give expert feedback to DPs at the project level;
- promote ICT infrastructural investment and assist DPs with using, feeding and updating databases (EQUAL database, ECDB).

Under EC Regulations No. 1685/2000 and 1260/1999, monitoring, assessment and audit systems relating to implementation, both on a European and a national level, can be financed from the Technical Assistance funds, covering tasks to be completed on the level of the EQUAL MA and the EQUAL NSS.

The activities eligible under Technical Assistance shall take up 8% of the budget of the Programme. The funds will be used in accordance with Section 11 of the Annex of EC Regulation No. 1685/2000 and Article 46 of EQUAL Guidelines No. (2000) 853 of the Commission and along the following three measures:

### Description of Technical Assistance measures and indicative budget

Category	Legal reference	Possible support actions	Indicative % within total budget of TA priority
<b>Measure 1</b> EQUAL specific Technical Assistance	1685/2000, 11.2; EQUAL Guidelines, Point 46.	Advising the DPs regarding the priorities and methodology of EQUAL, in particular the thematic priorities, the partnership approach and transnational co-operation; Support in national and transnational thematic networking, dissemination of results and mainstreaming through the operation of the National Thematic and Innovation Network; Professional analysis of project implementation data received from DPs and examination of professional innovation, identification of innovative methods, comparison of similar approaches; Operation of a network for counselling and expert help to facilitate the elaboration and implementation of successful projects; On-going professional and technical assistance with gap-filling;	3%
<b>Measure 2</b> Basic financial and project administration	1685/2000, Section 11.2	Management, monitoring and control of the EQUAL Programme; notably activities related to tendering, selection and evaluation, arrange Monitoring Committee meetings, perform audits and on-the-spot checks of operations. The salaries of civil servants seconded to carry out such basic administrative tasks can be included.	2%
<b>Measure 3</b> Complementary technical support actions	1685/2000, Section 11.3	Preparation of needs analyses to establish professional activities and the publication of these; Identification and professional study of and providing access to best practice which has relevance at the Community level; Prepare and order studies, seminars, information campaigns, assessments, the acquisition and installation of automated systems for MIS, monitoring and evaluation. For these activities, salaries of civil servants are not eligible.	3%

The EQUAL Community Initiative is a programme to be started just now, a system to be built up in Hungary. EQUAL projects have several components and the programme sets requirements which are new and uncommon in programme implementation in Hungary, including Development Partnerships, obligation for innovation, cooperation in networks, transnational cooperation agreements, analysis of the environmental effects of activities, mainstreaming, self-assessment etc. Since EQUAL is a new programme in Hungary, the support structures established must serve not only implementation, but preparatory and project generation activities, too. Capacities must be built to facilitate the elaboration of project proposals, the identification and dissemination of innovative methods and

transnational cooperation. Beyond that the EQUAL Community Initiative focuses on special target groups and concentrates on the labour-market reintegration of disadvantaged people, who need special care and individual solutions. These factors explain why the quality and quantity of professional and technical assistance must exceed the level that would be common and sufficient for an ESF-project. The identification of extra values, which is one of the guiding principles of EQUAL, can be achieved only through increased professional and technical assistance. The novelty of tasks including application procedures, support schemes, as well as a computerized monitoring system and the expected difficulties of mainstreaming the results achieved justify an 8% allocation of funds in the budget for Technical Assistance purposes.

The rules governing Technical Assistance are stipulated by the EQUAL Managing Authority and the EQUAL National Programme Office in their respective Operational Manuals and rules of procedure. The Cooperation Agreement between the EQUAL MA and the EQUAL National Programme Office shall specify the principles of programme implementation, the detailed description and sharing of tasks and the necessary resources.

#### **7.4.2 THE RELATIONSHIP BETWEEN TECHNICAL ASSISTANCE ACTIVITIES AND ACTIVITIES RELATED TO “DISSEMINATION AND MAINSTREAMING” (ACTION 3)**

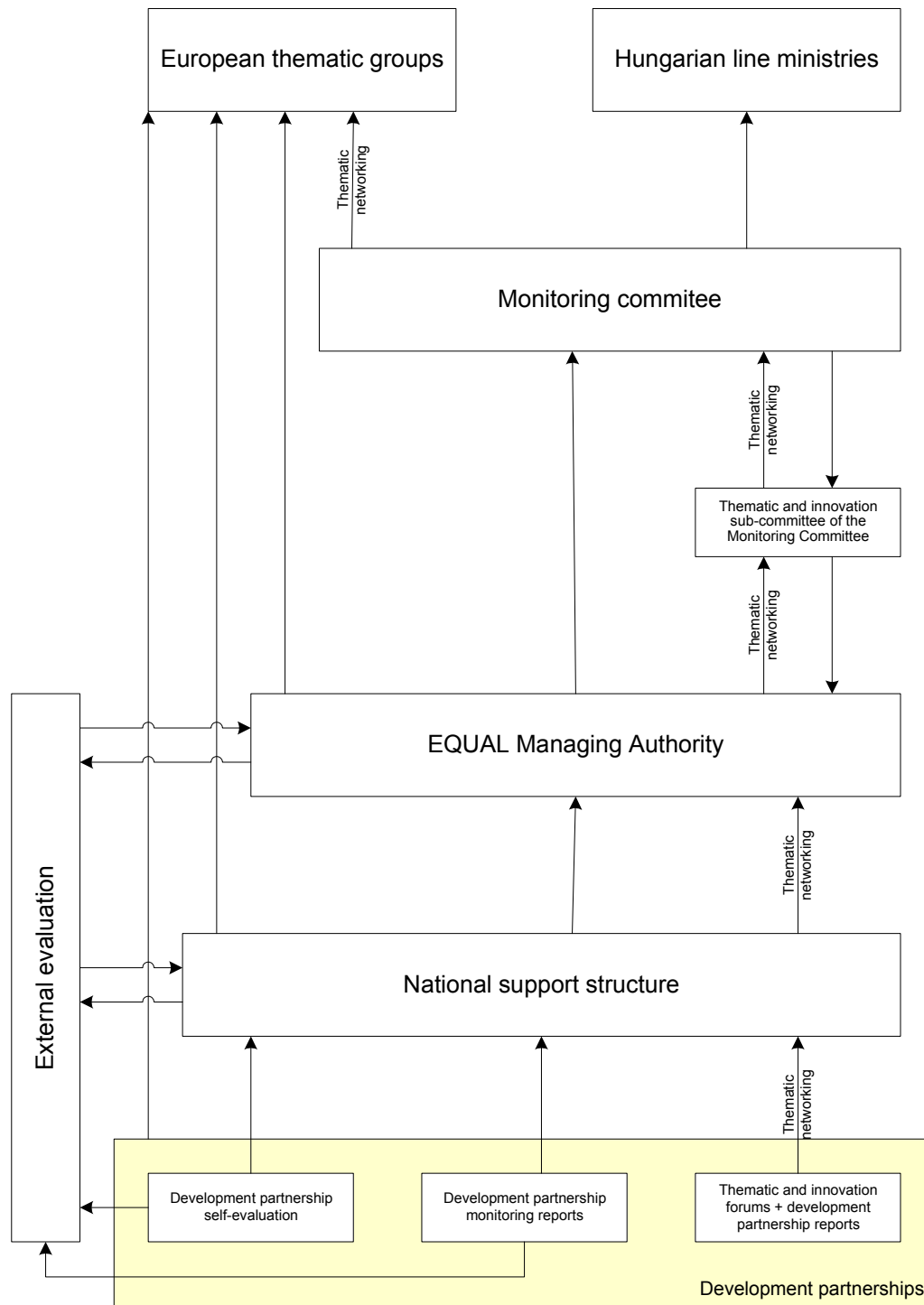
In order to ensure compliance with the objectives of the EQUAL Community Initiative the implementation system to be put in place must ensure adequate utilization of the innovative ideas and new methods tried by the DPs and addressed in the CIP. The results of the EQUAL Community Initiative will be effective and useful only when these results could mature and emerge from the pilot-level laboratory phase and and incorporate into higher decision-making levels, into employment, training and other policies and practices. Therefore, the methodology of Technical Assistance should include solutions which ensure the fulfilment of the above-mentioned needs during national and European dissemination.

During the implementation of “Dissemination and mainstreaming” (Action 3) the EQUAL Managing Authority will perform actions including but not limited to the following:

- The EQUAL Managing Authority has overall responsibility for organizing Action 3.
- In order to achieve better results, the Managing Authority shall prepare a Mainstreaming Strategy. The Mainstreaming Strategy must be approved and can be amended by the Monitoring Committee on an annual basis.
- Key elements of the Mainstreaming Strategy are:
  - (i) methods should be developed for the measurement, assessment and utilization of innovation, and dissemination of best practices, with regard to the DPs and all other professional bodies involved,
  - (ii) each DP should establish a Thematic and Innovation Forum comprising institutions in its own partnership, technical environment and region, where the DP should regularly report on the results achieved,
  - (iii) the National Support Structure shall regularly forward the reports proposed and adopted by the Thematic and Innovation Fora of the DPs to the Managing Authority, in the frame of Thematic Networking,
  - (iv) the EQUAL MA working together with the NSS will complete the methodological summary of the submitted reports prepared by the Thematic and Innovation Fora of the DPs and prepare these summaries according to the Mainstreaming Strategy for

- submission to the sub-committee of the Monitoring Committee, the National Thematic and Innovation Committee
- (v) the Managing Authority will submit the proposals which were approved and supported by the National Thematic and Innovation Committee to the Monitoring Committee for approval
  - (vi) According to the decision made by the Monitoring Committee, the EQUAL Managing Authority submits the proposals to the appropriate bodies of the national line Ministries and to the European Thematic Groups
    - all the DPs specifically selected to actively participate in the work of a Thematic and Innovation Forum as members or organizers can participate in the mainstreaming dissemination process and receive financial support related to Action 3;
    - the selected DPs will perform the following tasks: conduct technical research, organise team work, prepare comparative technical surveys on the reasons for discrimination and inequality, organize peer reviews with regard to successful implementation and efficient operation of the DP;
    - horizontal dissemination for similar organisations and DPs through Thematic and Innovation Fora, conferences, publications, Internet-based information campaigns, etc;
    - vertical dissemination should be implemented in line with specific interests and needs, in a way that adds value to the dispute on future employment and training policies, and that provides information on the operating methods tried by DPs for the appropriate organisations, institutions, fora, committees or general meetings. Such dissemination process may represent the commencement of integration of technical achievements of the EQUAL Community Initiative into the decision-making practice, both on a national and regional level, enabling all social partners to benefit from the achievements;
    - the EQUAL National Programme Office (NSS) shall assist DPs in the work described above with professional services, experts and analyses.

