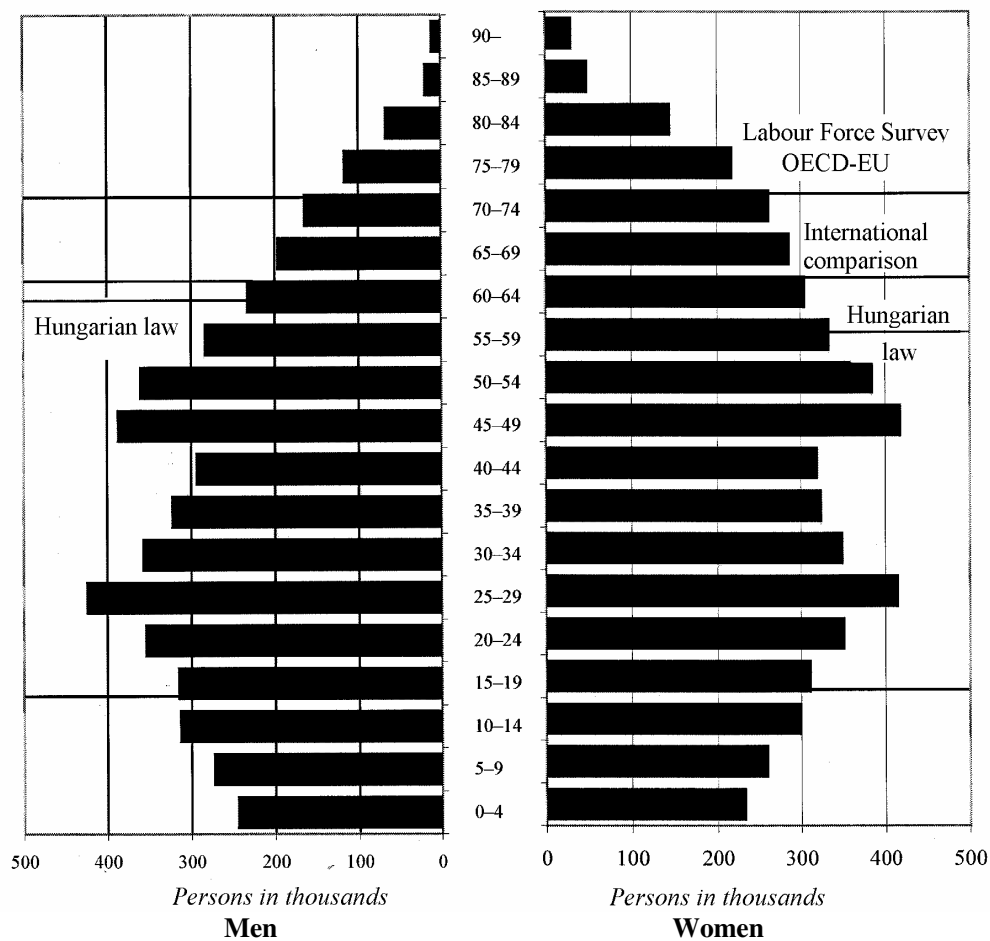


**EMPLOYMENT OFFICE
NATIONAL EMPLOYMENT FOUNDATION
THE HUNGARIAN LABOUR MARKET
2004**



**Budapest
2004**

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NATIONAL EMPLOYMENT FOUNDATION**

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INTRODUCTION

On 1 May 2004, the Hungarian labour market became part of that of the European Union, and Hungary, together with the nine other new member states, undertook to implement the joint employment policy objectives of the Union.

It had become obvious in the pre-accession period that the new requirements would re-mould Hungarian employment policy, and prompt it to look for new solutions. The first – cautious and somewhat hesitant – steps have been taken to face the long-postponed issues of the low employment rate of the Hungarian adult population, its exceptionally low activity rate, the lowest in the EU, and – the other side of the coin – an exceptionally high rate of inactivity.

A few initial measures have also been taken, based on extensive Hungarian and international analyses and the lessons of previous successes and failures in the “old” member states.

The present report, *Hungarian Labour Market, 2004*, reviews these first, pre-accession, steps – the harbingers, hopefully, of significant change.

Let us state that the merit for the labour market developments going back to the pre-accession period lies with the European Union, having opened up new vistas and set new requirements. The beneficiary, however, will be the entire Hungarian population, once the employment level is successfully raised..

X

The present overview of the Hungarian labour market is based on EU, OECD and ILO documents treating various employment issues, and on international statistics and the findings of research teams commissioned by the same organisations. The analysis of the domestic situation relies, furthermore, on analyses prepared at the level of the central administration, the results of the Hungarian labour force surveys conforming to the standard principles/methodology of the OECD–EU countries and hence suitable for comparison, as well as on studies prepared at various levels of the public administration and in scientific workshops, with special regard, as far as our topic is concerned, to the assessments of the units concerned of the Ministry of Employment and Labour and the National Employment Office, and the indispensable practical experience communicated by the county labour centres. The conclusions, however, reflect the Author’s own opinion.

The review covering the year 2003, compiled by essentially the same well-integrated team as its predecessors ever since 1993, was prepared and published with the support of the National Employment Foundation.

The manuscript was finalised in spring 2004.

Teréz Laký

Formázott: Középre zárt

KEY POINTS

Economic activity of the population

- The Hungarian population of adults available to the economy, i.e., the stock of employed persons and job-seekers, increased somewhat in 2003, due to the slight growth of both employment and unemployment.
- Of a population of 6.8 million persons of working age (ages 15–64, according to the standard used in international comparisons), 61% (2002: 60%) was present in the labour market, 57% as employed and 4% as active job-seeker. Considering the Hungarian definition of working age, 65% of a working-age population of 6.3 million was economically active.
- The growth in economic activity was mostly due to women continuing work due to the increase of the Hungarian retirement age limit. The female activity rate, however, is still extremely low: almost half of those aged 15–64 is inactive for one reason or another.
- Similarly to several European countries, the activity rate is highest among those aged 25–54. The younger and especially the older generations include significant stocks of inactive potential labour that could be exploited under different employment terms and conditions.
- Despite a slight positive shift, the Hungarian activity rate is still the lowest among the already 25 member states of the EU.

The employed

- The number of the employed increased by a modest 47 thousand relative to 2002. In 2002, the 57% employment rate of the 15–64 year-old ranked third from the bottom compared to the old member states of the EU after Italy and Greece, preceding only Poland and Slovakia among the new members.

Traditionally, men outnumber women among the earners at 54:46%. 63% of men and 51% of women aged 15–64 was employed, and although the gender gap is narrowing slowly, men are still at a definite advantage.

- The employment rate is highest, “full” at more than 70%, among those aged 25–54 (but well below the corresponding EU15 rate of 77% and especially the 87% male rate). New measures to promote the employment of the youth and members of the older generations will mostly take effect in 2004..
- The employed population includes more than 63 thousand unemployed persons on annual average, who are offered casual or subsidised employment thanks to social solidarity, covered by the fund (HUF193 billion in 2003) generated by the contributions of employers and employees.
- Economic growth, a major employment shaping factor, was again determined by the overriding trends in the European economies: recession, curbing economic demand in many areas, and the need to modernise. Employment decline in the production sectors (agriculture, industry) and growth in the services prevailed, and

Formázott: Középre zárt

2003 was the first year when the rate of employment in the service sector exceeded 60%.

- Within the broad sectors, the transformation of economic sectors and branches continued. Job losses were most marked in certain areas of manufacturing, while real estate and business support registered outstanding job gains.
- The demand for non-manual workers has kept increasing; 40% of earners worked in non-manual and 60% in manual occupations. The rate of women exceeded 60% in the first category and stagnated at 35–36% in the second one.
- The size distribution of business organisations remained unchanged: the proportion of micro-enterprises with a maximum of 9 staff is 96%. These entities, however, or small enterprises for that matter, have so far not excelled in the creation of job (in the traditional sense).
- In order to promote employment, the governments must establish the conditions fostering adaptation to the new demands of the economies. In Hungary – as in many European countries – the two essential conditions are the moderation of employment-related taxes and contributions (among the highest in international comparison), and the loosening of regulations paralysing employment, with special regard to employment opportunities for the youth and for members of the older generations. Hopefully, measures targeting the latter area, including the significant alleviation of public burdens through the use of the Casual Employee's Booklet, and the regulation stimulating temporary employment, will have obvious effects as of 2004.

The unemployed

- As in other countries in Europe, the number of active job-seekers increased in Hungary (from 239 thousand in 2002 to 244.5 thousand), as did the unemployment rate, the indicator based on the number of active persons (from 5.8% to 5.9%).
- In 2003, almost two-third of job-seekers (64%) has been looking for a job for less than 12 months. A good one third, however, qualified as long-term (mostly 24+ months) unemployed.
- More than half of job-seekers lost their job due to dismissal. The modest number of voluntary resignations, on the other hand, has hardly decreased. An annual 60 thousand or so (as before) would like to (re)enter the group of earners after their periods of study, parental leave, regular military service etc.
- One quarter of job-losers had had industrial/construction occupations; mostly in one of the branches subject to lay-offs/transformation (manufacture of textiles, clothing, leather products, food industry, metallurgy, engineering). In the services sector, most jobs were lost in trade and in public administration and defence; the latter laid off some 18 thousand in the past years.
- The distribution of the unemployed by school and vocational qualification has hardly changed for years, although the proportion of those with the lowest qualifications tends to decrease and that of the more qualified to increase parallel with the general elevation of the education levels. In 2003, 3.9% of unemployed

Formázott: Középre zárt

had college and 1.4% university qualification (in 2002, the corresponding rates were 3.5 and 2%, respectively.)

- Active job-seekers used many job-search channels and generally had realistic expectations regarding prospective earnings. More than 40% looked for a job with a monthly income below/at minimum wage level, and 47% wanted wages in excess of that. Some 10% expected net wages exceeding HUF90,000.
- The number of the registered unemployed as defined by the Hungarian regulations increased somewhat faster than that of the unemployed according to the ILO definition (from 345 thousand to 357 thousand). The demographic and qualification features of the two samples, however, were largely similar, as in previous years.
- Registration provides indispensable support to the most deprived in the form of job brokerage, (re)training, access to subsidised employment, unemployment benefits to those eligible to it and, subsequently, social allowance. The majority of the registered unemployed benefited from one (or several) of these forms during the year (75% participated in active measures if only for a day; the annual average was 25%; 62% received benefits or social allowance). The terms as well as the amounts concerned, however, are rather modest.
- A new form of assistance was introduced in 2003 year for unemployed persons no longer eligible to benefits, the so-called intensive job-search allowance, at a monthly HUF 18 thousand, to be extended for a maximum of 6 months, and until the end of the specified term even if the person concerned found a job in the meantime.
- The Public Employment Service prepared itself (with PHARE assistance) for job brokerage, its primary function in the future. In addition to the transformation of the internal organisational structure, however, this also requires the establishment of adequate external conditions (such as new, flexible, form of employment, cuts in employment-related taxes to boost the demand etc.).
- The employment chances of the youth worsened slightly in 2003. The labour service registered 26.7 thousand school-leaver unemployed in 2001, 28.5 thousand in 2002 and 31.3 thousand in 2003, including 1.9 thousand degree holders in 2001, 2.4 thousand in 2002 and 3.4 thousand in 2003.
- Within the Roma population, the rate of earners has remained rather low: most among them have casual jobs and are in need of aid, allowance, benefits and family support.. It is a positive development that 60% of the Roma population aged 15–19 is in education.
- The employment rate of the disabled is still low (in 2001, it was 9%, as opposed to 40–50% in the EU member states).

The economically inactive

- The extremely high inactivity rate of the working population (ages 15–64), 40%, corresponding to 2.7 million persons, dropped slightly (by 0.5%).

Formázott: Középre zárt

- Women make up 57% of the 2,235 thousand inactive (reference base: Hungarian working age), the same as in 2002.
- The great majority of the 2.2 million inactive is absent from the labour market for socially acknowledged and assisted reasons: regular (day-time) students represent 33%, persons on parental leave 12%; early retirements make up 31%. More than half a million (531 thousand; 24%), however, must have their individual reasons, enjoying no social support.
- More than half a million inactive men and women would be willing to work; together with the job-seekers, some 800 thousand hope to be offered a regular earning occupation in the organised economy.