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## 7.5 DEVELOPMENT PARTNERSHIPS

Development Partnerships (DPs) are the basic organizational units of implementation and the most important platforms for implementing the principles relating to partnership, empowerment and decision-making. It is essential to try to establish real partnerships within

the DPs, between the DPs and outside support organisations, as well as between the DPs and other organisations and DPs in charge of implementation management and control. In order to make sure that the DP partners are able to comply with the principles established under Section 8 of Regulation No. 1260/1999 and under the Partnership Section of the National Support Structure with regard to partnership, the National Support Structure and the EQUAL Managing Authority will pay special attention to the above. Consequently, during the process of setting up the DPs, the following indicative structural arrangements will be implemented:

- The expected number of DPs will be in the range of 50 to 80
- The smallest available grant will be EUR 300,000
- The number of DP partners will be suggested not to be higher than 8
- The organisations participating in the DPs may include, among others, the following: government budget organisations, Local governments and municipalities and organisations financed from their budget, local minority governments, the State Employment Service, non-governmental and civil organisations, small and medium sized businesses, social partners, educational and training organizations. Special attention must be paid to the involvement of smaller organisations facing growth, in accordance with Articles 33 and 35 of the EQUAL Guidelines.

Further detailed regulations and the selection criteria related to the individual thematic areas will be included in the Programming Complement.

## **7.6 CONTRIBUTION TO AND COMPARABILITY WITH COMMUNITY POLICIES**

### **7.6.1 ESF POLICY CO-ORDINATION COMMITTEE**

The Managing Authority will promote complementarity between EQUAL and other programmes, including other ESF supported programmes.

In order to ensure the co-ordination of the various ESF supported programmes (HRD OP, OPRD, EQUAL), the Ministry of Employment and Labour set up the ESF Policy Co-ordination Committee. The purpose of policy co-ordination is to ensure the following in respect of the utilisation of ESF assistance:

- conformity with the priorities of the European Employment Strategy and the Joint Assessment of the Employment Policy Priorities (respectively, the National Employment Action Plan),
- coherence of the actions under the various ESF supported programmes, and elimination of potential overlaps,
- 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.).

Members of the ESF Policy Co-ordination Committee represent all the ministries involved in the implementation of ESF supported programmes: Ministry of Employment and Labour (MoEL), State Secretariat for Regional Development under the Prime Minister's Office, Ministry of Education, Ministry of Health, Social and Family Affairs, Ministry of Child, Youth and Sports, Office for the National Development Plan and EU Assistance, Ministry of



Justice, Ministry of Informatics and Communications, Ministry of Finance, 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 elaboration of the national employment strategy.

## **7.6.2 COMPLIANCE WITH COMMUNITY POLICIES**

According to Articles 12 and 34, Section 1., subsection g) of the General Regulations, the operations financed by the Structural Funds meet the provisions of the Contract; the legal instruments taken over from the former one and to the Community policies and procedures, the allocation of state contracts, environmental protection, the regulations on the establishment of equal opportunities and the equality of genders. The harmony referred to above is checked when investigating applications for grants and when the instructions are implemented. The control is exercised by the EQUAL Managing Authority and National Support Structure will execute the tasks related to the above mentioned control. The EQUAL Community Initiative is being executed in full conformity to the Community policies.

### **7.6.2.1 *Public Procurement***

During the implementation of measures financed by Structural Funds, the Managing Authority must make sure that the Hungarian Public Procurement Act and the related implementation decrees are complied with.

For this purpose the Managing Authority monitors that:

- The requirement of national treatment is enforced in the area of public procurement in line with our international treaties.
- A separate chapter in support agreements contains provisions on verifying the public procurement procedure.
- The reports compiled by beneficiaries contain a description of how public procurement rules were enforced. No payment shall be done in lack of the required public procurement procedure.
- In the course of the multilevel controlling process experts of proper competencies will review the documents certifying compliance with public procurement rules.
- The announcement on the public procurement procedure shall be published in the Official Journal of the European Union and 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 for men and women in public procurement procedures even if the value of the given public procurement does not reach the community value limit.

### **7.6.2.2 *Equal opportunities***

Mainstreaming equal opportunities is a horizontal principle of Structural Funds interventions. Its implementation will be considered and closely monitored in the process of implementation and evaluation of the programme. All these require adequate monitoring indicators, data collection, implementation procedures and guidelines which will primarily be ensured through the technical assistance priority.

To ensure that this principle is taken into account at all levels of implementation the following key measures will be taken:

- Applicants for Structural Funds assistance must prove how their project 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);
- Using technical assistance to raise awareness of equal opportunities and for monitoring the outcome of operations, results and effects;
- Reports on operations linked to equal opportunities in the annual reports of the EQUAL Community Initiative;
- Ensuring a balanced gender representation in the Monitoring Committee.

#### **7.6.2.3     *Sustainable growth***

In addition to ensuring that the developments implemented within the frameworks of the Structural Funds cause no damage to the environment, it is significant that the financial resources available are planned to be used for the purpose of achieving a wider range of environmental effect, but adapting the changes to the mode of operation of the industries and the regional actors, and thus Hungary's sustainable growth can be supported.

Although there are no specific environmental measures in the EQUAL Community Initiative Programme, sustainable growth is a cross-cutting principle in the EQUAL Community Initiative which will be implemented through the following implementing arrangements:

- The projects are assessed from the aspect of environmental impact before approved to ensure that environmental considerations are taken into account in the selection;
- Projects which have more to offer from the environmental aspect, which rationally utilise natural resources, promote environmental products and services, etc. will be prioritised during the evaluation;
- Higher value is given to Projects targeting brown field investments and derelicted buildings will be preferred;
- Guidance on promoting sustainable growth will be provided to applicants;
- The invitation of policy and interest group representatives into the Monitoring Committees;
- Using of technical assistance for performing monitoring tasks related to sustainable growth;
- Reporting on environmental operations in the annual reports.

#### **7.6.2.4     *Competition policy***

Article 12 Regulation 1260/1999/EC stipulates that the operations financed from Structural Funds must meet the provisions of the Contract, the legal tools taken over as specified, as well as the Community policies and procedures, including the regulations on competition. Such conformity is checked when assessing the applications for grant and when the measures are executed. The National Support Structure with the full responsibility of the EQUAL Managing Authority perform the control. The EQUAL Community Initiative is realised in full conformity to the Community policies. The development of the EQUAL Community Initiative Programme takes place by taking into consideration the Community instructions on

state subsidies. The provisions on competition regulations stated in Article 87-88 of the Contract are fully adhered to.

According to Article 9, Section m), Article 18, Section 2, subsection b) and Article 19, Section 3, subsection b), the EQUAL Community Initiative Programme contains a summary description on the measures taken to realise the priorities and according to the provision of Article 87 of the Contract it also contains information on the state subsidies to be controlled. In order to meet the above legal regulations, the Hungarian authorities list as measures the state subsidies in the form specified by the Committee. As a general rule the above list contains all types of state subsidies the Committee acknowledged and approved, which are used as co-financing to various measures of the programmes.

The modification in June 2002 of Act XXXVIII of 1992 on public finances generally banned state subsidies. The new Government Decree 163/2001 (IX.14.) contains the exceptions from the ban of state subsidy to companies, in conformity to Community regulations. The minister of finance is responsible for ensuring that, in Hungary, state subsidies are provided in compliance to the Community's rules on state subsidies.

In addition to the announced and approved state subsidies, state subsidies provided within the frameworks of measures and ad-hoc type subsidies either fit to the "de minimis" regulation or, after approval their application takes place on the basis of comprehensive legal regulation or on the basis of some guideline or framework regulation.

According to the Council Regulation (EC) No 944/980 of May, 1998, OJ L 142 of 14.05.98 the Commission may accept certain measures, which declare that certain categories of state aid may meet the principle of common market in a compatible way. In case of these certain categories of state aid, the article (3) 88 of the General Regulation does not apply. Therefore four areas of exemption are defined as follows:

- „De minimis” (Commission Regulation (EC) No 69/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid OJ L 10, 13.01.2001, pages 30-32)”De Minimis”
- Small and Medium Enterprises (Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises OJ L 10, 13.01.2001, pages 33-42)
- Support for training (Commission Regulation (EC) No 68/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid OJ L 10, 13.01.2001, pages 20-29)
- Employment Support (Commission Regulation (EC) No 2204/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment OJ L 337, 13.12.2002. pages 3-14)

#### *“De Minimis”*

According to the conditions specified in the “de minimis” regulations, no notification has to be sent on subsidies meeting the conditions stated in those regulations and no advance approval is needed for them. The upper limit of the subsidies coming under the effect of the “de minimis” rule is EUR 100,000 for three-year periods. The upper limit relates to the total “de minimis” subsidy and does not prevent the beneficiary from obtaining also other subsidies approved by the Commission. The “de minimis” rule does not apply to state subsidies to agricultural products.

A national information technology system of adequate level (OTMR) had been established, which ensures that the total subsidy of various types provided under the “de minimis” rule to beneficiaries does not surpass the sum of EUR 100,000 during any three-year period. All the data on all projects financed from the Structural Funds are entered into the system.

#### *Block exemptions*

By Council Regulation on the application of Articles 92 and 93 of the EC Treaty to certain categories of horizontal State aid (Council Regulation (EC) No 994/98 of 7 May 1998, OJ L142 of 14.05.98), the Commission has been enabled to adopt regulations declaring certain categories of State Aid compatible with the common market and exempting them from the notification requirements laid down in Article 88(3) of the EC Treaty. At the same time, this regulation has provided a legal basis for the “de minimis” rule.

Four block exemptions have been adopted, from these the HRD OP is involved in the following two regulations of block exemptions on Training Aid and Employment Aid:

Training Aid (Commission Regulation (EC) No 68/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid OJ L 10, 13.01.2001, pages 20-29)

Employment Aid (Commission Regulation (EC) No 2204/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment OJ L 337, 13.12.2002, pages 3-14)

#### *Guidelines and framework regulations*

Apart from subsidies coming under the effect of the „de minimis” rule or comprehensive release, it is possible to determine horizontal, regional or industrial state subsidies on the basis of some guideline or framework regulations. In the period between 2004 and 2006 Hungary as a whole will become entitled to regional grant on the basis of Article 87, Section 3, subsection a). Although all regions will be entitled to grants, different grant-intensity maximum values had been determined for the various regions (map on state subsidies). Certain industrial sectors have separate information supply obligations on state subsidies, such as the coal and metal industries, the sector of chemical fibres, the vehicle industry, ship building, transport, agriculture, fishing and water management

#### *Major projects*

According to Article 88, Section 3 of the EU Contract, the Commission must be notified in the case of large development projects on all proposals on subsidy to regional investments which takes place on the basis of approved subsidy system or within the frameworks of ad hoc grants and any of the following two criteria is met:

- The total cost of the project is minimum EUR 50 million (EUR 15 million in the case of projects in the textile or clothing industries) and the accumulated subsidy-intensity expressed in percentage of the eligible costs is minimum 50% of the regional subsidy limit applying to the large companies in the given region, and the subsidy per newly established or retained subsidy per work place is minimum EUR 40,000 (EUR 30,000 in the case of the textile and clothing industries);
- The total sum of subsidy reaches EUR 50 million.

#### *Monitoring related to state aids*

Generally speaking, all state subsidies are monitored by the State Aid Monitoring Office operating in the Ministry of Finance. In the case of operations related to the EQUAL Community Initiative, the EQUAL Managing Authority, the National Support Structure and

Hungarian State Treasury (MÁK) are responsible for conformity to the regulations on state subsidies when selecting the projects, approving payments and performing on-site control. The annual implementation reports detail the measures which ensure that all operations are in conformity to the rules on state aids.

## **7.7 REPORTING**

In accordance with Section 34(2) of Regulation No. 1260/1999, each member state shall agree with the European Commission on the scheduling and contents of final and annual programme reports. Each annual and final report will be examined and approved by the Monitoring Committee of the EQUAL Community Initiative before it is sent on to the Commission.

A certain homogeneity in the annual reports of the various member states is desirable for the appropriate monitoring of the overall implementation of the Initiative and to co-ordinate the networking efforts at a European level. The unified monitoring system and the unified system of annual reports would largely support the proper implementation of the EQUAL Community Initiative.

The quantitative minimum common data concerning implementation, to be transmitted at the time of submitting the annual report, will be covered by the transmission to the ECDB (Annex B). The other relevant indicators of situation, result or impact, as anticipated by this CIP, will also be communicated, by means of the annual report.

As the implementation of EQUAL is progressive, a common format for the annual reports cannot be determined in advance. Each year, in good time, before the deadline for submission, a common structure for the annual reports will be determined in close co-operation between the Commission and the representatives of the Managing Authorities. This common structure by no means prevents the Managing Authority and the Monitoring Committee from adding to the annual report any further element that it will judge relevant.

## **7.8 INFORMATION AND PUBLICITY**

The EQUAL Managing Authority will be responsible for setting up an information system relating to the EQUAL Community Initiative, in compliance with Regulations No. 1260/1999 and 1159/1999. Therefore the EQUAL Managing Authority, in conjunction with the National Support Structure, will ensure that participants are supplied with preliminary, on-going and subsequent information through a properly developed Communication Strategy in the process of tender management in order to comply with publicity requirements.

Each document published and each public appearance through any communication channel should transmit the identity of the Hungarian EQUAL Community Initiative in a unified and accepted language and through visual means. This provision will be set out in the Communication Strategy and in the Development Partnership Agreements to be entered into with the DPs at the level of the Managing Authority, the National Support Structure and the DPs.

During the tendering process, by ensuring preliminary, on-going and subsequent information supply, the Managing Authority will guarantee compliance with the principle of equal access to information and transparency. The National Support Structure will be responsible for notifying the selected projects, also disclosing the scores of participants, as well as for informing winners and non-winners alike about their opportunities relating to the proposals subsequent to the evaluation and decision.

Further information and implementation rules on publicity, including the detailed EQUAL Communication Strategy, will be included in the Programme Complement.

### ***7.9 CO-OPERATION WITH THIRD COUNTRIES***

In the context of the implementation of the EQUAL Community Initiative, co-operation may also extend to similar projects supported in a non-EU-member state eligible for funding under the PHARE, TACIS, MEDA or CARDS programmes.

## **8 FINANCIAL ISSUES**

### **8.1 FINANCIAL PLAN**

In the period between 2004 and 2006, Hungary will use ESF resources at the amount of 26.8 million Euros<sup>43</sup> in the framework of the EQUAL Community initiative, which amount will be supplemented with Hungarian co-financing at the amount of 8.9 million Euros.

The indicative split-up of financial resources by each priority and subject is described in Section 4.3 and the split-up among the various elements of implementing the programme is given in Chapter 6.

A detailed financial table is included in Annex A. The amounts featuring in the financial table represent the level of commitment, and the actual payments will depend on the schedule of implementing the projects.

### **8.2 CO-FINANCING**

Each region of Hungary is associated with objective 1. Accordingly, the ratio of national co-financing regarding each priority of the programme is 25 per cent. The total amount of national co-financing is provided by the central budget.

### **8.3 ELIGIBILITY OF ACTIVITIES**

The range of activities that can be supported from the European Social Fund is determined by Article 3 of the ESF Regulation<sup>44</sup>. However, by virtue of Article 21 (2) of the General Regulation<sup>45</sup>, and in accordance with Article 5 (2) of the ESF Regulation, in the framework of Community initiatives, the decisions about ESF support may extend to activities eligible under the ERDF, EAGGF and FIFG rules<sup>46</sup>. This may allow for maximising the effectiveness of activities under EQUAL through supporting synergistic activities eligible under different funds.

With the aim of promoting economic and social cohesion and the creation of sustainable jobs the scope of eligible activities under EQUAL may extend to the following activities eligible for ERDF or EAGGF contribution:

- Support to local development and employment initiatives and the activities of small and medium-sized enterprises, including:
  - the provision of infrastructure on a scale appropriate to local and employment development,
  - aid for structures providing neighbourhood services to create new jobs;
- Elimination of barriers of the built environment to ensure equal access for all people;

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<sup>43</sup> At the 1999 euro exchange rate.

<sup>44</sup> (EC) No 1784/1999

<sup>45</sup> (EC) No 1260/1999

<sup>46</sup> (EC) No 1783/1999, No 257/1999 and No 1263/1999 respectively.

- Creation and development of infrastructure or services enabling the reconciliation of family and working life (e.g. day-care services for children or other dependant persons);
- Promotion and development of employment and social services aimed at improving the employability of disadvantaged persons;
- Investment in the infrastructure of education and training;
- Activities promoting the creation and reservation of jobs in rural areas, including:
  - creation of services for the rural economy and population (e.g. promoting access to the information society),
  - diversification of agricultural activities and activities related to agriculture to provide alternative incomes for the rural population,
  - promotion of craft activities.

The financing of the above activities will be subject to an assessment of individual projects by the Managing Authority. In all projects under EQUAL, emphasis should be placed on supporting the activities corresponding to the objectives of the ESF. Activities eligible under ERDF and EAGGF may only have a complementary role and should have an added value.



## 9 DATA COLLECTION

### 9.1 CONSOLIDATION OF DATA AT A EUROPEAN LEVEL

To facilitate the transnational work of the DPs, to allow the co-ordination of the programmes at European level and to satisfy the needs, in particular as regards monitoring and evaluation, Hungary will take part in the common electronic system of data collection set up by the Commission for the specific management of the EQUAL Initiative called: EQUAL Common Database (ECDB).

On the basis of preparatory work between the Commission and the Member States, precise fields were identified. Set out in Annex C, they constitute the exhaustive<sup>47</sup> list of the common quantitative data to be transmitted at the European<sup>48</sup> level. In addition to this data consolidated at European level, the DPs will in addition be required to transmit complementary data intended for the national level alone and summarised in the annex (Article 62 of the EQUAL guidelines).

The Managing Authority will collect the physical data from the DPs on the basis of regular (quarterly) monitoring reports. It will transfer the data concerning the DPs as well as those collected at the level of the programme, to the ECDB, on the basis of the technical protocols defined by the Commission. The data on Actions 1, 2 and 3 will be updated continuously by the Managing Authority and will be transferred to the Commission at least once per week. The data relating to the annual report will be transmitted at least once a year and at the latest on 30 June following the reference year.

The Commission, by means of suitable computer systems, will make available on the Internet the essence<sup>49</sup> of the information transmitted by the Member States. This will make it possible to consult the activities of each DP at individual level, as well as the consolidated situation concerning implementation at the level of all the programmes.

For the closed fields (typologies), the Commission's application will allow consultation of the fields useful for transnational co-operation in all the official languages. The Managing Authority will make the necessary provisions in order that the open fields (text fields) are translated at least into English (in addition to Hungarian).