Regional differences

- Central efforts failed to reduce the wide inter-regional employment gaps having emerged after the change of regime. On the contrary, the backlog of the deprived regions increased, and the situation of local labour markets characterised by high unemployment and low employment rates deteriorated even further. The latest data suggest a turn: regional differences in employment and unemployment have narrowed somewhat at the level of counties and micro-regions in the period following the first quarter of 2003.

Earnings

- In 2003, the average monthly gross earnings of the approximately 2.6 million full-time employees of enterprises with a minimum of 5 staff, public institutions and the designated non-profit institutions increased by 12% on annual average, to HUF137,200. In the public sector, central wage increases brought up the wages of the approximately 500 thousand employees by 17.5%, to a monthly gross average of HUF160,843. In the competitive sector, the corresponding figure was HUF127,023.
- The monthly net earnings average was HUF88,751; earnings rose in real value by 109.2% (2002: 113.6%).
- The average earnings of non-manual workers was almost twice that of manual workers (at HUF193,274 vs. HUF91,369). The most important earnings factor is educational attainment: degree-holders earned 3.6 times more than those having finished primary education only.

I. LABOUR MARKET, 2003

1. DECISIVE DEVELOPMENT FACTORS

1.1 Joining-in in the activities of the European Union*

2003 was a busy and vivid, in several respects transitory, year for Hungary, on the brink of accession to the EU then. Accession negotiations ended on 13 December 2002, but preparations for the full membership of the country continued. At the same time, the so-called interim period, ‘quasi-membership’ implying gradual engagement in the decision-making processes of the Union, began on 19 December 2002. After the first phase of the interim period, devoted to processing/commenting Community legislation in the codification stage, after 16 April 2003, the accession candidate countries were granted active observer status after having signed the Accession Treaty. As active observer, Hungary, too, was allowed to take part in the capacity of consultant in the activity of the decision-making institutions of the Union operating at diverse levels. Activities associated with “quasi-membership” represented the last, special, phase of accession preparations for the purpose of institutional integration and hence successful operation, decision-making licenses included, as member state.

The preparation period

In the last pre-accession year, Hungarian employment policy had to face a number of different, but closely interrelated Union preparation tasks. Many of these concerned the country’s accession candidate status, involving “classical” and mandatory accession preparation tasks. Co-operation was based on the *Joint Accession Policy Report* (JAP), a co-operation document signed by the Hungarian government and by the European Commission. Another part, a more loosely defined one and also, paradoxically, a less mandatory one as yet, to be “activated” soon, on the other hand, projected membership status. After the signing of the Accession Treaty, as of end-April 2003, Hungarian labour experts participated in defining the topical developments of the European Employment Strategy (EES) as consultants in formulating the Union guidelines that will influence Hungarian employment policy, too, in forthcoming period.

Employment policy tasks associated with accession candidate and partnership status have the same aim, viz. preparation for operation in member state capacity. In other words: complete and smooth integration into Community-level employment policy or open co-ordination mechanisms, the European employment strategy (EES).

EES, defined under the employment chapter of the Amsterdam Treaty and launched in 1997, is based on a co-ordination mechanism allowing the member states and the Community to work together in designing a concerted employment strategy. According to the order of procedures of the joint employment strategy,

* The author of this chapter is Katalin Nagy

the Council of Europe analyses the employment situation of the Community annually, in a report co-authored with the Commission. On the basis of the analysis, the Council adopts annual employment guidelines and recommendations addressed to the member states, to be taken into account by the latter when they draw up their National Action Plans matching their respective employment policies. The member states report to the Council and the Commission annually on the implementation of the guidelines and the recommendations. Subsequently, the co-ordination process starts again/continues, with the definition of new guidelines and recommendations, and the adoption of a joint report concerning their implementation.¹ The Lisbon Strategy adopted in 2000 specified and confirmed the employment policy *acquis* of the Amsterdam Treaty in several respects, including the target of full (70%) employment, to be realised by 2010. This objective as well as other EES-related long-term objectives of the Lisbon Strategy – such as investment in human resources, creation of a knowledge-based economy and fight against poverty and social exclusion – have by now been integrated into the employment strategy mechanism.

Co-operation to identify the employment policy tasks of Hungary (and of the other accession candidate countries) was initiated by the European Commission in 1999. Since then, the medium-term objectives of the so-called Accession Partnership programme of the Commission, designed to promote accession preparations, have included the joint assessment of the national employment policies of the accession candidate countries by way of preparation of the implementation of the employment chapter of the Amsterdam Treaty. The goal was to integrate the EES objectives into the national employment policies, and to establish the institutions and mechanisms required for participation in the open co-ordination process.

The main questions to be answered by the so-called *Joint Employment Policy Assessment* to be prepared jointly with the Commission were the following:

- Are the labour market structures already in place appropriate to participation in the single market?
- Are the labour market and employment policy institutions sufficiently developed to allow an early implementation of the Employment Strategy in line with the Employment Title of the Treaty of Amsterdam?
- Is the overall system in Hungary moving towards meaningful participation in the EU employment co-ordination process?
- What are the priorities for a human resources development strategy as a background for preparatory work for ESF or ESF-type action planning and programming?

In order to give country-specific answers to these general questions, the Commission and the accession candidate countries reviewed jointly, taking into account the objectives and mechanisms of EES, the employment policy status,

¹ For more detail, see e.g. Katalin Nagy: Employment Policy. In: Tamás Gyulavári (ed.): *Az Európai Unió szociális dimenziója (Social dimension of the European Union)*. Budapest, 1999, MSFA, and Katalin Nagy: Employment Policy of the European Union: the European Employment Strategy. In: Tamás Gyulavári – Ágnes Kozma (eds.): *Az Európai Unió foglalkoztatáspolitikája (Employment policy of the European Union)*, MSFA, Budapest, 2000.

facts and challenges, of the given country, and identified on that basis the medium-term accession preparation tasks. In accordance with the logic of the European employment policy strategy, both the status review and the identification of the tasks exceeded by far the scope of employment policy in the traditional, narrow sense, covering numerous aspects related to training, education, economy, finances etc. In contrast to some extent with the literal meaning of “Joint Assessment”, the evaluation prepared this way not only assessed the employment policy targets and achievements, but also determined the course to be followed. The Joint Assessment was signed on behalf of the European Commission by the Chief Commissioner of Employment and Social Affairs and on behalf of the membership candidates, usually by the minister responsible for employment policy. Candidate countries reported on the implementation of medium-term objectives and on task implementation by annual Progress Reports. The European Commission finalised the preparation process by a summary report prepared in 2003 on the achievements of the candidate countries regarding the realisation of the contents of the Joint Assessments.²

Hungarian employment policy tasks

The process of conciliation, negotiations and wording to prepare the Joint Employment Policy Assessment (JAP) of Hungarian employment policy started in 1999. The document was signed in November 2001.³

Under JAP, the Commission of Europe and the Hungarian government defined the following Hungarian employment policy objectives on the basis of the analysis of the economic and labour market situation of the country:

- to increase the rate of employment,
- to decrease the rate of unemployment
- to enhance labour market flexibility and create an environment promoting employment expansion,
- to invest in human resources,
- to strengthen the institutional and legal framework of employment policy.

JAP assigned specific instruments to the above strategic goals, including the following ones:

- To increase the employment rate, well below the average of the member states and inferior to that in most candidate countries: measures to promote job creation, mainly through direct and indirect support to self-employment and through facilitating the (re)integration of the disabled and handicapped; review

² Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Progress on the implementation of the Joint Assessment Papers on Employment Policies in Candidate Countries [COM(2003)37 final].

For the Hungarian version of the part referring to Hungary, see the home-page of the Hungarian Ministry of Employment Policy and Labour (MEL) (www.fmm.gov.hu) /Európai Unió/Integráció/Dokumentumok/Bizottsági munkaanyag – Magyarország).

³ For a Hungarian version of *Joint Employment Policy Assessment – Hungary*, see the MEL home-page referred to above.

of the tax and contribution system, in order to stimulate employment and trim undeclared employment and to make it declared.

- For the purpose of the further reduction of the unemployment rate: firstly, to stress the active, preventive, aspects of labour market measures, and to emphasise the adaptation of employment services to individual needs.
- To enhance labour market flexibility: to enhance regional and professional mobility and reduce regional differences.
- In order to develop human resources: among others, reduction of the rate of drop-outs from the school system, extension of tertiary education opportunities, subsidy to the training of multiply disadvantaged youth and extension of adult education.
- To strengthen the institutional and legal frames of employment policy: progress is needed in diverse areas such as the establishment of the institutional infrastructure to host European Social Fund support, regulations are needed to balance co-operation with the social partners, employment security and flexibility, and the role of the Public Employment Service must be strengthened.

Under JAP, the Hungarian Government and the European Commission agreed that the following areas need to be monitored:

- examination, evaluation and careful monitoring of existing labour market programmes;
- development of regional mobility in order to reduce structural imbalances across regions by supporting infrastructure and human resource development;
- improvement of public employment services and reinforcement of the importance of job brokerage within employment services;
- involvement of social partners in the implementation and development of employment policy;
- the impact of the increase of the minimum wage on the labour market in conjunction with the social partners;
- increasing employment rates in the context of maintaining fiscal consolidation and economic and social cohesion, and transforming the informal economy into mainstream economic activity;
- progress in the preparation of the National Development Plan (NDP) and the development of the National Employment Strategy in conjunction with the role and contribution of the European Social Fund; the Government's work on establishing the institutional structures necessary for the implementation of ESF, taking into account of the policy priorities in the JAP.

The above, sketchy, overview is sufficient to show that the accession preparation tasks specified under JAP signed by the Hungarian government at the end of 2001 gave a lot to do to those shaping Hungarian employment policy in 2003, too.

The Progress Report for 2003 – i.e. the last pre-accession report – described new developments of relevance for/influencing employment in Hungary from May

2002 to April 2003, covering the wider specialised political environment, broken down by the targets and priority issues defined by the Joint Assessment Paper.⁴

Apart from developments in terms of contents, specialised policy-making mechanism, too, changed as a result of the preparations for open communication. Open co-ordination requires the co-ordination of departmental policies not only at Union, but also at national level. The complex EES approach and mechanism – whose discussion is outside the scope of the present report – transforms the national context of policy-making, the contents of departmental policies, by defining objectives under the employment policy guidelines that are outside the scope of employment policy in the narrow sense – such as taxation policy, enterprise promotion, social protection. Hence preparation for EES has made it pressing to start co-operation in the development and implementation of employment policy and between employment and other – economic, education and training, taxation, social and regional – policies. Progress in this respect will then be assessed by member state, in the context of the preparation and implementation of the National Employment Action Plan.

As mentioned already, Hungary's employment policy tasks in the interim period implied new activities for employment policy makers, due to the fact that, as of 16 April 2003, the signing of the Accession Treaty, the accession candidate countries could joined in the work of the diverse institutions of Union-level decision-making in active observer, i.e. consultant, capacity.

The experts' responsibility

The following council formations representing the governments of the member states in the area of employment policy are of special importance:

- the Council of Employment, Social Policy and Health, meeting four times a year with the participation of the competent ministers;
- the Employment Commission and the expert workgroups attached to it, holding monthly meetings with the participation of leading officials.

The agenda of both fora included the preparation of the Employment Package for 2003 to the extent of documents in a state of readiness conforming to the Council's decision-making schedule – that is, the Council's draft decision on the employment policy guidelines and the Council's draft recommendation on the implementation of the employment policy of the member states.⁵ Both fora treated, informally, the expert report of the Wim Kok Group (made and agreed upon in a way deviating from the council order of procedures). It is reasonable to ask to what extent the contribution of Hungary and the other accession candidate countries is discernible in these highly important regulatory documents, to be treated as mandatory guidelines from next year on. Although the time demand of union-level developments and the fact that observer status includes no decision-making capacity is sufficient to cool such expectations, certain shifts in emphasis,

⁴ See on the MEL homepage under "Foglalkoztatáspolitikai Közös Értékelés 2. Követő Jelentése".

⁵ The Employment Package including, in addition to the guidelines and recommendations, the Council and Commission Employment Reports, will be adopted in June 2004, at the first post-enlargement session of the Employment Council.

perceptible so far mainly to direct participants of the process, may be noted. These include the stress on the inactivity rate beside the unemployment rate, or specific features of the dilemma of flexibility versus security, or those relating to the interrelationship between making employment pay and low remuneration. The thorough integration and explicit manifestation of the specifics of the new member states, those referred to above and others, in the community instruments, however, is obviously a much more time-consuming process.

The perfection of the interest assertion capacity was fostered, in addition to the licenses concurrent with member state status, by drawing on the lessons of the interim period. One of the most important among these is that however protracted Union-level decision-making can be occasionally, it can best be influenced in its early phases, that is, in the expert workgroup stage. From another aspect, this essentially means that distinctive amendment proposals stand the best chance of approval when the community reception and prospects of the regulation subject to codification are less well-known yet. However, these circumstances must also be known to bring a national standpoint to success. In order to solve this dilemma, it is best to work out one's own initial standpoint and learn that of others as early as possible, and to modify one in view of the other continuously, that is, one must lobby, or at least be ready to answer other member states' queries regarding one's standpoint. Expert activities appreciate and decision-making depreciates, to some extent, under these circumstances, but the organisations concerned are not sufficiently aware of the competence, decision-making and personnel pre-conditions and consequences of this as yet.

1.2 2003: A year of standstill

2003 was not a success year in EU employment policy. The situation was subjected to complex evaluation in the joint employment report of the EU Commission to the Council (*Draft Joint Employment Report (JER) 2003/2004, COM(2004)yyy final*), to be referred to repeatedly below. The report, put on the Council's agenda in spring 2004, warns that the employment targets set jointly by the member states in Luxembourg in 1997 and supplemented in Lisbon in 2000, as well as the intention, expressed in 2000, to make the EU the most competitive and dynamic knowledge-based economy in the world by 2010, while observing the requirements of sustainable economic growth, more and better jobs and stronger social cohesion, are at serious risk.

With the cooling of the economic climate in 2002, the hopes for employment growth were also dispelled, and by early 2003, even the remaining expectations had to be given up. The employment average of the EU15 remained unchanged until end-2003 – indeed, it was quite an achievement that it did not drop below 64.3% recorded in 2002.

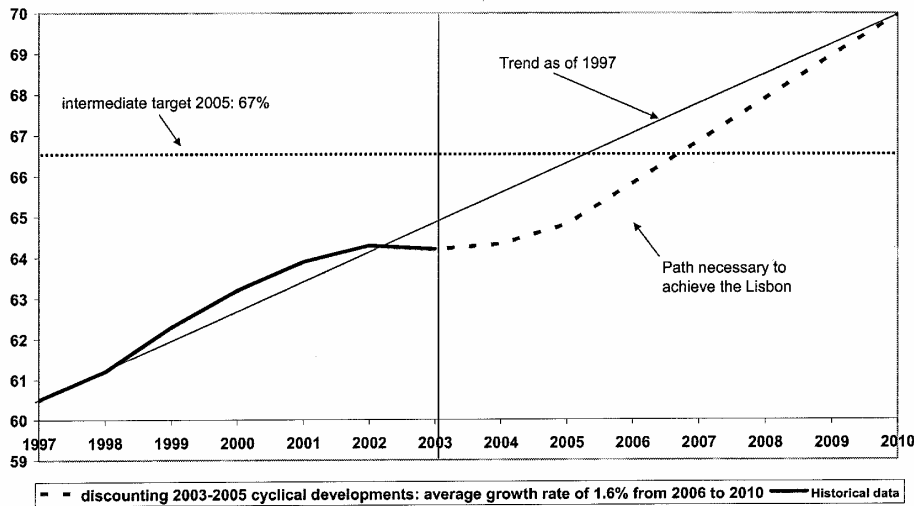
Unemployment, on the other hand, went up by 0.4% to exceed 8% (8.1%), that is, it increased faster than in 2002, when it was up by 0.3%, from 7.4% to 7.7%.

With the release of data for 2003, it has become obvious that the EU member states will achieve the employment targets set for 2005 in part only or not at all. The attainment of the 67% employment rate target for the population aged 15–64

will have to be postponed: although the female rate may reach the target of 57%, there is a serious backlog among members of the older generations (those past 54). The 40% attained by 2002 is a long way from the 50% set for 2005 – hence the fulfilment of the objectives for 2010 essentially depends on the employment prospects of these generations.

Figure 1.

The road to the Lisbon employment rate target: 1997-2010



Source: Draft Joint Employment Report, 2003/2004., p. 15.

Given the decreasing probability of realising the employment objectives, in spring 2003, the EU commissioned a workgroup to investigate the soundness of the concerns of the old members states and those acquiring membership in 2004 regarding successful coping with employment challenges ahead. The group was headed by Wim Kok, former president of the Netherlands, and its members included theoretical experts and experts with extensive practical experience.⁶

The Wim Kok report – to be discussed in more detail below – considered the EU targets set for 2010 feasible, provided that the member states acted faster and with more determination, stating that, in the absence of enhanced economic performance and further labour market reforms, there was a real danger that employment would stagnate, and unemployment and inactivity would grow.

⁶ The Hungarian summary giving a detailed overview of the Wim Kok report (*Foglalkoztatáspolitikai és Munkügyi Minisztérium, February 2004.*) reports that no professionals representing the prospective/new EU member states or having thorough first-hand knowledge of their circumstances was invited to the workgroup. This was mentioned by several of these countries, including Hungary. In order to compensate for their exclusion, Wim Kok personally met the ministers of labour of the prospective EU members states, among others the Hungarian minister of labour, and requested their written contribution. Upon the request of the department, he informed on the Hungarian programmes developed jointly with the competent EU actors.

The report, urging for employment promotion by its very title *{Jobs, jobs, jobs – creating more jobs in Europe}* gives a complex overview of the relevant conditions. Beside the common tasks, it discusses those that are specific to each member state (including Hungary).

Hungary's first National Action Plan (NAP), to be prepared by October 2004, will profit from the recommendations by translating them into itemised commitments.

In defining the main tasks of the subsequent period – specified under the Joint Employment Report for 2003/2004, to be discussed here – the EU already relied on the Wim Kok report; adopting its conclusion, namely that prospective economic growth is conditional on the combined increase of employment and productivity. In Europe, however, employment growth requires, beside the improvement of economic performance, social and political/governmental decisions adapted to the current conditions, to facilitate the former's operation.⁷

Despite such spells of standstill, Europe does not give up its fundamental objectives – obviously the conditions of the future prosperity of its population.

1.3 Main trends in the EU labour market

Apart from the few major indicators refereed to above – the rates of employment and unemployment, and of women and the old specifically within them –, most data characterising the state of the labour market are available for 2002 only. *Joint Employment Report, 2003-2004*, too, describes the detailed data of the EU15 and the 10 new member states for 2002. In what follows, we shall present the data published in *Employment in Europe, 2003*, available to Eurostat, the statistical office of the EU, in July 2003.⁸

Wherever possible, the labour market situation of the EU will be described with reference to data released by OECD, the organisation for economic co-operation gathering 30 countries. OECD, including continent-size countries such as the United States, Canada, Australia, as well as small ones such as Ireland, Finland, Denmark etc. countries in the vanguard of development (Luxembourg, the USA, Switzerland, Norway) and less developed ones (e.g. Mexico, Turkey), and all 15 member states of the EU (and Hungary, too, since 1996), regularly monitors labour market development as well.⁹

The standardised labour force surveys, gradually adopted by all OECD countries, allow to compare the labour market developments of the countries of the European Union and of other OECD countries.

⁷ The Joint Employment Report was discussed in March 2004 by the Employment and Social Council, and approved by the spring session of the Council of Europe.

⁸ *Employment in Europe* is the publication of the EU Commission. Data suitable for international comparisons are provided by the standardised Labour Force Surveys. Hungarian data referring to the entire year of 2003 may differ from first-half data included in international comparisons.

⁹ In 2003, OECD's *Employment Outlook*, an annual publication devoted to the analysis of the most important labour market phenomena, examined the conditions of creating more and better jobs. *{Towards more and better jobs, OECD, 2003.}*

One of the key points is always the number of adults available to the economy, that is, the labour potential of the country.

This is measured by the activity rate.

Economically active adults include employed persons and unemployed job-seekers wishing to work. Consequently, the rate can be raised by the growth of the number of the unemployed, too.

To date, the developed countries of the world are of the opinion that labour is the most effective capital of any country, and every effort must be made to put it to use and not waste it. No responsible politician shares the idea proclaimed by certain economic schools for decades, namely that an unemployment rate of a few per cents represents a useful reserve for periods of economic upswing. On the contrary: if possible, everyone should work and contribute to the increase of their own welfare and of the national income. So much so that the maximisation of the number of earners has actually become an explicit requirement in many developed countries, to make pensions and other communal expenditure sustainable among others. This is why the objective of the enhanced labour market activity of women and of the older must be realised by all means.

2. ECONOMIC ACTIVITY OF THE POPULATION

2.1 International trends

Global recession since 2000 has hardly altered the economic activity rates, although the number of the unemployed typically increased. Note the slight narrowing of the gap between economic activity in the EU and the USA, although the latter still has a considerable advantage.

Table 2.1.

Economic activity in the OECD countries, in the new EU member states and in Hungary, 2000, 2002

	Population aged 15–64 000'		of which: economically			
	2000	2002	active		inactive*	
			2000	2002	2000	2002
OECD total	735 474	-	70.1	69.9	29.9	31.1
of which:						
USA	179 111	-	77.2	76.4	22.8	23.6
EU15	248 932	250 623	69.4	69.8	30.6	30.2
EU, new member states**	50 159	50 497	66.6	65.8	33.4	34.2
of which:						
Hungary	6 764	6 771	60.1	60.1	39.9	39.9

*/ Figure calculated on the basis of activity data

**/ In 2000, there were 11 accession candidate countries yet. Bulgaria and Romania among them did not make it in 2004, while Malta did become a member. This survey provides no data on Malta yet. (Given its small size – a population of 400 thousand including 300 thousand adults only, corresponding to the population of a larger town –, these figures would not alter the overall picture anyway.) Here and in what follows, data on the new member states do not cover Malta.

Source: OECD: Employment Outlook, 2003., new member states: Employment in Europe, 2003.

Economic activity has moderated in many regions the world over – as is usual at times of recession. However, in the old EU member states, it increased slightly this time due to social changes implemented (or at least commenced) despite the strong resistance of society.

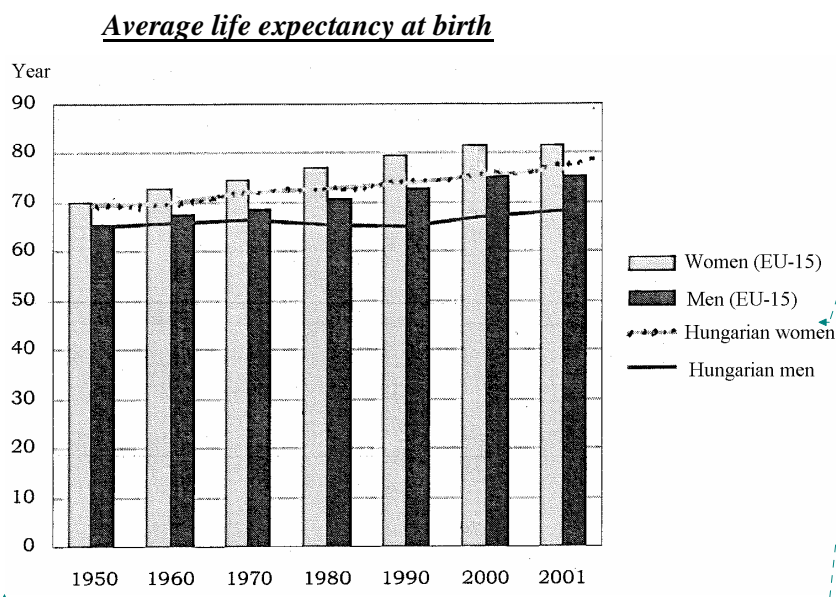
2.1.1 Keeping the old in the labour market

An important change affecting several European countries is the tightening of the conditions of retirement, one of the main forms of exit from the labour market (to inactivity).