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<sup>47</sup> Except financial information included in the "Vademecum for the Plans and Programming documents of the Structural Funds" which will be collected by the SFC database.

<sup>48</sup> This list will be finalised at the time of the adoption of the CIP. Depending on the implementation of EQUAL and of the start of the evaluation work, it could require certain modifications. These will be made only according to technical feasibility and by agreement with the representatives of the various Managing Authorities.

<sup>49</sup> On the basis of decisions taken in a concerted way, access to certain fields could be restricted.

## 10 EVALUATION

During the implementation of the EQUAL Community Initiative, the evaluation procedures will be implemented at three separate levels:

- Project level
- National level
- European Union level

This chapter will describe the implementation of evaluation at national level. The object of the evaluation on national level is the Community Initiative Programme of Hungary, the responsible body is the Managing Authority.

### 10.1 *EX ANTE EVALUATION*

The ex ante evaluation needs to be implemented based on Article 41 of Regulation 1260/1999/EC. The ex ante evaluation was prepared during the preparation of the EQUAL Community Initiative Programme, and the results of the ex ante evaluation were built into the actual CIP. The evaluation was carried out by independent (external and internal) evaluators.

The evaluators worked in close cooperation with the officials responsible for the planning of the CIP and join the planning procedure at the earliest stage possible. The evaluators were provided CIP specific knowledge and information necessary for carrying out ex ante evaluation.

The Terms of Reference for ex ante evaluation comprises the exact requirements regarding to the technical content of the evaluations and expectations of the Managing Authority. The elements listed below will be integral parts of the ex ante evaluation of the CIP:

- An analysis of strengths, weaknesses, opportunities and threats (SWOT) with regard to the position of disadvantaged groups on the labour market, taking into account priorities from the NAPs;
- An analysis to see whether the strategy is consistent with the results of the problem analysis;
- The expected impact of the selected thematic fields;
- Complementarities with ESF mainstream programmes.

Taking into account the specificity of the EQUAL Community Initiative, some specific analysis will be undertaken:

- Analysis of labour market discriminations;
- Innovation in the labour market;
- Characteristics of local actors (public, private, NGOs, etc);
- Situation of asylum seekers.

## **10.2 MID-TERM EVALUATION**

The mid-term evaluation of the programme shall be carried out by Member States on the basis of Article 42 of Council Regulation 1260/1999 in two stages. The evaluation procedure of the EQUAL Initiative stipulates that present Member States carry out their mid-term evaluation.

Since the first stage of mid-term evaluation will take place in the year 2003, prior to the date of accession, the Acceding Countries, including Hungary, are not obliged to make an mid-term evaluation with regard to the shortened programming period. Nevertheless, the Managing Authority will manage an interim evaluation of the programme. Although there will be a procedure for getting continuous feedback on the operation and progress of the programme by the monitoring system, there is a distinct demand to provide justifiable input for future strategic planning and to facilitate the implementation of the present programme.

The method and the aim of this interim evaluation is practically the same as in the case of a mid-term evaluation. Thus the interim evaluation of the programme covers both its impact on the labour market situation and the efficiency of the implementation structure. In line with the special partnership approach of EQUAL the interim evaluation closely examines and analyses the ways partnerships are formed and operated.

The interim evaluator team could use a broad range of information to evaluate the programme. This information comes from the data derived from monitoring system, from the analysis of the programme documents and from interviews with the beneficiaries and stakeholders of the programme as well. Furthermore the results from the Development Partnerships' self-evaluations are an important source of information for evaluation.

The procurer of the interim evaluation is the Managing Authority. The Managing Authority coordinates all the evaluation work (preparing the terms of reference, procurement procedure, selection of independent evaluators, coordination, etc.). The evaluation procedure is leaded by the person who is responsible for the evaluations at the Managing Authority.

Similarly to the ex ante evaluation, the implementation of the interim evaluation to be carried out on the basis of procedural rules is the responsibility of the Managing Authority. The requirements considering the content of the evaluation and professional expectations shall be specified in a Terms of Reference, but the evaluation must address the following topics:

- socio-economic context,
- conditions of implementation,
- changes in the management of the programme,
- nature of activities supported,
- specific activities at the level of themes and/or Actions,
- outcomes,
- impact.

During the implementation of the interim evaluation two aspects should be taken into consideration:

- relevant experience and results on the programme are needed,
- sufficient time is needed before the end of the programme to make the necessary modifications on the programme implementation and programme management after the recommendations of the evaluation.

Due to these two stipulations now it seems that the interim evaluation of the programme should be finalized until 30 June 2005 at latest.

The interim evaluation is a cooperative and interactive work. The evaluators consult the Managing Authority continuously, give results and get feed back from it.

Depending on the results of the interim evaluation there will be a possibility to modify some certain elements of the programme. The evaluation shall analyse stressfully the relevance and effectiveness of the programme, and in addition the question of the effectiveness as well.

The interim evaluation shall answer the following main questions among others:

- does the programme's achievements match to the expectations?
- quality of indicators (appropriate)
- what are the limits of the implementation?
- is the trend of the programme proper?
- does the programme reach the aimed target group?
- change in costs
- quality of project selection procedures
- the effects of the major changes in the environment
- connection with other programmes

A crucial part of the final evaluation report is the chapter of conclusions and recommendations. These statements have to be obvious and answer to the questions of the evaluation. A detailed reason has to be given if there is no answer to any question. In the final evaluation report is not acceptable a simple assignment of the conclusions; their connections have to be analysed in the report.

The Managing Authority checks the quality of the reports considering the following questions:

- Meeting needs
- Relevant scope
- Defensible design
- Reliable data
- Sound analysis
- Credible results
- Impartial conclusions
- Clear report

The evaluation reports will be approved finally by the Monitoring Committee.

Have to be provided for executing the recommendations stated in the evaluation report. Toward this effort the Managing Authority will write up an action plan and will audit its implementation by the responsible bodies.

The final and approved evaluation report and the action plan are public documents. Moreover the Managing Authority informs the publicity about the fulfilments of each points of the action plan.

### **10.3 EX-POST EVALUATION**

It is the responsibility of the Commission that Member States implement an ex-post evaluation of the programme on the basis of the results of previous evaluations.<sup>50</sup> The ex-post evaluation of the Hungarian EQUAL programme shall be carried out by external evaluators in cooperation with the Managing Authority and will be concluded in three years after the close of the programme.

The ex-post evaluation shall cover the utilisation of resources and the effectiveness and efficiency of the assistance and its impacts. It shall draw conclusions regarding policy on economic and social cohesion. It shall cover the factors contributing to the success or failure of implementation and the achievements and results, including their sustainability.

The principal objective of the ex post evaluation is the analysis of the impact of the programme and to what extent the results achieved correspond to the objectives of the programme.

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<sup>50</sup> See Article 43 of Council Resolution 1260/1999



## **ANNEX**





## ANNEX A INDICATIVE FINANCIAL TABLE

Commission Reference No Operational Programme:  
Title: Community Initiative EQUAL – HUNGARY