It has been obvious for long that this step must be taken given the low number of births for decades, the growing proportion of the old and hence problems regarding the sustainability of the pension systems.

Life expectancy showed a welcome improvement in Europe in the past 50 years: average life expectancy increased by around ten years.

Figure 2.



Formázott: Betűtípus: Nem
Félkövér, Angol (egyesült királysági)

Formázott: Középre zárt,
Behúzás: Bal: 3,49 cm

Source: CSO Reports, 2003/4.

According to the data reviewed by CSO: “The life expectancy of male infants is highest, within the Union, in Sweden (77.5 years), Italy (76.7 years) and Austria (75.9 years), while that of female infants is highest in France (83 years), Spain and Italy (82.9 years). The average male life expectancy at birth is lowest in Ireland and Denmark (73 and 74.3 years, respectively), and that of women in Denmark (79 years) and Portugal (80.3 years).

In Hungary, fifty years ago the value of this indicator approximated the present EU15 average. To date, female and male life expectancy at birth is 5.1 and 7.1 years less, respectively, than in the Union”.

Demographic developments have created a new situation for the pension system, too, among many other social institutions. The general and mandatory pension insurance system covering every employed worker, introduced in the post-World War II years all over Europe, has from the start had a significant effect on the labour markets of the countries concerned.

- The prospect of old-age pension made employee status an attractive option to masses of workers, mainly those in small agrarian enterprises and especially women among them. Recruitment to post-World War II

reconstruction (in the socialist countries: industrialisation) jobs relied to a large extent on the prospect of eligibility to old-age pension.¹⁰

- At times of economic recession, retirement represented an escape line to older workers. After the seventies, great masses retired this way instead of becoming unemployed, mostly with special government support. The conditions of early retirement, however, were tightened in the early nineties in almost every European country, in order to relieve some of the burdens of the pension systems.
- Mandatory and general pension schemes probably exerted the greatest influence on the labour markets through retirement age limits. With minor differences by country, in most countries of Europe, the age of 65 was defined as retirement age. At the same time, the upper working-age limit was set at 64, the last year spent at work.

While the bottom limit of working age (15 years of age) is codified by national legislation on the basis of international recommendations, the upper limit depends on the pension system of the country concerned. International statistics draws the line at 64, for the sake of comparability, but national statistics are based, realistically, on the age limits in effect in the given country. (On the other hand, international comparisons – in accordance with the recommendation of the International Labour Organisation (ILO) – actually consider people able to and capable of work until the age of 74, and labour force surveys include the employment/unemployment data of those past 64 as well. Most comparisons, however, observing reality, use data referring to those aged 64 or younger.)

National pension systems usually set different retirement age limits for men and women (as in Belgium, Austria and the UK); and occasionally even for public and private employees (as in the UK).

The new, ex-socialist, EU member countries also had different age limits for men and women and, what is more, both were lower than in the market economies (in Hungary, for example, until 1997, retirement age was set at 60 for men and 55 for women – and, consequently, they qualified as being of active age until one year earlier.)

Practically every country started correcting retirement age over a shorter or longer period of time (women, for example, will reach the 65-year limit by 2033 in Austria and 2020 in the UK. The uniform 62 years of age targeted in Hungary, still lower than the European average, will be reached in 2008.)

Until then, however, it is possible in many countries to have full old-age pension at an earlier date, provided that the pre-determined contribution

¹⁰ The relatively short service period required for eligibility to old-age pension resulted, in a few decades' time, in that people left the labour market right after having acquired eligibility. A study of the Hungarian labour market in the seventies actually considered this one of the main reasons of labour shortage at that time. {János Tímár: *Development of the economic activity of the Hungarian population by sex and age-group, 1910 to 1970; Possibilities and conditions of influencing the labour supply – Summary paper, Photocopied, 1976.*}

payment period is completed (in Belgium, after 28 years, from the age of 60, in Italy, after 37 years or, 35 years in the private sector, from the age of 57, in Luxembourg, after 480 months, from the age of 57–60 etc.). Furthermore, in several occupations, persons doing exceptionally hard/hazardous work may retire with full pension, in function of the number of their service years, even below the age of 50.¹¹

In addition to concerns regarding the sustainability of pension schemes, in the changed demographic context (few children, ageing society), national “working age” as defined by pension regulations has undesirable effects on the national labour potential. It is general practice in most countries to retire workers having reached retirement age whether they want it or not. (Under the Hungarian Labour Code, for example, no special justification is needed in such cases.) Throughout Europe, many are forced to give up their jobs due to their age, although their intellectual and physical capacities do not justify that. Women, in a more advantageous position in terms of life expectancy growth, are in a most disadvantaged labour market situation in many countries, as relatively few among them had had (have) an earning occupation, often at low pay, implying low old-age pension.

Major international organisations (e.g. OECD, EU)¹², have, for years, been treating the present situation and the quite foreseeable tendencies. As described in detail in our previous Reports, instead of raising retirement age even higher, they propose to extend working-age, and to ensure the highest possible rate of employment of women and older people (ages 55 and higher). (All the more so as men and women tend to retire, irrespective the retirement age limit, at around the age of 60 in general.)¹³

¹¹ In Hungary, for example, the review of retirement with age exemption has been on the agenda for years. Many occupations surveyed decades ago (coal-mining, the railways, the army etc.) have transformed significantly– if only under the impact of technical/occupational safety regulations. However, the revision of this classification has been postponed year on year, due typically to trade union resistance in order to protect acquired rights.

¹² OECD: Ageing and Income. Financial Resources and Retirement in 9 OECD Countries, OECD, 2001; EU: Adequate and sustainable pensions – Joint report by the Commission and the Council, Brussels, 10 March 2003 COM (2002) 7165/03 final.

¹³ In 2001, in the EU, the average age of exiting the labour market was 59.9 years, 60.5 years for men and 59.1 for women (*Draft Joint Employment Report, 2003/2004*; p. 80.), according to the country data corrected in January 2004, the average was 60.4 years (p. 103.)

In 2003, in combination with other employment promotion measures, several governments deemed it necessary to lengthen the period providing eligibility to full pension.¹⁴ Their efforts, however, were mostly met by resistance organised by their political opponents. The success of the latter, given the fact that “acquired rights” are at issue, is quite understandable.

It seems that American workers are of a different opinion. Although on average people in the USA live better than those in Europe- (in 2002, the per capita national income at purchasing power parity was USD35,619 thousand in the USA and USD24,377 on European average), and in the USA, a significantly larger proportion of the adult population has an earning activity than in the EU, 70% of Americans would like to keep working after having reached retirement age at 65. Almost 50% would like to work after the age of 70 and even 80. Answers to the question of the American pension association suggest that the majority would like to continue their current work. The main reason for most is financial needs *Világgazdaság*, 24 September 2003}.

The activity rate of members of the older generations (ages 55–64) is relatively higher in a few countries only (Iceland: 88.4%, Sweden: 71.7%, Norway, 69.7%, Switzerland: 66.1%, New-Zealand: 65.5%, Japan: 65.4%) *{Employment Outlook, 2003.}*, where staying at work is encouraged by special pension regulations (as in Japan) or special measures (as in Sweden and Denmark). Even there, high labour market participation rates are typical of men rather than women.

Table 2.2.

Economic activity of the older generations (ages 55–64), 2000, 2002

	% rate of the economically active					
	2000			2002		
	men	women	All	men	women	All
OECD total	62.8	38.8	50.4	63.8	40.6	51.9
of which:						
USA	67.3	51.9	59.2	69.2	55.2	61.9
EU15	52.4	30.9	41.4	53.8	33.1	43.2
New EU member states*	43.7	22.2	32.0	45.0	23.0	33.1
of which:						
Hungary	34.5	13.5	22.9	38.2	18.9	27.5

* Not including Malta

Source: OECD, Employment Outlook, 2003; new member states: Employment in Europe, 2003.

¹⁴ Austria made several attempts to find a solution. A few years ago, a part-time employment scheme was announced for older workers, under which their pension did not decrease, but public burdens were assumed by the state instead of their employers. The ambitious programme had to be down-scaled due to its costs. (According to the estimates, by end- 2003, some 37 thousand older workers worked part-time.)

The bill on tightening the conditions of retirement with age exemption presented in 2003 was vetoed by the Haider party *{HVG, 5 July 2003 }*. In May 2003, the draft of the more extensive pension reform launched “a strike movement unprecedented for 50 years, and radicalised the trade unions” *{HVG, 17 May 2003}*.

The German, French and Italian pension reform plans, too, met with acute social conflicts: strikes, street demonstrations.

The British government is experimenting with a different approach. Its bill would prohibit discrimination by age, currently excluding sometimes even those aged 50 from the labour market; hence those having reached retirement age could work on until the age of 70 at least. *{Napi Gazdaság, 4-5 July 2003}*

Hence the amendment of retirement regulations, giving the green light to the labour market activity of the older is absolutely necessary for the fullest possible utilisation of the labour potential of the countries concerned.

2.1.2 Growth of the activity rate of women

The most promising finding of the EU's labour market assessment for 2003 is probably the slow, but unbroken growth of the economic activity of women. It seems most likely that, from among the medium-term targets set for 2005, the increase in the employment rate of women from 55.6% in 2002 to 57% in 2005 will be met.

Over a period of ten years, since 1992, the *activity rate* of women aged 15–64 has increased at a slow annual pace from 55.6% in 1992 to 60.9% in 2002, that is, more and more women have been present in the labour market either as employed persons or as active job-seekers. (Over the same period, the high activity rate of men fell slightly, from 79% to 78.4%.)

The labour market presence of women increased in every EU member state (with the exception of Denmark, boasting one of the highest rates anyway); in most countries, this was due to the rise by a few decimals of the number of the employed and not that of job-seekers. (The labour market participation of women is highest within the EU in Denmark, Sweden and Finland, at 75.5%, 75.8% and 72.8%, respectively.) It is lowest in Italy, Greece and Spain (47.9%, 50.1% and 52.8%, respectively – national traditions and value systems play a strong part in this respect.)

In the new EU member states, the activity rate of women is almost identical with that in the old member states at 59.6%. It is a significant difference, however, that in the EU15, on average, the rate of the employed is higher (55.6% vs. 50.2%), while in the new member states, job-seekers predominate (9.4 vs. 5.3%).

Table 2.3.

Labour market activity of women aged 15-64 2000, 2002

	% rate of economically active women	
	2000	2002
OECD total	59.4	59.6
of which:		
USA	70.7	70.1
EU15	60.1	61.0
New EU member states*	60.2	59.6
of which:		
Hungary	52.7	52.9

* Not including Malta

Source: OECD, Employment Outlook, 2003; new member states: Employment in Europe, 2003.

Despite the positive tendency, both the old and the new member states – and many other OECD countries – must establish/improve a number of conditions (from the organisation of kindergarten facilities to the extension

of part-time work options and the further employment of people having reached retirement age among others) to eliminate the gender gap among earners.

2.2 Differences in economic activity by country

Insofar, apart from sporadic national examples, labour market participation was described in terms of the average data of large country grouping. The averages, however, tend to conceal often significant historical differences between the countries concerned.

Table 2.4.

Economic activity of the EU population aged 15-64, 2001-2002

Country	Employed		Unemployed		Economically active		Inactive	
	% rate to the population aged 15-64							
	2001	2002	2001	2002	2001	2002	2001	2002
Belgium	59.9	59.9	4.3	4.8	64.2	64.7	35.8	35.3
Denmark	76.2	75.9	3.7	3.7	79.9	79.6	20.1	20.4
Germany	65.8	65.3	5.7	6.2	71.5	71.5	28.5	28.5
Greece	55.4	56.7	6.7	6.4	62.1	63.1	37.9	36.9
Spain	57.7	58.4	6.8	7.6	64.5	66.0	35.5	34.0
France	62.8	63.0	6.0	6.1	68.8	69.1	31.2	30.9
Ireland	65.7	65.3	2.7	3.1	68.4	68.4	31.6	31.6
Italy	54.8	55.5	5.8	5.6	60.6	61.1	39.4	38.9
Luxembourg	63.1	63.7	1.3	1.8	64.4	65.5	35.6	34.5
The Netherlands	74.1	74.4	1.7	2.1	75.8	76.5	24.2	23.5
Austria	68.5	69.3	2.8	3.7	71.3	73.0	28.7	27.0
Portugal	68.7	68.2	3.1	3.9	71.8	72.1	28.2	27.9
Finland	68.1	68.1	6.9	6.8	75.0	74.9	25.0	25.1
Sweden	74.0	73.6	3.9	4.0	77.9	77.6	22.1	22.4
United Kingdom	71.7	71.7	3.9	3.9	75.6	75.6	24.4	24.4
EU15 AVERAGE	64.1	64.3	5.1	5.4	69.2	69.7	30.8	30.3
New member states								
Czech Republic	65.1	65.5	5.8	5.2	70.9	70.7	29.1	29.3
Estonia	61.0	62.0	9.0	7.3	70.0	69.3	30.0	30.7
Hungary	56.5	56.6	3.4	3.5	59.9	60.1	40.1	39.9
Lithuania	58.4	59.9	11.9	9.7	70.3	69.6	29.7	30.4
Latvia	58.6	60.4	9.1	8.4	67.7	68.8	32.3	31.2
Poland	53.4	51.5	11.9	13.1	65.5	64.6	34.5	35.4
Slovakia	56.8	56.8	13.6	13.1	70.4	69.9	29.6	30.1
Slovenia	63.8	63.4	4.3	4.4	68.1	67.8	31.9	32.2
Cyprus	67.8	68.6	2.8	2.4	70.6	71.0	29.4	29.0
New member states, average*	56.7	55.9	9.7	9.9	66.4	65.8	33.6	34.2
EU25 TOTAL*	62.8	62.8	6.0	6.1	68.8	69.0	31.2	31.0

* Not including Malta

Source: Employment in Europe, 2003.

The operation of the economy and hence the labour market is subject to the effects, of different intensity, of many differentiating factors (beside the already mentioned retirement age limit, the size, geographical location, population count/age distribution, level of education of the country), but we shall only mention a few among them here.

Let us state at once that demographic differences (population count, age distribution) are not decisive. In the 15 member states of the European Union (and in a much wider circle, too), the share of the 15–64 old within the population overall is around 66-70%, with slight differences (EU15: 67%, new member states: 68%, but it is almost the same at 67.8 and 67.4%, respectively, in Ireland, where the share of those under 14 and in Italy, where that of those past 64 is the highest.) The same applies, *mutatis mutandis*, to the proportion of men and women: men represent almost half and women somewhat more than half of the working-age population. Nevertheless, men predominate in the labour market in every old member states of the EU. The gender gap is narrowest in Sweden and Finland, and widest in Greece, Spain, and in Italy. Obviously, differences in labour market activity reflect historical differences.

A major part of Europe is still predominated by the earner model of the Fordian large enterprise: the man is the breadwinner of the family. (It is a well-known fact that in the early 20th century, Ford's motorcar manufacturing companies, playing a model role in several respects, were opposed to employing women, considered "unreliable labour" due to obligations implied by giving birth and parenting.) Despite the transformation of large enterprises structured according to this model, the social practice of giving preference to male earners has survived, as well as so many reservations regarding the employment of women. A real breakthrough was achieved in the Scandinavian countries alone, asserting the equal rights of women most forcefully. The gender gap in economic activity is widest in the southern member states of the EU (Greece, Spain, Italy), where the social value system gives priority to the family obligations of women.

In the ex-socialist new member states of the EU, where a large proportion of women became earners after World War II, lower activity rates essentially reflect a shortage of vacancies and earning occupations available in the organised economy. This, in turn, is indicative of the weaker accommodation capacity of the economies concerned: so far they failed to create the new forms of female employment demanded by the transformed/transforming economies.

As a matter of fact, many countries still have a lot to do in this respect.

It seems that adaptation is significantly influenced by the level of economic development and prosperity. The generally accepted basic indicator of the level of development is the per capita gross domestic product (GDP). Its size usually correlates closely with the labour market activity of the population. With certain fluctuations, as shown in our previous Reports, the higher the per capita GDP, the more are/would like to be active in the operation of the economy. (Or: the more contribute to the production of the national income, the higher the chance of raising its value.)

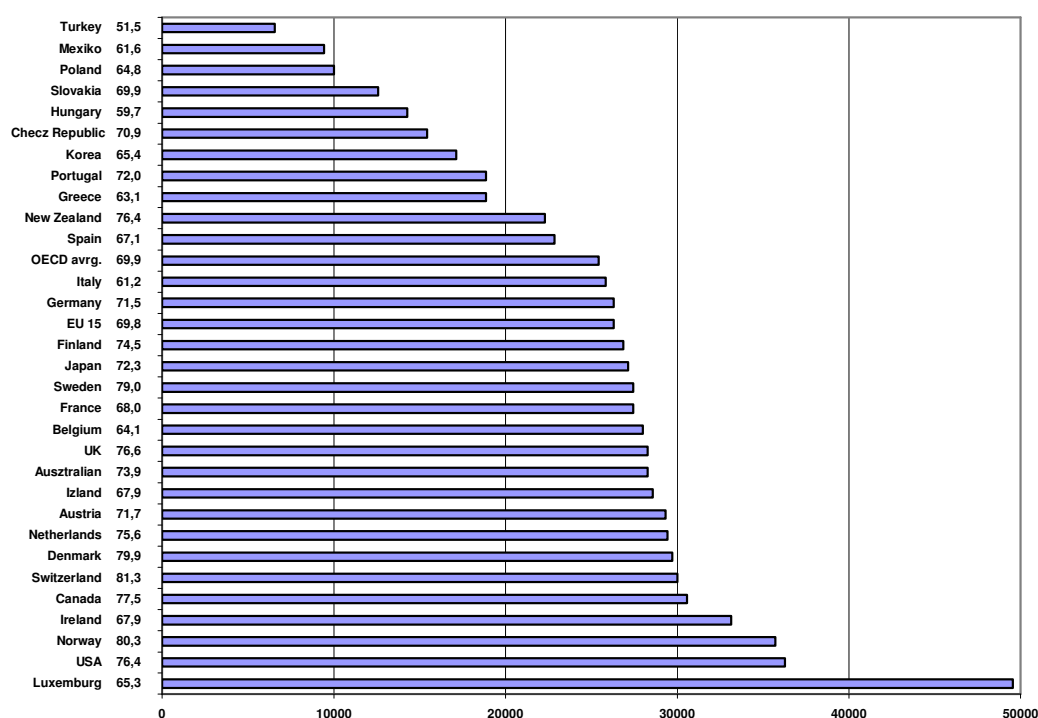
GDP growth slowed down in almost every country in 2002–2003, and fell behind the plan figures. (In the old member states of the European Union, it dropped below 1%, as opposed to 2–3% hoped for/planned earlier, and it fell short of the expectations also in the new (ex-socialist) member states undergoing accelerating growth since the mid-nineties, after the crisis in the beginning of that decade. In Hungary, for example, the GDP grew by 2.9% in 2003, as opposed to rates of 4.5% on average around 2000.)¹⁵

Nevertheless, the interaction between the activity rate and the size of the GDP asserts itself permanently.

Figure 3.

Activity rate and per capita GDP at PPP in the OECD countries, 2002

Activity rate USD



Source: Hungary's national accounts, 2001-2002, CSO, 2004.; Economic activity: Employment Outlook, 2003, OECD.

¹⁵ International analysts – the largest banks included – had assessed the development of the new member states before the official government statements were issued. According to Deutsche Bank, in 2003, GDP growth was slowest from among the ex-socialist countries in Slovenia at 2.3%, it was 2.9% in Hungary and only 3% in the Czech Republic. In Poland, the GDP growth rate was 3.7%, in Slovakia 4.2%, in Estonia 4.5%, in Latvia 6.8 and in Lithuania 8.9%. {*Népszabadság*, 30 April 2004}

In 2002, there was a most significant difference in the per capita GDP of the old and the new member states, respectively, and in their activity rates, too. Except for Luxembourg, in the most prosperous countries of the EU, a high proportion of the adult population was economically active, and the corresponding rate was much lower in the countries with lower incomes.

The elimination of the rather significant differences between the member states is one of the basic priorities of the European Union: the common funds mainly serve this purpose. Nevertheless, the main role in ensuring the highest possible activity rates currently assigned to the national governments.

2.3 Government obligations

The economic upswing may, in itself, provide labour opportunities to many and intensify job-search, but only if the governments foster the establishing of the necessary conditions; removing the hindrances to the satisfaction of the current employment demands. The Wim Kok report essentially urges that.

In what follows, we shall discuss two tasks – perhaps the most important ones – of the national governments.

First of all, as mentioned several times already, both the economy and the employment demands had changed irreversibly by the 21st century.

Suffice it to refer here to a few of the more marked changes (we shall discuss this issue in more detail later):

- The labour demand of the two production sectors, agriculture and industry, has declined – human labour is replaced to a large extent by scientific and technical inventions introduced through major capital investments. New jobs may be created in the many branches of the services sector – although to a growing degree in the non-traditional forms of employment (usually labelled “flexible forms”).
- The size distribution of business organisations has changed. Large companies have been replaced by a multitude of small and medium-size ones; and micro-enterprises with one or a few staff have become the natural form especially in the services.
- Hard physical labour represents a contracting proportion of work activities. Mass production has a considerable demand for semi-skilled workers, while in the services, the share of activities requiring some knowledge at least of the new materials, procedures, instruments and roles replacing experience-based knowledge is increasing. The demand for computer literacy is increasingly widespread.

So far the governments of most European countries have adjusted to these changes reluctantly and with little energy, although their labour markets, showing little or no improvement, are crying out for action. Analyses exploring the reasons for the changed demands of the economy make it obvious that the changes themselves are irreversible.

Let us highlight two government tasks that would provide more elbow room to the economies. One was summarised by the report of the so-called Supoit Committee, pointing to the imperative need to amend the European labour legislation.

In the mid-nineties, this international group of experts commissioned by the European Commission found that national employment regulations and the social protection systems deriving from them divide the earners into two groups: the employed and the self-employed. The employed are guaranteed passive individual safety, standard working time and relatively independent collective bargains.

However, all three former pillars of the legal system having become the standard in Europe collapsed: the Fordian mass production model based on the primacy of male earners, the Fordian trade unions bargaining at the branch (and not occupational) level, and the Keynesian state, maintaining domestic demand even at the risk of inflation and protecting the domestic market from foreign competition.

According to the recommendation of the Supoit Committee, the way out would be a legislation matching reality and the new social practice, and the much more selective application of wage earner status. *{Supoit et al: A European Perspective on the Transformation of Work and the Future of Labor Law; Comparative Labor Law Policy Journal, Vol. 20. 1999.}*

The other government task is to moderate labour taxes, a problem discussed in our previous Reports with reference to international analyses of this topic. The EU has for years insisted that national governments should trim the tax burdens on employment to promote employment growth, and simultaneously review their social allowance systems and modify any elements that may hinder those concerned from engaging in work.

In well-to-do countries (e.g. Germany) neither is the latter rare, but in the less prosperous ones high taxes and contribution payment obligations imposed on wages deter the employers from hiring extra labour.¹⁶

National taxation systems may assign different weights to individual components (personal, consumption, property etc. taxes), but there is a close connection between employment rates and taxes imposed on wages.