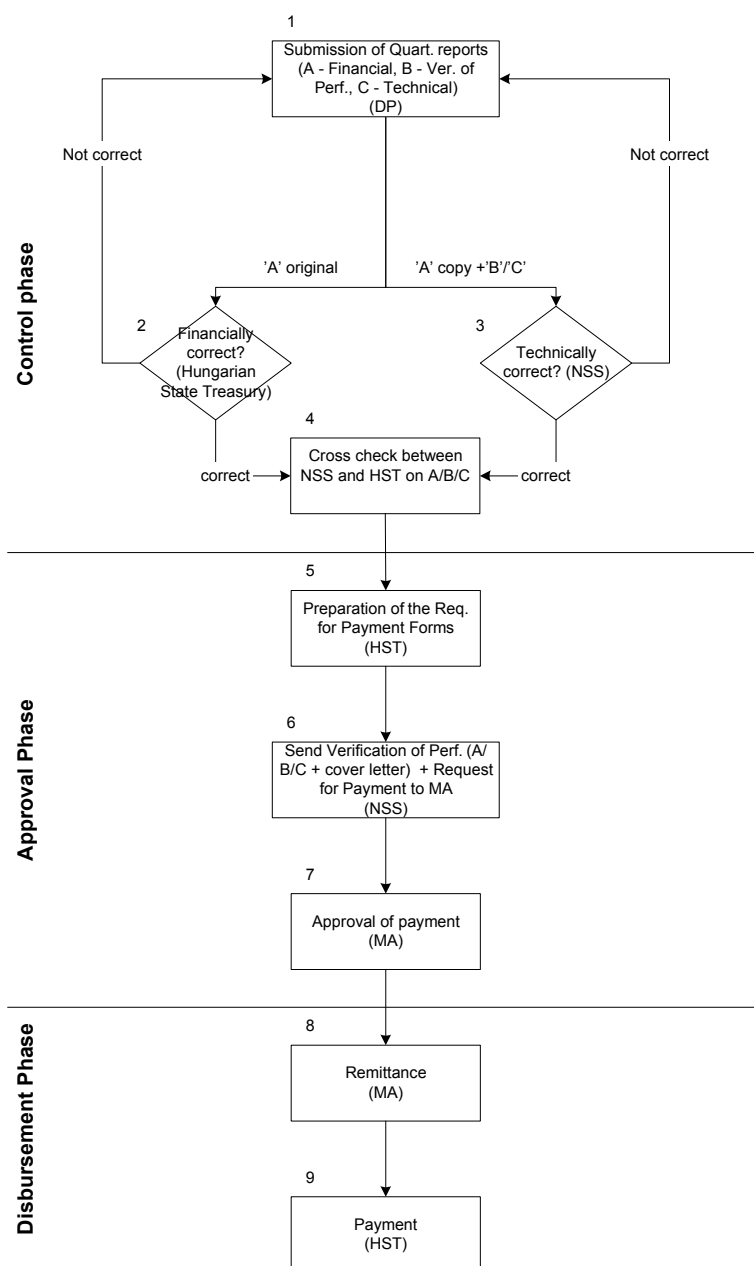
meuro

Priority/year	Total eligible cost	Total public eligible cost	ESF participation	National public participation					Private eligible cost (est.)	Revenue (est.)
	(2+9+10)	(3+4)		Total (5+6+7)	Central	Regional	Local	Other		
	1	2	3	4	5	6	7	8	9	10
<b>Priority 1 (Pillar 1)</b>	<b>14,46485</b>	<b>14,46485</b>	<b>10,84864</b>	<b>3,61621</b>	<b>3,61621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2004	0,72324	0,72324	0,54243	0,18081	0,18081	0	0	0	0	0
2005	5,78594	5,78594	4,33946	1,44648	1,44648	0	0	0	0	0
2006	7,95567	7,95567	5,96675	1,98892	1,98892	0	0	0	0	0
<b>Priority 2 (Pillar 2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2004	0	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0	0	0
<b>Priority 3 (Pillar 3)</b>	<b>13,14987</b>	<b>13,14987</b>	<b>9,86240</b>	<b>3,28747</b>	<b>3,28747</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2004	0,65749	0,65749	0,49312	0,16437	0,16437	0	0	0	0	0
2005	5,25995	5,25995	3,94496	1,31499	1,31499	0	0	0	0	0
2006	7,23243	7,23243	5,42432	1,80811	1,80811	0	0	0	0	0
<b>Priority 4 (Pillar 4)</b>	<b>2,95872</b>	<b>2,95872</b>	<b>2,21904</b>	<b>0,73968</b>	<b>0,73968</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2004	0,14794	0,14794	0,11095	0,03698	0,03698	0	0	0	0	0
2005	1,18349	1,18349	0,88762	0,29587	0,29587	0	0	0	0	0
2006	1,62730	1,62730	1,22047	0,40682	0,40682	0	0	0	0	0
<b>Priority 5 (Asylum seekers)</b>	<b>2,30123</b>	<b>2,30123</b>	<b>1,72592</b>	<b>0,57531</b>	<b>0,57531</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2004	0,11506	0,11506	0,08630	0,02877	0,02877	0	0	0	0	0
2005	1,15062	1,15062	0,86296	0,28766	0,28766	0	0	0	0	0
2006	1,03555	1,03555	0,77666	0,25889	0,25889	0	0	0	0	0
<b>Technical Assistance</b>	<b>2,85867</b>	<b>2,85867</b>	<b>2,14400</b>	<b>0,71467</b>	<b>0,71467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2004	0,57173	0,57173	0,42880	0,14293	0,14293	0	0	0	0	0
2005	1,14347	1,14347	0,85760	0,28587	0,28587	0	0	0	0	0
2006	1,14347	1,14347	0,85760	0,28587	0,28587	0	0	0	0	0
<b>Total</b>	<b>35,73334</b>	<b>35,73334</b>	<b>26,80000</b>	<b>8,93334</b>	<b>8,93334</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Intervention rate for 2004-2006 is 75%. Technical Assistance is also at 75% intervention rate for all years.



## **Equal CIP Implementation in Hungary**





## ANNEX C DATA TO BE COLLECTED FOR THE EQUAL COMMON DATABASE

### A. General information (ongoing information)

FIELDS		Type of data / Items...
A1.	<b>Id Codes</b>	European = Country + national ID  <i>Each DP receives a unique code at European level. It is made up of a maximum of 4 letters identifying the Member State and x characters as decided by the Member State.</i>
A2.	<b>Status of the application</b>	<i>Indicate the status of the application in MS</i> Multiple choice Action 1 and/or Action 2 <input type="checkbox"/> in selection process <input type="checkbox"/> approved for action 1 <input type="checkbox"/> approved for action 2 <input type="checkbox"/> project ended

### B. Action 1 : Set up of the Development Partnership (ongoing information)

B1.	<b>Dates</b>	<input type="checkbox"/> Application date : date field <input type="checkbox"/> Selection date for action 1 : date field
B2.	<b>Title of the DP' project</b> National language	Text field – max 80 characters  <i>Simple &amp; short Can be modified during action 1</i>
B3.	<b>Title of the DP' project</b> International characters	Text field – max 80 characters  <i>Latin alphabet without accented letters...</i>
B4.	<b>Partners to be involved</b>	<i>For each Item, click in the list of the <a href="#">members</a></i> Concerns DP initiators <input type="checkbox"/> Partner 1 <input type="checkbox"/> Partner 2 <input type="checkbox"/> Partner ...n
B5.	<b>DP's managing organisation</b>	One choice in the table of the partners  <i>Concerns the partner who has administrative and financial responsibility within the DP. If the DP has its own legal constitution, that structure will be identified in the list of partners. Click in the list of the <a href="#">members</a></i>
B6.	<b>Other responsibilities – contacts</b>	<i>For each item, click in the list of the <a href="#">members</a></i> <input type="checkbox"/> Design of the project <input type="checkbox"/> Co-ordination of experimental activities <input type="checkbox"/> Monitoring, data collection <input type="checkbox"/> Evaluation <input type="checkbox"/> Transnational partnership
B7.	<b>EQUAL Theme – Measure</b>	Max 1 choice <input type="checkbox"/> Employability - Access to the labour market <input type="checkbox"/> Employability - Combating racism <input type="checkbox"/> Entrepreneurship - Business creation <input type="checkbox"/> Entrepreneurship - Social economy

		<input type="checkbox"/> Adaptability - Life long learning <input type="checkbox"/> Adaptability - Information technology <input type="checkbox"/> Equal opportunities – Reconciling family and professional life <input type="checkbox"/> Equal opportunities - Reducing gender gaps <input type="checkbox"/> Asylum seekers
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B8.	<b>Sub-themes</b>	<p>This field is foreseen in the ECDB. The content and the codification will be developed in a second step according to sub-themes coming up from practice. The codification could be set up manually, with help of each NSS.</p> <p>This field is not a compulsory part of the national database</p>
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B9.	<b>Geographical/sectoral</b>	<p>Max 1choice</p> <p><i>Size of the geographical area linked with a Nuts table</i></p>
	<b>If geographical</b>	<input type="checkbox"/> Rural area <input type="checkbox"/> Urban area <input type="checkbox"/> Town, city <input type="checkbox"/> Travel to work area <input type="checkbox"/> .....
	<b>If sectoral</b>	<p>Max 1choice</p> <ul style="list-style-type: none"> <li>• Economic sector : <ul style="list-style-type: none"> <li><input type="checkbox"/> Agriculture</li> <li><input type="checkbox"/> Industrial</li> <li><input type="checkbox"/> Services</li> </ul> </li> <li>• <input type="checkbox"/> Specific discrimination and inequality problems</li> </ul>

B10.	<b>DP's status</b>	Max 1 choice
	Legal form	<input type="checkbox"/> Association without legal form <input type="checkbox"/> Non-profit making organisation <input type="checkbox"/> Consortium <input type="checkbox"/> ....
	Pre-existing partnership (before Equal)	<p>Max 1choice</p> <input type="checkbox"/> No <input type="checkbox"/> Yes <ul style="list-style-type: none"> <li><input type="checkbox"/> ≤ 2 years</li> <li><input type="checkbox"/> &gt; 2 years</li> </ul>
		Text field : explanation of the pre-existing partnership

B11.	<b>DP linguistic skills</b>	4 Scroll down menus
		<p>1° Choice : en/fr/de/it/es/pt/sv/fi/da/nl/el/hu/pl/cz/sk/...</p> <p>2° Choice : en/fr/de/it/es/pt/sv/fi/da/nl/el/hu/pl/cz/sk/...</p> <p>3° Choice : en/fr/de/it/es/pt/sv/fi/da/nl/el/hu/pl/cz/sk/...</p> <p>4° Choice : en/fr/de/it/es/pt/sv/fi/da/nl/el/hu/pl/cz/sk/...</p>

B12.	<b>DP's background in CI</b>	Max 1choice
		<input type="checkbox"/> One partner involved in ADAPT/EMPLOYMENT <input type="checkbox"/> Two and more partners involved in ADAPT/EMPLOYMENT <input type="checkbox"/> Nobody involved in ADAPT/EMPLOYMENT

B13.	<b>Rationale for the DP</b>	<p>§33 Rationale for the partnership, diagnosis of the problem to be addressed and explanation of how the needs of all the potential beneficiary groups will be taken into account</p> <p>Text field: Max 3 000 character.</p>
		Text field: Translation in English and optionally in other(s) language(s) (provided by DP or Member State).

B14.	<b>Objectives of the DP</b>	<p>Response to the rationale; objectives of the partnership</p> <p>Text field : Max 2 000 character.</p>
		Text field: Translation in English and optionally in other(s) language(s) (provided by DP or Member State).