¹⁶ Our report for 2002 presented the calculations of World Bank staff on 26 countries. Mandatory payments on wages under somewhat different titles by country, such as mandatory pension, social insurance, labour market contribution etc. ranged from the practically tax-free New Zealand and Denmark's 1% to Slovakian employers paying 50%. (In Poland, the Czech Republic and Hungary, the corresponding rates are 48, 47 and 44%, respectively.) In countries where mandatory tax and contribution payments attain 40% or more (including Italy), both the employment rate and the rate of job seekers is definitely low. In every one of the countries (10 out of 26 in the sample) where the corresponding rate is 20% or less, both the employment and the activity rate is, not surprisingly, high. *{M.Riboud-C.Sanchez-Páramo-C.Silva-Jáuregui: Does Eurosclerosis Matter? Institutional Reform and Labor Market Performance in Central and Eastern European Countries in the 1990s, Lecture at the ILO Conference, Budapest, Nov. 2001. }*

Employers pay taxes and contributions according to certain keys pegged to the wages of employed persons – contributions help cover health, pension and, occasionally (as in Hungary) unemployment insurance expenditures.

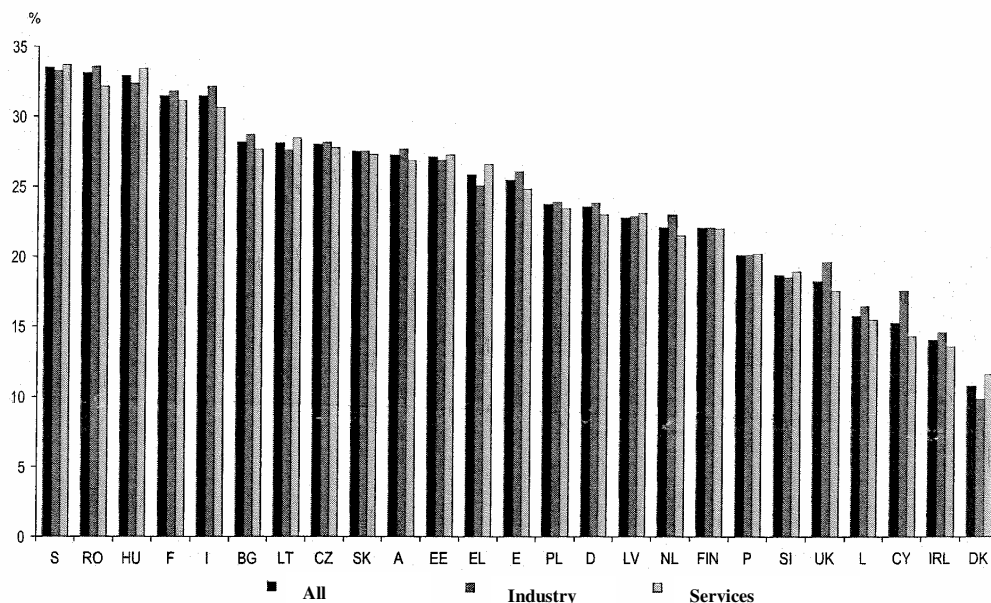
According to the analysis of *Employment in Europe, 2003*, wage-related expenditures have been increasing gradually from the early seventies on in most member states of the EU, while taxes on capital and business incomes decreased. Since the mid-nineties, however, several member states have been cutting or at least freezing taxes on labour. Nevertheless, on average, wage-related taxes in the EU are relatively high in international comparison.

High taxes and contribution payments on wages (and employment), of course, put a brake on recruitment, and the smaller the organisation, the more this is felt. (According to the analysis referred to above, they determine decisions pertaining to labour demand.) The same factors act in favour of tax avoidance (e.g. pseudo-contracts), and untaxed (undeclared) labour outside the organised economy.

Decisions to be taken to promote employment in the organised economy, however, are usually contrary to the short-term interests of the political parties in power ever (e.g., they may imply a loss in central budget revenues due to the trimming of labour taxes), or may entail social conflicts (due to the protest of the trade unions and the political opposition against changes in labour legislation).

Figure 4.

Non-wage-type labour costs in industry and in the services, 2000



* Non-wage-type labour costs include the tax and contribution payment obligations ever of the employer. It does not include premium, allowance, severance pay, etc. to the worker, as these qualify as part of the wages.

Source: Eurostat, Labour Cost Survey; *Employment in Europe, 2003*. p. 80.

However, one of the key issues of employment promotion is exactly how fast conflicting interests can be reconciled to adjust to new demand. On the basis of the Wim Kok report, the EU urges faster and more efficient measures in this respect.

2.4 Economic activity in Hungary in 2003

So far the Report described Hungary's economic activity in 2002 through data figuring in international comparisons. Data on Hungary specifically, however, are available for 2003, too.¹⁷ Data collected in the framework of the labour force survey conform, both in principles and methodology, to those in the international surveys, but they cover the interval of a whole year, and the data are annual averages based on 12 months' time.

The economic activity of the population increased, albeit modestly, in 2003.

The population aged 15–64 decreased slightly, by 13 thousand, but almost 53 thousand more were present in the labour market than one year earlier. Almost 47 thousand among them joined the group of the employed and 6 thousand that of job-seekers. Activity growth was due in two-third of the cases to women remaining in employment due to the increase of the retirement age limit.

Table 5.

Törölt: 2

Economic activity of the 15-64 year-old, 2002, 2003

	Population	Of which:		Ec. active	Ec. inactive	Activity rate	Employ ment rate	Unemployment rate
		Employed	Unemp.					
Men+women								
2002	6 849.7	3 850.3	238.4	4 088.7	2 761.0	59.7	56.2	5.8
2003	6 836.3	3 897.2	244.3	4 141.5	2 694.8	60.6	57.0	5.9
<i>of which:</i>								
Men								
2002	3 337.7	2 100.3	137.9	2 238.2	1 099.5	67.1	62.9	6.2
2003	3 330.0	2 112.7	138.4	2 251.1	1 078.9	67.6	63.4	6.1
Women								
2002	3 512.0	1 750.0	100.5	1 850.5	1 661.5	52.7	49.8	5.4
2003	3 506.3	1 784.5	105.9	1 890.4	1 615.9	53.9	50.9	5.6

Source: LFS, 2003 (CSO, 2004.)

Hungary is currently ranking last in the EU25 in terms of activity growth, and the increase is probably too modest to alter its position.

Of course, considering as reference base working age as defined by the Hungarian regulations (men: ages 15–61, women: 15–58), the rates are somewhat better: 70% of men and almost 60% of women was present in the labour market, somewhat more than one year earlier. (National data outside the scope of the generally accepted working-age limits of 15–64, however, are not taken into account by the international comparisons.)

¹⁷ At the same time, CSO released data referring to previous years corrected according to the population census data of 2001. As it is known, the difference compared to the data extrapolated annually from the previous census of 1990 was around 200 thousand. Labour force survey data, too, were corrected in retrospect back to 1998 according to the new findings. *LFS Time-series, 1992-2002* (Databank) CSO, 2004.

Table 2.6.

Economic activity by age group and gender, 2003

Age groups, genders	Employed	Unemploy ed	Ec.active	Ec.inactive	of which: passive unemployed	15-74 year-old	Activity rate, %	Unempl oyment rate, %	Employm rate, %
15-19									
Men	15 196	6 811	22 007	293 523	3 629	315 530	7.0	30.9	4.8
Women	9 703	4 962	14 665	295 816	2 977	310 481	4.7	33.8	3.1
All	24 899	11 772	36 671	589 340	6 605	626 011	5.9	32.1	4.0
20-24									
Men	183 598	24 903	208 501	145 836	7 230	354 336	58.8	11.9	51.8
Women	147 032	18 230	165 262	185 827	3 274	351 089	47.1	11.0	41.9
All	330 630	43 133	373 763	331 663	10 504	705 426	53.0	11.5	46.9
25-29									
Men	344 800	25 792	370 592	53 735	10 146	424 327	87.3	7.0	81.3
Women	246 154	17 813	263 966	150 712	4 149	414 679	63.7	6.7	59.4
All	590 954	43 604	634 558	204 447	14 295	839 005	75.6	6.9	70.4
30-39									
Men	585 719	34 103	619 822	59 149	13 001	678 971	91.3	5.5	86.3
Women	442 004	28 502	470 506	201 198	9 300	671 704	70.0	6.1	65.8
All	1 027 723	62 605	1 090 328	260 347	22 301	1 350 675	80.7	5.7	76.1
40-54									
Men	788 015	40 986	829 001	212 086	19 746	1 041 087	79.6	4.9	75.7
Women	800 609	32 462	833 071	288 132	18 442	1 121 203	74.3	3.9	71.4
All	1 588 624	73 448	1 662 072	500 218	38 188	2 162 290	76.8	4.4	73.5
55-59									
Men	156 126	5 021	161 147	121 806	3 552	282 953	57.0	3.1	55.2
Women	116 857	3 177	120 034	212 709	2 655	332 742	36.1	2.6	35.1
All	272 983	8 198	281 181	334 515	6 207	615 695	45.7	2.9	44.3
60-64									
Men	39 192	786	39 978	192 835	749	232 813	17.2	2.0	16.8
Women	22 234	714	22 949	281 414	359	304 362	7.5	3.1	7.3
All	61 426	1 500	62 926	474 249	1 108	537 175	11.7	2.4	11.4
65-69									
Men	9 641	50	9 691	186 775	202	196 466	4.9	0.5	4.9
Women	7 542	151	7 693	278 262	239	285 955	2.7	2.0	2.6
All	17 183	201	17 384	465 037	441	482 421	3.6	1.2	3.6
70-74									
Men	4 200	21	4 221	160 723	73	164 944	2.6	0.5	2.5
Women	3 283	0	3 283	257 989	155	261 272	1.3	0.0	1.3
All	7 483	21	7 504	418 712	228	426 216	1.8	0.3	1.8
Total									
Men	2 126 488	138 473	2 264 961	1 426 466	58 327	3 691 428	61.4	6.1	57.6
Women	1 795 419	106 010	1 152 429	2 152 058	41 548	4 053 487	46.9	5.6	44.3
All	3 921 907	244 483	4 166 390	3 578 525	99 875	7 744 915	53.8	5.9	50.6
Ages 15-64. '000									
Men	2 112 7	138 4	2 251 1	1 078 9	58.0	3 330 0	67.6	6.1	63.4
Women	1 784 5	105 9	1 890 4	1 615 9	41 2	3 506 3	53.9	5.6	50.9
All	3 897 2	244 3	4 141 5	2 694 8	99 2	6 836 3	60.6	5.9	57.0
Working-age population *, '000									
Men	2 095 6	138 2	2 233 8	957 4	57 5	3 191 2	70.0	6.2	65.6
Women	1 751 6	104 9	1 856 5	1 277 6	40 8	3 134 1	59.9	5.6	55.9
All	3 847 2	243 1	4 090 3	2 235 0	98 3	6 325 3	64.7	5.9	60.8

* Men: ages 15-61, women: ages 15-58

Source: LFS, CSO

The distribution by gender and age-group shows three typical changes.

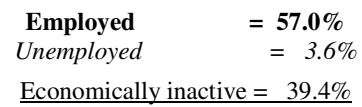
1. Economic activity declined among the youth. In 2002, the earners and the unemployed represented 6.8% of those aged 15–19 – the decisive majority of this group is in education – , while in 2003, the corresponding rate was 5.9%. In the age group of 20–24, labour market participation dropped even more markedly, from 54.8% to 53%. The activity rate of men aged 25–29, representing the next age group, fell, too, from 88.2% to 87.3%.
2. Except for the youth, male and female activity rates alike increased in every other age group.
3. As indicated already, growth was fastest in the category of women aged 55–59: their activity rose from 29% in the previous year to 36.1%. This is obviously due to the new retirement age of 58 for women: instead of the previous 95 thousand, 120 thousand members of this age group remained active.

In order to increase the low activity rate, the labour administration introduced several measures in 2003, extending employment promotion subsidies as well as allowances available to persons involved in intensive job search. (MEL Decree No. 13/2003./X.10.) on employment promotion subsidies and on the amendment of ML Decree No. 6/1996.(VII.16.) on assistance available from the Labour Market Fund for the management of employment crisis situations).