B15.	<b>Nature of the experimental activities to be implemented</b>	Multiple choice.			
		+	++	++	++
	<input type="checkbox"/> Assistance to persons <ul style="list-style-type: none"> <li><input type="checkbox"/> Training</li> <li><input type="checkbox"/> Reception, orientation</li> <li><input type="checkbox"/> Guidance and counselling</li> <li><input type="checkbox"/> Work placement</li> <li><input type="checkbox"/> employment aids (+ for self-employment)</li> </ul> <input type="checkbox"/> Assistance to structure and systems and accompanying measures <ul style="list-style-type: none"> <li><input type="checkbox"/> Employment creation and support</li> <li><input type="checkbox"/> Training of teachers, trainers and staff</li> <li><input type="checkbox"/> Improvement of employment services</li> <li><input type="checkbox"/> Conception for training programmes</li> <li><input type="checkbox"/> Anticipation</li> <li><input type="checkbox"/> Awareness raising, information, publicity</li> <li><input type="checkbox"/> Studies and analysis of discrimination features</li> <li><input type="checkbox"/> ...</li> </ul>				

B16.	<b>Innovation</b>	Multiple choice			
		+	++	++	++
	<input type="checkbox"/> Process-oriented <input type="checkbox"/> Goal-oriented <input type="checkbox"/> Context oriented				
	Text field				

B17.	<b>Beneficiaries</b>	Multiple choice in each section			
		<i>In percentage</i>			
	<input type="checkbox"/> <b>Assistance to persons</b>	M	F		
	<input type="checkbox"/> Unemployed <input type="checkbox"/> Employed <input type="checkbox"/> Others (without status, social beneficiaries...)				
		100	100		
	<input type="checkbox"/> Migrants <input type="checkbox"/> Ethnic minorities <input type="checkbox"/> Gypsies, travellers <input type="checkbox"/> Asylum seekers <input type="checkbox"/> Others				
		100	100		
	<input type="checkbox"/> Physical Impairment <input type="checkbox"/> Mental Impairment <input type="checkbox"/> Mental Illness <input type="checkbox"/> Others				
		100	100		
	<input type="checkbox"/> Substance abusers <input type="checkbox"/> Homeless <input type="checkbox"/> (Ex-)prisoners <input type="checkbox"/> Other discriminated (religion, sexual orientation) <input type="checkbox"/> Others				
		100	100		
	<input type="checkbox"/> < 25 year <input type="checkbox"/> 25 – 50 year <input type="checkbox"/> > 50 year				
		100	100		
	<input type="checkbox"/> <b>Assistance to structure and systems and accompanying measures</b>	+	+	+	+
	<input type="checkbox"/> Unemployment <input type="checkbox"/> Discrimination and inequality in employment <input type="checkbox"/> Racial discrimination <input type="checkbox"/> Asylum <input type="checkbox"/> Disabilities <input type="checkbox"/> Low qualification <input type="checkbox"/> Gender discrimination <input type="checkbox"/> Other discriminations				

B18.	<b>Empowerment dimension</b>	
	1° National partners	Text field: max 800 character Text field: optionally, translation in English
	2° Beneficiaries	Multiple choice
		<input type="checkbox"/> Promoting individual empowerment <input type="checkbox"/> Developing collective responsibility and capacity for action <input type="checkbox"/> Participation in the project design <input type="checkbox"/> Participation in running and evaluating activities <input type="checkbox"/> Changing attitudes and behaviour of key actors
		Text field: max 800 character
		Text field: optionally, translation in English

B19.	<b>ESF budget requested</b>	Max. one choice
		Total requested Budget for action 1 and 2 for the duration of the DP (ESF + national) <input type="checkbox"/> < 250 000 € <input type="checkbox"/> 250 000 – 500 000 € <input type="checkbox"/> 500 000 – 1 000 000 € <input type="checkbox"/> 1 000 000 – 1 500 000 € <input type="checkbox"/> 1 500 000 – 2 000 000 € <input type="checkbox"/> 2 000 000 – 5 000 000 € <input type="checkbox"/> > 5 000 000 €
		% of total budget for transnational activities

B20.	<b>Searching transnational partners</b>	Max one choice
		<input type="checkbox"/> Yes <input type="checkbox"/> No

B21.	<b>Transnational co-operation intended or searched</b>	Multiple choice	+	+	+	+
		- Exchange of information and experiences - Parallel development of innovative approaches - Import, export or adoption of new approaches - Joint development - Exchange of trainees/trainers/staff				
		Text field				
		Text field: Translation in English and optionally in other(s) language(s) (provided by DP or Member State).				

B22.	<b>Transnational co-operation – Preferences</b>	Multiple choice
		<input type="checkbox"/> Bfr <input type="checkbox"/> Bnl <input type="checkbox"/> Dk <input type="checkbox"/> D <input type="checkbox"/> EL <input type="checkbox"/> E <input type="checkbox"/> F <input type="checkbox"/> Irl <input type="checkbox"/> I <input type="checkbox"/> L <input type="checkbox"/> NI <input type="checkbox"/> A <input type="checkbox"/> P <input type="checkbox"/> Fin <input type="checkbox"/> S <input type="checkbox"/> Ukgb <input type="checkbox"/> Ukni <input type="checkbox"/> candidate countries <input type="checkbox"/> other countries <input type="checkbox"/> no preferences

B23.	<b>Last update on action 1</b>	<input type="checkbox"/> Date field
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### C. Members of the DP (ongoing information)

C1.	<b>Name</b>	Text field
C2.	<b>Acronym</b>	(not compulsory) Text field
C3.	<b>Address</b>	Text field <i>link with postcode (nuts) and country</i>
C4.	<b>Tel</b>	Text field
C5.	<b>Fax</b>	Text field
C6.	<b>Email</b>	Text field
C7.	<b>Web site</b>	Text field



C8.	<b>Type of organisation</b>	Max one choice
		<input type="checkbox"/> Public authority (national, regional, local) <input type="checkbox"/> Enterprise <input type="checkbox"/> Employers' organisation <input type="checkbox"/> Trade Union <input type="checkbox"/> Financial institution <input type="checkbox"/> Chamber of commerce/industry/crafts <input type="checkbox"/> Organisation providing support and guidance for disadvantaged groups <input type="checkbox"/> Employment services <input type="checkbox"/> Social economy enterprise <input type="checkbox"/> Social services <input type="checkbox"/> Education / training organisation <input type="checkbox"/> University / Research organisation <input type="checkbox"/> Consortium created for managing the DP <input type="checkbox"/> Other

C8b	<b>Type of organisation</b>	Description who the national partners are, what they do, their clients, the aim of the partner organisations, methodologies used etc... (not compulsory)
		Text field
		Text field: Translation in English and optionally in other(s) language(s) (provided by DP or Member State).

C9.	<b>Legal status</b>	Max one choice
		<input type="checkbox"/> Public organisation <input type="checkbox"/> Non-profit private organisation (including NGO...) <input type="checkbox"/> Semi-public organisation <input type="checkbox"/> Union, Confederation... <input type="checkbox"/> Co-operative <input type="checkbox"/> Private <input type="checkbox"/> Without legal status

C10.	<b>Contact person</b>	For each responsibility taken by the member			
			Name	Email	Tel
		<input type="checkbox"/> Administration and finance <input type="checkbox"/> Design of the project <input type="checkbox"/> Co-ordination of experimental activities <input type="checkbox"/> Monitoring, data collection <input type="checkbox"/> Evaluation <input type="checkbox"/> Transnational partnership <input type="checkbox"/> ... (open field) <input type="checkbox"/> ... (open field) <input type="checkbox"/> ... (open field)			

C11.	<b>Size of the organisation</b>	Max one choice
		<input type="checkbox"/> staff < 10 <input type="checkbox"/> staff 10 – 50 <input type="checkbox"/> staff 50 – 250 <input type="checkbox"/> > 250

C12.	<b>Date of joining DP</b>	Date field
C13.	<b>Date of leaving DP</b>	Date field

C14.	<b>Last update on the DP's member</b>	Date field
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## D. Action 2 : Implementation of the work programme (ongoing information)

D1.	<b>Dates</b>	<input type="checkbox"/> approval date for Action 2
D2.	<b>Title of the DP' project</b>	See Action 1
D3.	<b>Title of the DP' project (en)</b>	
D4.	<b>Partners involved</b>	<i>For each Item, click in the list of the <a href="#">members</a></i>
		DP members <input type="checkbox"/> Partner 1 <input type="checkbox"/> Partner 2 <input type="checkbox"/> Partner ...n
D6.	<b>DP's managing organisation</b>	
D7.	<b>Other responsibilities – contacts</b>	See Action 1
D8.	<b>EQUAL Theme – Measure</b>	See Action 1
D9.	<b>Sub-themes</b>	See Action 1
D10.	<b>Geographical/sectoral</b>	See Action 1
D11.	<b>DP's status</b>	See Action 1
D12.	<b>DP linguistic skills</b>	See Action 1
D13.	<b>DP's background in CI</b>	See Action 1
D14.	<b>Rationale for the DP</b>	See Action 1
D15.	<b>Objectives of the DP</b>	See Action 1
D16.	<b>Nature of the experimental activities to be implemented</b>	See Action 1
D17.	<b>Innovation</b>	See Action 1
D18.	<b>Targeted ultimate beneficiaries</b>	See Action 1
D19.	<b>Empowerment dimension</b>	See Action 1
D20.	<b>ESF budget</b>	See Action 1

D21.	<b>DP Agreement</b>	Text field : Summary of the DP agreement in max 1000 characters and, optionally, DP agreement in annexe.
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D22.	<b>Transnational partners</b>	Multiple choice
		<i>Click in the list of the Development Partnerships (cf. Id Code)</i> <input type="checkbox"/> Transnational partner 1 <input type="checkbox"/> Transnational partner 2 <input type="checkbox"/> Transnational partner ...n

D23.	<b>Transnational co-operation partnerships</b>	<i>Click in the European list of the transnational co-operation partnerships (section E)</i>
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D24.	<b>Last update on action 2</b>	<input type="checkbox"/> date field
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## E. Transnational co-operation partnerships (European level information)

E2.	<b>Name of the Transnational co-operation partnership</b>	To be developed
E1.	<b>Transnational Co-operation agreement</b>	To be developed
E3.	<b>DP assuring the secretariat</b>	<i>Click in the list of the Development Partnerships (cf. Id Code)</i>
E4.	<b>State of validation</b>	To be developed
E5.	<b>...</b>	

## F. Action 3 : Thematic networking (ongoing information)

F1.	<b>Participation in networking</b>	
	Participating in National networking	Multiple choice <input type="checkbox"/> Thematic field/network 1 <input type="checkbox"/> Thematic field/network 2 <input type="checkbox"/> Thematic field/network n
	Participating in European networking	Multiple choice <input type="checkbox"/> Thematic field/network 1 <input type="checkbox"/> Thematic field/network 2 <input type="checkbox"/> Thematic field/network n
F2.	<b>Interest in networking</b>	Text field max 1000 character
F3.	<b>Events</b>	Multiple choice + text field This field is foreseen in the ECDB. The content and the codification will be developed in a second step.
F4.	<b>Products</b>	Multiple choice + text field This field is foreseen in the ECDB. The content and the codification will be developed in a second step.
F5.	<b>Last update on action 3</b>	<input type="checkbox"/> date field