The provisions of the said legal regulation will be discussed in more detail under the relevant headings. Suffice it to note here in connection with the provisions designed to help several strata, but mainly the registered unemployed, that **a.)** the effects of measures taken in the last quarter of the year could hardly be felt in 2003 yet, and **b.)** as most subsidies relate to the registered unemployed, their effects, too, will concern this circle in the first place, and provide less incentive to the hundreds of thousands of inactive to make efforts to re-enter the labour market and **c.)** even with the best intentions, measures taken strictly within the competence of employment policy cannot replace the joint efforts of the central administration to eliminate all hindrances to employment growth, including the high costs of employment referred to already.

Of course, it is necessary and correct to provide assistance to those in the most disadvantageous position, and to assume the bulk of the costs of their employment through the Labour Market Fund. The new jobs of the future, which in Hungary should be in the order of hundreds of thousands, cannot be operated this way, at the expense of a fund generated by the contributions of employers and employees. In order to achieve a substantial growth of employment, conforming to the European objectives, widespread and decisive government measures are indispensable

Distribution of the population aged 15-64 by county, 2003



25

3. EMPLOYMENT, THE EMPLOYED

3.1 The Luxembourg process

The European Union launched its joint efforts to promote employment in 1997, simultaneously with a significant shift of emphasis in European employment policy. Previously, the priority target was to reduce the unemployment rates of the member states. At the end-1997 Luxembourg EU Summit, the heads of the member states extended the objectives to the activation of the inactive, persons having exited or never entered the labour market (often despite their will), the mobilisation of the European labour reserve. The underlying principle of the joint strategy was that well-prepared, educated, healthy and motivated labour is the most effective social capital, and it is a loss to society if this is wasted instead of being exploited.¹⁸

The new approach was inspired by several circumstances translated in clear and indisputable facts during the decades. One was the permanent backlog of the European employment rates compared to those of the big rivals, the USA and Japan. In 1975, the employment rate of the adult population of the USA had been lower yet than that of the EU member states, while that of Japan almost attained what is considered full employment: 70% of the population aged 15–64 had an earning occupation.. In the years/decades following 1975, the employment rate of the EU continued to decrease, from 64 to 60%, while that of the USA and of Japan approximated 75%. That is, Europe failed to exploit, wasted, its most effective capital, human labour.

Relatively low employment rates highlighted other circumstances urging for a change, too, such as the sustainability of the pension systems in the context of growing life expectancy, the real danger of social exclusion of persons having no access to earning occupations or that of the segmentation of European society to workers enjoying social and legal protection guaranteed by the law on the one hand, and those having no protection at all on the other, to the extent of putting the democratic values at a risk.

Growing awareness of these circumstances has led to the formulation and later on the development of the European employment policy objectives. The heads of the member states adopted the following joint objectives:

- to increase the employment level of those aged 15–64 to 70% by 2010;
- to increase, within the above, the employment rate of women, one of the two social groups with the largest reserve pool, from 50.5% to 60%;
- and that of those aged 55–64 from 36.3% to 50%.

In March 2001, at the Stockholm Summit, under the impact of the reviving economies and the promising results of measures taken already, the member states set the medium-term objectives of raising the employment rate to 67%, the

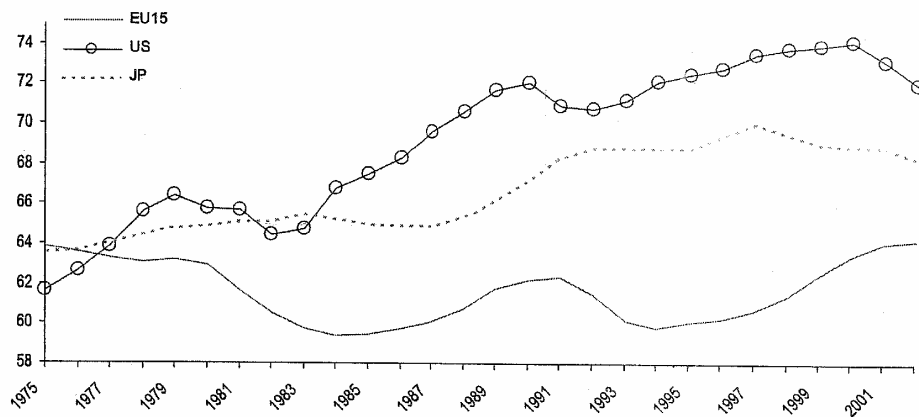
¹⁸ As explained by Pádraig Flynn, then chief commissioner for employment affairs of the European Commission, in his speech at Parliament at the time of his Budapest visit in December 1997.

female employment rate to 57% and that of the members of the older generations to 50% by 2005. The EU countries, in different situations defined by highly different legacies, set their own annual targets under the National Action Plans, adapted to the jointly approved recommendations (specified under the Employment Guidelines and, as of 2002, the European Employment Strategy, EES). The European Commission assesses the realisation of the national commitments annually, publicly acknowledging good results and making proposals to eliminate the deficiencies.

Thanks to the joint efforts, European employment did not diminish in 2002 despite more marked economic decline than expected, but its level was still below that in 1975. The he backlog compared to the USA and Japan diminished somewhat, but this was due exclusively to the slight decrease of employment in the latter.

Figure 6.

Employment rates in the EU, US and Japan 1975-2002
(% of working-age population)



Source: Employment in Europe, 2003, p. 16.

National employment rate differences have remained marked and hardly changed in the EU in the course of the years. The respective rates of the EU15, the “old” member states, grew to a smaller or greater extent relative to 1997, but there is still a 20% point gap between Denmark, heading the list, and Italy, making up the rear.

The 70% employment rate set for 2010 was approximated, in addition to the four countries (Denmark, the Netherlands, Sweden, the United Kingdom) having attained it already, by another three countries: Austria, Portugal and Finland, although in 2002, the employment rate increased, by a few decimals, in Austria alone.

Employment increased in 2002 in every one of the three countries registering the lowest employment rates in the organised (i.e. declared, tax-paying) economy (Italy, Greece and Spain).

Table 3.1.

EU15 employment rates, 2001-2002

Country	Employment rates					
	Total		Women		Older	
	2001	2002	2001	2002	2001	2002
Belgium	59.9	59.9	51.0	51.4	25.1	26.7
Denmark	76.2	75.9	72.0	71.7	58.0	57.8
Germany	65.8	65.3	58.8	58.8	37.9	38.4
Greece	55.4	56.7	40.9	42.5	38.0	39.7
Spain	57.7	58.4	43.0	44.1	39.2	39.7
France	62.8	63.0	56.0	56.7	31.9	34.8
Ireland	65.7	65.3	54.9	55.4	46.8	48.1
Italy	54.8	55.5	41.1	42.0	28.0	28.9
Luxembourg	63.1	63.7	50.9	51.6	25.6	28.3
The Netherlands	74.1	74.4	65.3	66.2	39.6	42.3
Austria	68.5	69.3	60.7	63.1	28.9	30.0
Portugal	68.7	68.2	61.0	60.8	50.1	50.9
Finland	68.1	68.1	65.4	66.2	45.7	47.8
Sweden	74.0	73.6	72.3	72.2	66.7	68.0
United Kingdom	71.7	71.7	65.0	65.3	52.3	53.5
EU15, TOTAL	64.1	64.3	55.0	55.6	38.8	40.1

Source: Employment in Europe, 2003

Longer-term data make the trends ever more discernible than annual fluctuations by a few decimals only. The countries characterised by high employment rates from the start notwithstanding, over 5 years starting from the beginning of the Luxembourg process, employment growth was fastest in Spain at 9% and in Ireland at 7.8%. The achievements of both were greatly fostered by the relevant agreements of the social partners and central employment policy measures relying on these. Spain, for example, alleviated staff management regulations implying excessive redundancy costs and hence preventing employers from hiring new staff and blocking the accommodation capacity of the economy. Part-time employment was given the green light, and hence, among others, the number of female earners increased by almost 10%. In Ireland, where the employers, employees and the government concluded several agreements from the nineties on, a pact was made in 1997 to promote employment and competitiveness, including, mainly, measures to facilitate the employment of women (e.g. through the deployment of a kindergarten/□rèche system).

Note that all four countries boasting high employment rates took numerous measures for that purpose during the years. (In Denmark, for example, retirement age is higher by one year than the European standard, and taxes and contributions payable on wages are among the lowest, hence there is no reason for hidden employment. The Netherlands, where almost 40% of earners work part-time as opposed to the European average of 15%, is reacting fastest to economic changes

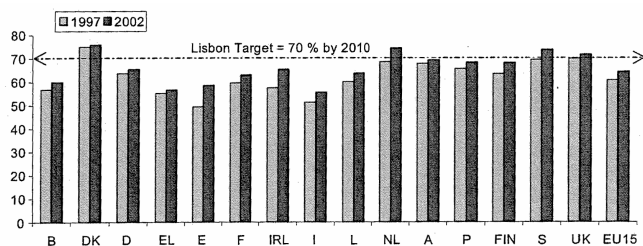
in the past decades or now. In the UK, as in Sweden, previously tight employment conditions were loosened in many respects, etc.) In these countries, the main objective now is to maintain the level attained already.

Countries showing more modest employment growth (e.g. Germany, Greece, France etc.) actually failed to take the necessary reform steps; politics could not bring about the social agreements, indispensable for this purpose, as underlined once again by the Wim Kok report.

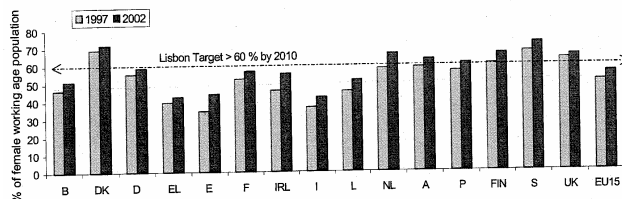
Figure 7.

Employment rates in EU15, 1997, 2002

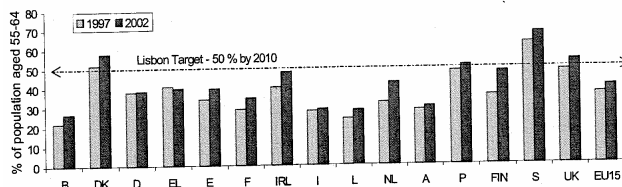
Population, 15-64



Women



Older generations (55-64)



Source: Draft Joint Employment Report, 2003/2004., p. 95.

*Table 3.2.****Employment growth of the EU15, 1997,2002***

Country	Employment rate						Change over 1997 (% point)		
	1997			2002					
	All	Women	Older	All	Women	Older	All	Women	Older
Belgium	56.8	46.5	22.1	59.9	51.4	26.7	3.1	4.9	4.6
Denmark	74.9	69.1	51.7	75.9	71.7	57.8	1.0	2.6	6.1
Germany	63.7	55.3	38.1	65.3	58.8	38.4	1.6	3.5	0.3
Greece	55.1	39.3	41.0	56.7	42.5	39.7	1.6	3.2	- 1.3
Spain	49.4	34.4	34.1	58.4	44.1	39.7	9.0	9.7	5.6
France	59.6	52.4	29.0	63.0	56.7	34.8	3.4	4.3	5.8
Ireland	57.5	45.9	40.4	65.3	55.4	48.1	7.8	9.5	7.7
Italy	51.3	36.4	27.9	55.5	42.0	28.9	4.2	5.6	1.0
Luxembourg	59.9	45.3	23.9	63.7	51.6	28.3	3.8	6.3	4.4
Netherlands	68.5	58.0	32.0	74.4	66.2	42.3	5.9	8.2	10.3
Austria	67.8	58.6	28.3	69.3	63.1	30.0	1.5	4.5	1.7
Portugal	65.7	56.5	48.2	68.2	60.8	50.9	2.5	4.3	2.7
Finland	63.3	60.3	35.6	68.1	66.2	47.8	4.8	5.9	12.2
Sweden	69.5	67.2	62.6	73.6	72.2	68.0	4.1	5.0	5.4
United Kingdom	69.9	63.1	48.3	71.7	65.3	53.5	1.8	2.2	5.2
EU15	60.7	50.8	36.4	64.3	55.6	40.1	3.6	4.8	3.7

Source: Employment in Europe, 2003

Owing to their recent economic and social history, different from that of the EU15, the new EU member states entered the Union with different endowments. (Suffice it to refer to the different sector structure and lower retirement age limits of the economies concerned.) Although their employment rates increased without exception in 2002 relative to 2001, if only to a modest extent, the average value was still lower by a significant 8% points that that of the old EU member states. (The gap is somewhat narrower for women and wider for members of the older generations.)