## G. Other information for monitoring at DP level (annually consolidated information)

G.1	<b>Beneficiaries</b>	Total number of beneficiaries during the year : <i>alphanumeric field</i> This field needs a standardised way of counting beneficiaries : number of persons, number of persons/duration of action ... To be decided.			
		<i>In percentage</i>			
	<input type="checkbox"/> <b>Assistance to persons</b>	M	F		
	<input type="checkbox"/> Unemployed <input type="checkbox"/> Employed <input type="checkbox"/> Others (without status, social beneficiaries...)				
		100	100		
	<input type="checkbox"/> Migrants <input type="checkbox"/> Ethnic minorities <input type="checkbox"/> Gypsies, travellers <input type="checkbox"/> Asylum seekers <input type="checkbox"/> Others				
		100	100		
	<input type="checkbox"/> Physical Impairment <input type="checkbox"/> Mental Impairment <input type="checkbox"/> Mental Illness <input type="checkbox"/> Others				
		100	100		
	<input type="checkbox"/> Substance abusers <input type="checkbox"/> Homeless <input type="checkbox"/> (Ex-)prisoners <input type="checkbox"/> Other discriminated (religion, sexual orientation) <input type="checkbox"/> Others				
		100	100		
	<input type="checkbox"/> < 25 year <input type="checkbox"/> 25 – 50 year <input type="checkbox"/> > 50 year				
		100	100		
	<input type="checkbox"/> <b>Assistance to structure and systems and accompanying measures</b>	+	+	+	+
			+	+	+
				+	+
					+

		<input type="checkbox"/> Unemployment <input type="checkbox"/> Discrimination and inequality in Employment <input type="checkbox"/> Racial discrimination <input type="checkbox"/> Asylum <input type="checkbox"/> Disabilities <input type="checkbox"/> Low qualification <input type="checkbox"/> Gender discrimination <input type="checkbox"/> Other discriminations				
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G2.	<b>Expenditures</b>	Evaluation by the DP of the total amount (ESF and national) spent during the year (rounded 1 000 €):
		Alphanumeric field

G3.	Breakdown of expenditures by experimental activities	Percentage	
		I. National activities	
		<div><input type="checkbox"/> Assistance to persons<ul style="list-style-type: none"><li>- Training</li><li>- Reception, orientation</li><li>- Guidance and counselling</li><li>- Work placement</li><li>- Employment aids (+ for self-employment)</li></ul></div> <div><input type="checkbox"/> Assistance to structure and systems and accompanying measures<ul style="list-style-type: none"><li>- Employment creation and support</li><li>- Training of teachers, trainers and staff</li><li>- Improvement of employment services</li><li>- Conception for training programmes</li><li>- Anticipation</li><li>- Awareness raising, information, publicity</li><li>- Studies and analysis of discrimination features</li><li>- ...</li></ul></div>	
		II. Transnational activities	
		<div><ul style="list-style-type: none"><li>- Exchange of information and experiences</li><li>- Parallel development of innovative approaches</li><li>- Import, export or adoption of new approaches</li><li>- Joint development</li><li>- Exchange of trainees/trainers/staff</li></ul></div>	
		Total	100 %

G4.	<b>Breakdown of expenditures by action</b>					
		Action 1				
		Action 2				
		Action 3				
		<b>Total</b>	<b>100 %</b>			

G5.	<b>Transnational work</b>	Text field max 1000 character
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G6.	<b>National networking</b>	Text field max 1000 character
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G7.	<b>European level networking</b>	Text field max 1000 character
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## H. Other information for monitoring at Programme level (annually consolidated information)

H1.	<b>Total expenditure actually paid out during the year (actions 1, 2, 3)</b>	Amounts have to be consistent with the declaration in the SFC			
			Action 1	Action 2	Action 3
		<input type="checkbox"/> Employability - Access to the labour market <input type="checkbox"/> Employability - Combating racism <input type="checkbox"/> Entrepreneurship – Business creation <input type="checkbox"/> Entrepreneurship – Social economy <input type="checkbox"/> Adaptability - Life long learning <input type="checkbox"/> Adaptability – Information technology <input type="checkbox"/> Equal opportunities - Reconciling family and professional life <input type="checkbox"/> Equal opportunities - Reducing gender gaps <input type="checkbox"/> Asylum seekers			

H2	<b>Total expenditure actually paid out during the year (technical assistance)</b>	Priority technical assistance (TA) - Action 4 Amounts have to be consistent with the declaration in the SFC			
			Amounts		
		<input type="checkbox"/> Equal specific support actions <input type="checkbox"/> Basic administrative and financial TA activities <input type="checkbox"/> Complementary TA activities			



## ***ANNEX D LABOUR MARKET STATISTICS***

***Table 1 Economic development in Hungary, 1992-2002***

	<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>
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)*

**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 Population-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 12 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 13 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

## ***ANNEX E    SWOT ANALYSIS***

This SWOT analysis was prepared for the Human Resources Development Operational Programme and it is based on the analysis of the Hungarian labour market.

### **1.1    Strengths**

- The number of people participating in secondary and higher education is continuously increasing.
- The qualification level of the employed is on the rise on an ongoing basis.
- In numerous special areas, the labour force has competitive and internationally recognised skills.
- The qualification of women is high in 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; the number of medical doctors for 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 decisive from the aspect of employment.
- A substantial number of young people enter the labour market without having qualifications and skills that meet labour market requirements.
- The level of economic activity and employment is low.
- In spite of a high inactivity, shortages of qualified labour prevail seen in certain professions and regions.
- A substantial part of the unemployed population is long-term unemployed.
- The extremely bad health status of the population seriously restricts the potential supply of workforce and reduces its competitiveness
- The Roma population is especially smitten by unemployment and permanent exclusion from the labour market.
- There are significant differences in the labour market situation 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 supplied adequately with assets 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 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 into the society are extremely 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 field of action of the 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 and 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 safety and health at work.
- The increasing role played and the broader tasks performed by civil organisations in the field of public services enhance the flexibility and efficiency of services.
- The stronger social solidarity and the struggle against prejudices will increase the integration opportunities of excluded groups.
- The spreading of information and communication technologies will improve the quality and availability of services.

### **1.4 Threats**

- With the increasing labour cost, 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 processes 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 highly qualified experts.

- The 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 regenerated in the case of younger generations.
- With the increase of social differences, solidarity will further weaken and prejudice will grow in particular towards the Roma population.
- The prevalence of poverty risks leads to regenerating social inequalities.



## **ANNEX F     SUMMARY OF THE EX ANTE EVALUATION**

### **1         INTRODUCTION**

The purpose of the Ex Ante Evaluation is giving support to the process of planning and programming. It is an interactive process involving external experts and giving feedback and comments on both the structure and content of the draft programming document. The findings of the evaluation are incorporated in the final draft. The ex ante evaluation of the EQUAL CIP covered the assessment of the analysis of the situation, the internal and external coherence of the programme, assessment of the choice of themes and the financial allocation. This chapter summarises the main findings and proposals put forward by the ex ante evaluators and indicates the sections in which they have been incorporated (*see brackets following each section*).

The ex ante evaluation of the EQUAL Community Initiative Programme was carried out by the Institute of Economics of the Hungarian Academy of Sciences. The assessment of the situation concerning asylum seekers was prepared by an external expert specialised in this field. The terms of reference were drafted by French experts within the framework of a PHARE Twinning programme. Furthermore, they also contributed to the planning of the CIP with valuable comments on the structure and consistency of the document.

### **2         GENERAL COMMENTS ON THE CIP**

According to the evaluation report, the Programme Document is well structured, coherent and meets the general formal requirements of a single programming document. The shortcomings of the text are to a large extent ascribed to the lack of available and current data. Experts stress the importance of collecting and processing primary data on the employment situation of certain groups, most importantly the Roma, people with disabilities and women. This would be useful not only for evaluating the impact of programmes supported by the European Social Fund but also for future planning and programming. Thus, the ex ante evaluation suggests to support research on the labour market participation of Roma and people with disabilities and on gender differences.

### **3         ASSESSMENT OF THE ANALYSIS**

The evaluation concludes that the CIP gives an accurate picture on the employment situation in Hungary, however does not fully reveal the factors underlying inequalities and discrimination in the labour market. Therefore it proposes some modifications to the analysis.

The Report suggests that the regional disparities of the labour market should be more accentuated in the analysis because these strongly correlate with differences in education levels and employability. The report calls the attention to the fact that 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 has increased. The country is divided into to relatively well-developed and urbanised areas where the level of employment is relatively high and relatively under-developed micro regions characterised by low levels of employment and high unemployment. The report also states that regional disparities are closely related to the educational and skills level of the population and the differences of industrial culture. In the most disadvantaged regions, the level of employment cannot be increased without improving the factors that strongly influence the employment

potential of these regions, that is the educational attainment and skills level of the working age population living in these areas. Therefore, improving the employability of the disadvantaged people through supporting training programmes implemented in the regions and micro regions lagging behind should be an important means to reduce these disparities (*see section 2.2.2.8*).

The sections on disadvantaged groups are considered on the whole adequate. Nevertheless, the Report proposes to emphasize more the role of the (lack of) education and other factors in the formation of labour market disadvantages. The report states that in Hungary, the participation rates of those with low levels of education are well below the EU average and the level of unemployment is highest within these groups. Educational attainment is a decisive factor of the labour market position and employment opportunities of the individual. Increasing the level of employment and reducing inequalities in the labour market, therefore, require actions to improve the employability of people with low levels of education and creating new employment opportunities for them. Based on the proposals of the evaluators, a separate section describing the situation of people with low levels of education was included in the analysis (*see section 2.3.1.6*).

The Evaluation Report provided a thorough description of the situation of the Roma and their disadvantages in the labour market. The report stated that the employment of the Roma was hindered by various factors, such as the low levels of education, concentration in regions lagging behind and discrimination in the labour market. 80 % of Roma men aged 15 to 59 not in full-time education had 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. Therefore, the objectives of actions aimed at improving the employability of the Roma should include promoting their participation in secondary education. The Roma live scattered in Hungary, but the majority of them are concentrated in the underdeveloped regions. 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 the wages. In addition, the labour market integration of the Roma is also made difficult by discrimination experienced on the part of the employers (*see section 2.3.1.1*).

More substantial comments are put forward concerning the section on equal opportunities of women and men. The evaluators suggest distinguishing more markedly ‘pre-labour-market discrimination’ and ‘labour market discrimination’ and linking them to the measures planned for theme 4H. Pre-labour-market discrimination by-and-large corresponds to horizontal labour market segregation and it is the result of the free choice of profession, the expectations, stereotypes and patterns related to gender roles in a society. Therefore, horizontal segregation can be best tackled through changing attitudes and stereotypes that is a lengthy process and has to be started at an early age. Actions to combat horizontal segregation should precede the choice of profession and thus targeted at young people, parents and teachers.

Vertical segregation, namely gender differences in the professional hierarchy, wage gaps and the so-called “glass ceiling” are, in very general terms, the results of labour market discrimination. Women traditionally carry out greater part of the household activities, including child-care, and this often has an impact on their professional life because they are less flexible in adapting to the rapidly changing requirements of the labour market, such as permanent renewal of skills, unusual working hours etc. Measures aiming to combat vertical segregation should be targeted to those already in the labour market and should on the one hand consist of measure facilitating the reconciliation of family life and work and on the other



hand improving employability and adaptability of women through upgrading their skills and knowledge. The proposed changes were introduced in the text (*see section 2.3.5*).

Regarding the asylum seekers, an external expert has provided relevant data and an overview of the legislative framework, as well as proposals concerning the activities to be supported under the Asylum Seekers Priority of the CIP. The contents of the report were incorporated to the CIP (*chapters 2.3.6*).

### **3 POLICY CONTEXT – EXTERNAL COHERENCE OF THE PROGRAMME**

External consistency means that the Programme is in line with the strategy and priorities of the relevant European and national policies and documents. According to the evaluation Report, the links and the external consistency of the CIP with other strategic document, including the European Employment Strategy, the Joint Assessment Paper, the Joint Inclusion Memorandum, as well as the complementarity with the Human Resources Development Operational Programme is clear and well presented. Tables 3.1, 3.2, 3.3 summarise well these links.

### **4 PROGRAMME PRIORITIES**

The evaluators conclude that the programme as a whole is coherent, the choice of themes is well justified and follows from the analysis of the situation.

Regarding the first priority, *Facilitating access to the labour market for disadvantaged people*, the report agrees with its absolute relevance in the Hungarian context.

As for the Roma population, the Report that actions aimed at improving the employability of the Roma should promote their participation in secondary education. This is in line with helping the reintegration of early school leavers to education and training (*see section 4.1.1*). Furthermore, the report states that a substantial improvement in the employment opportunities of people living in isolated Roma communities could be achieved through the combination of various measures, including subsidies for job creation, transportation facilities, allowance to support transportation fees, upgrading community services (e.g. child care, education, health care), training and counselling. As for the discrimination in the labour market, the evaluators have proposed the development and dissemination of new approaches addressing discriminative practices of employers, establishing new services promoting the integration of new labour market entrants into the working communities and training and awareness raising for employers.

In addition, the Report has proposed to add the following activities:

- Creating a registration system for those young people aged between 15-18 who have left school with no qualification and are without a job.
- Setting up grant-schemes to encourage young people coming from families with low education levels to continue their education.
- Providing support to voluntary organisations offering free legal aid to people suffering discrimination.
- Putting in place programmes promoting the positive discrimination of disadvantaged groups, primarily through financial incentives, such as tax refund.

Although the relevance of these measures is fully acknowledged, they were not incorporated to the text, because they go beyond the scope of activities possible to implement within the framework of the CIP.

As regards the second priority, *Promoting lifelong learning and the development of inclusive work practices* the report points out that more emphasis should be put on lifelong learning as well, thus the following activities were added (*see section 4.1.2*):

- Promoting the improvement and strengthening of basic skills of those with low education levels at the labour market in order to facilitate their adaptability. Experience shows that poor literacy and numerical skills often hinder the participation in vocational training and re-training programmes.
- Experimenting with new work practices (e.g. job-rotation, etc.) that help to improve the skills of workers with low qualification and help their retention in the labour market.
- Creating training programmes for women returning to the labour market after long period of absence to upgrade and renew their skills and knowledge.

Concerning the third priority, namely Reducing gender gaps and supporting job desegregation, they propose to distinguish more clearly pre-labour market discrimination and labour market discrimination at the level of measures as well, and thus consider to include both 4G and 4H. Clarifications were made in the text, however this proposal was not introduced in the CIP to avoid overlaps with the HRD OP because the reconciliation of family life and work is one of its themes.

As for the asylum Seekers Pillar, the Report states that although the number of asylum seekers is low in Hungary, it would be important to elaborate pilot programmes that enhance the employability of asylum seekers, and to prepare for a greater influx of asylum seekers after EU accession. The legal/regulatory and institutional framework encompassing refugees and asylum seekers must be surveyed and reviewed (whereas the expected impacts of EU accession must also be considered), and an appropriate co-operation framework must be established among various institutions, authorities and organisations which get into contact with asylum seekers (*see chapter 4.1.4*).

## **5 FINANCIAL ALLOCATION**

The financial allocation is well justified according to the ex ante evaluation, it reflects the relevance of the priorities and the expected absorption capacities.

## **6 IMPLEMENTATION**

The Report states that the proposed structure of the implementation serves well the final objectives of the CIP, although there should be more attention paid to the final beneficiaries level, (Development Partnerships DPs), in terms of facilitating cooperation, ensuring appropriate technical assistance and full time personnel. It is a positive sign that the Development Partnerships may consists SMEs, as they orient the DPs towards a more rational business-type approach, and the SMEs will be more sensitive in social affairs. Small organisations and Roma minority organisations are mentioned as possible partners, which is an advantage, however, one could mention that these type of organisations are presently exist in a weak structural and operational environment. The Analysis (Chapter 2) should include a short description of the characteristics and capacities of the potential project-promoters, with special regard to NGOs (*see section 2.4*).

In case of the transnational activities, the DPs need more support, to realise the possible added value of the above mentioned activities. The idea of organising the DPs as maximum number

of 8 partners possibly enables the DPs to build an effective, transparent system to implement their projects.

Mainstreaming Strategy is envisaged under section 7.4.4, as an important procedure of the CIP implementation. There should be a clear distinction of responsibilities during the elaboration of the Mainstreaming Strategy, as presently the tasks are mixed between the MA and DP levels.

The detailed data of the Call for proposals are not incorporated into the Chapter 7, and the MA should avoid any delay in the preparation of the PC. It is advisable to invite as a full member the Governmental Office of Equal Opportunities in to the ESF Coordination Committee, set up and operated by the MoEL.

## **ANNEX G    QUESTIONNAIRE**

This questionnaire<sup>51</sup> is intended to map out preliminary interest regarding EQUAL and the scope of potential applicants. It is important that applicants are well prepared to hand in projects and implement them. Therefore Your feedback is very much appreciated in the preparation for the launch of the Programme and creating appropriate technical assistance.

Thank you for your cooperation!

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Name of organisation:

Type of organisation:

Profile:

### **1        Would you consider handing in project proposals for EQUAL?**

#### **\_\_\_       YES**

*If yes, in which theme?*

- \_\_\_       Facilitating access to the labour market for disadvantaged people
- \_\_\_       Promoting lifelong learning and development of inclusive work practices which encourage the recruitment and retention of people qualifying as disadvantaged in the labour market
- \_\_\_       Reducing gender gaps and supporting job desegregation
- \_\_\_       Asylum seekers

*In your opinion, what is the most difficult requirement of the project? (Please, mark the answers and explain briefly why!)*

- \_\_\_       Partnership
- \_\_\_       Transnational cooperation
- \_\_\_       Innovation
- \_\_\_       Minimum project size
- \_\_\_       The length of projects
- \_\_\_       Other:

#### **\_\_\_       NO**

*If not, why not?*

- \_\_\_       The field is not relevant
- \_\_\_       Complicated implementation

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<sup>51</sup> This questionnaire was sent to the partners involved in the consultation process with the aim of mapping out their preliminary interest in applying for EQUAL.

- \_\_\_ Lack of capacities
- \_\_\_ Minimum project size
- \_\_\_ Other:

**2 In what format do you require information about EQUAL? (Please mark your answers with numbers; 1 indicating the most preferred option.)**

- \_\_\_ Printed materials
- \_\_\_ Individual consultations
- \_\_\_ Seminars, training
- \_\_\_ Internet
- \_\_\_ Other:

**3 What do you think, in what aspects you would require assistance?**

- \_\_\_ Finding partner organisations
- \_\_\_ Setting up a work plan
- \_\_\_ Planning cooperation and division of tasks within the Development Partnership
- \_\_\_ Assessing organisational capacities
- \_\_\_ Guidance in public procurement
- \_\_\_ Legal counselling
- \_\_\_ Other:

Please, return the questionnaire to the below address not later than September 10, 2003.

e-mail: [equal@fmm.gov.hu](mailto:equal@fmm.gov.hu)

fax: (06 1) 472 84 22

address: Renáta Tóth, head of unit, ESF Planning Unit, Ministry of Employment and Labour, Budapest 1054, Alkotmány utca 3.