Although the prospective member states had engaged in the employment policy endeavours of the EU already in the pre-accession years, they could do little as yet to alter their previous employment policy and its context (e.g., labour taxes/legislation).

In the absence of comparable data, the development of employment in the countries concerned will be shown from 1998, not 1997, on. In the period under study, while employment grew somewhat in every old member states of the EU, it kept decreasing in 5 of the 9 new countries concerned, and while in Europe a growing number of women had an earning occupation, in the other group, most job-losers were women.

*Table 3.3.****Employment rates of the new members states, 1998 and 2002***

Country	Employment rate						Change over 1998		
	1998			2002					
	All	Wo men	Older	All	Wo men	Older	All	Wo men	Older
Czech Rep.	67.3	58.7	37.1	65.5	57.1	40.8	- 1.8	- 1.6	3.7
Estonia	64.6	60.3	50.2	62.0	57.9	51.6	- 2.6	- 2.4	-1.4
Hungary	53.7	47.2	17.3	56.6	50.0	26.6	2.9	4.8	9.3
Lithuania	63.2	58.9	40.5	59.9	57.8	41.6	- 3.3	- 2.0	1.1
Latvia	59.9	55.1	36.3	60.4	56.8	41.7	0.5	1.7	5.4
Poland	59.0	51.7	32.1	51.5	46.2	26.1	- 7.5	- 5.5	- 6.0
Slovenia	62.9	58.6	23.9	63.4	58.6	24.5	0.5	-	0.6
Slovakia	60.6	53.5	22.8	56.8	51.4	22.8	- 3.8	- 2.1	-
Cyprus	65.7	53.5	49.4	68.6	59.2	49.2	2.9	5.7	- 0.2
TOTAL*	60.0	53.0	31.0	55.9	50.2	30.5	- 2.8	- 2.8	- 1.5

* Not including Malta

Source: Employment in Europe, 2003, pp. 209-237.

Acceptance of the EU employment policy objectives implies definite obligations for the new member states – they must take the necessary measures to catch up. Obviously, however, significant employment promotion is dictated first and foremost by their own interests.

3.2 Employment in Hungary in 2003

As shown already (see Table 2.7.), Hungary's adult population aged 15–74, to be taken into account as potential labour, was 7.7 million in 2003, those aged 15–64, the standard of international comparisons, numbered 6.8 million, and those of working-age as defined in Hungary 6.3 million.

There are substantial differences in employment rates calculated for 2003 on the basis of the different reference age-groups.

- Ages 15–74, 50.6%, 3921.9 thousand
- Ages 15–64, 57.0%, 3897.2 thousand
- Hungarian working-age, 60.8% 3847.2 thousand.

The number of the employed showed modest growth compared to 2002.¹⁹

¹⁹ The survey considers as employed anyone having done at least one hour of paid work for another in the week preceding the survey. For more detail of the definition, see the Methodological supplement of the present Report.

Table 3.4.

Number and distribution of the employed, 2002-2003

Year	Population	Of which:		Employed					
		men	women	All		Of which:			
						men		women	
		'000		'000	% rate	'000	% rate	'000	% rate
Ages 15–64									
2002	6 849.7	3 337.7	3 512.0	3 850.3	56.2	2 100.3	62.9	1 750.0	49.8
2003	6 836.3	3 330.0	3 506.3	3 897.2	57.0	2 112.7	63.4	1 784.5	50.9
Ages 15–74									
2002	7 762.2	3 700.8	4 061.4	3 870.6	49.9	2 112.5	57.1	1 758.1	43.3
2003	7 744.9	3 691.4	4 053.5	3 921.9	50.6	2 126.5	57.6	1 795.4	44.3
Working age, Hungarian standard									
2002	6 346.9	3 201.3	3 145.6	3 810.6	60.0	2 086.2	65.2	1 724.4	54.8
2003	6 325.3	3 191.2	3 134.1	3 847.2	60.8	2 095.6	65.6	1 751.6	55.9

Source: Labour Market Outlook, (Munkaerőpiaci helyzetkép) 2003., CSO., 2004.

CSO evaluated the data concerned, stating that “The sampling error of the data of the employed is around 30 thousand and, due to the sample change in 2003, the non-random type error is also higher than the average”. *{Munkaerőpiaci helyzetkép 2003., CSO, 2004.}* That is, the data concerned may reflect real growth, but also apparent growth only, due to the problems of accounting.

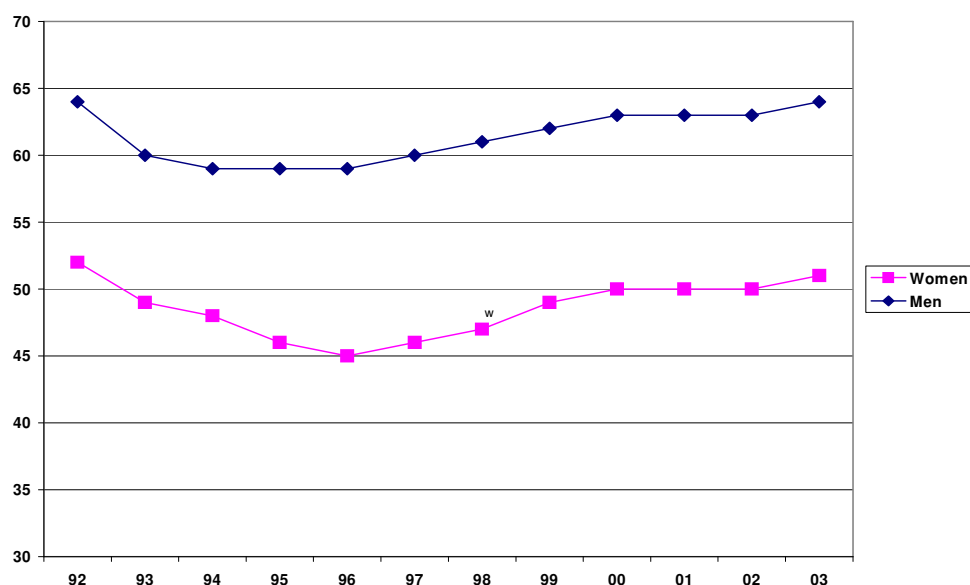
3.2.1 Distribution by gender and age group

As in previous years, employment distribution by gender and by age group has shown no change of merit.

According to the population census of 2001, in line with the long-term demographic trend, the proportion of women was higher within a population of 10,200 thousand at 52.4% than that of men at 47.6%. This pattern did not change in 2003 either. The corresponding rates are somewhat more balanced within the population aged 15–64 (51.3 vs. 48.7%); however, as usual, the employed included less women (45.8%) than men. Owing to the increase in working-age, the female employment rate rose a little (2001 and 2002: 50%, 2003: 50.9%). The employment rate of men aged 15–64 was 63.4% (2002: 62.9%). Hence the gender gap narrowed, from 13.1 percentage points to 12.5).

Figure 8.

Employment rate of men and women aged 15-64, 1992-2003



Source: LFSs

Both the male and the female population includes a much lower number of earners than the “old” EU member states. In 2002, the average male employment rate (EU15, ages 15–64) was 72.8% (UK: 78%, Denmark: 80%, Netherlands: 82.4%). The corresponding Hungarian rate was 63.4% (i.e., almost ten percentage points less) in 2003. In 2002, male employment rates were higher everywhere in the EU15. According to the 2002 data of the new member states, the Hungarian results are not the poorest: the average of this group was 55.9% (Cyprus: 78.8%, Czech Republic: 74%, Slovenia 68.2%, Poland: only 56.9%, Slovakia: 62.4%, Lithuania 62.7%).

Female employment rates lag behind the EU15 average to a smaller extent, by 5.4 percentage points; from among the new member states, Poland only has a worse result than Hungary (46.2%).

As for the distribution by age group, the employment rate is highest, as always, among the 25–54 year-old; in this age group, Hungary, too, attained the 70% or higher employment rate considered as full employment.

Table 3.5.

Number of the employed by age group and gender, 2003

‘000

Age group	Population	Employed, all	Men	Women	Employment rate, all (%)
15–19	626.0	24.9	15.2	9.7	4.0
20–24	705.4	330.6	183.6	147.0	46.9
25–29	839.0	591.0	344.8	246.2	70.4
30–34	705.5	520.4	309.8	210.6	73.8
35–39	645.2	507.3	275.9	231.4	78.6
40–44	612.8	477.6	237.9	239.7	77.9
45–49	805.0	606.9	299.0	307.9	75.4
50–54	744.4	504.1	251.1	253.0	67.7
55–59	615.7	273.0	156.2	116.8	44.3
60–64	537.1	61.4	39.2	22.2	11.4
65–69	482.5	17.2	9.6	7.6	3.6
70–74	426.2	7.5	4.2	3.3	1.8
TOTAL	7 744.9	3 921.9	2 126.5	1 795.4	50.6

Source: LFS, 2003., CSO, 2004.

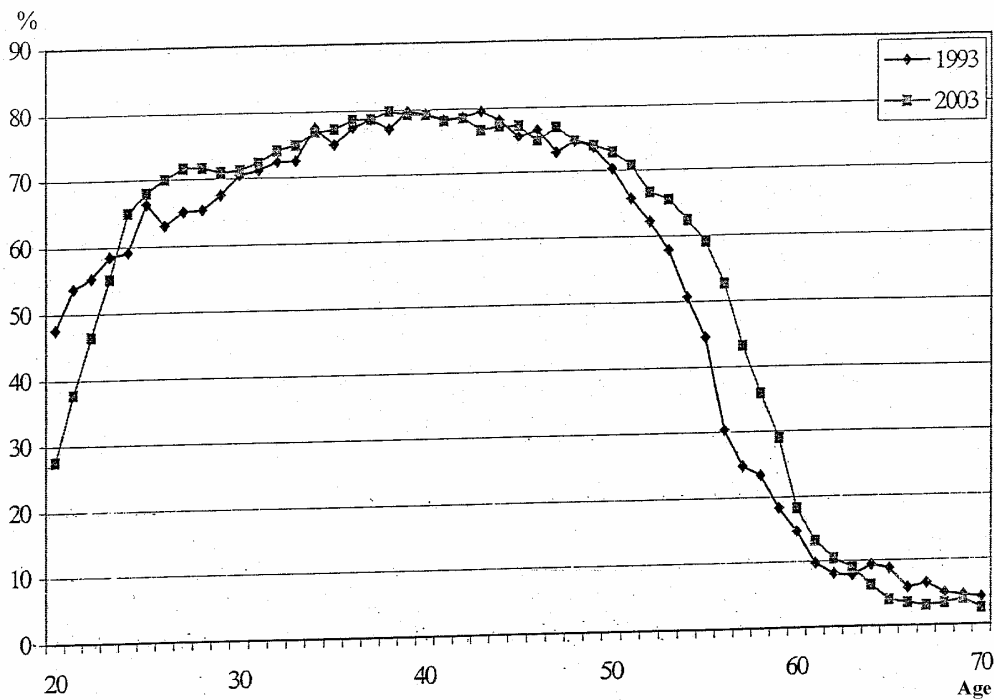
High employment rates for those of prime working age are typical throughout the entire developed European region.

The reasons, too, are by and large identical. Typically, the majority of those under 20 and even under 24 is in education and hence absent from the labour market. As we shall explain in more detail later on, Hungarians tend to enter the labour market at a somewhat earlier age than in most European countries (a lower number continues education after the age of 20 than in the most developed countries), but the absence of those past 15, remaining in education after primary school, is quite obvious already. Between this later entry date and the date of exit to retirement, almost every man and woman capable of work is at work.²⁰

²⁰ According to the analysis of CSO, “Considering a longer period of 10 years, one of the most conspicuous change is the age shift in employment rates. The employment of those below 20 has become marginal with the prolongation of the schooling period, but the rate exceeds the 60% limit for men at the age of 23 only (in 1993, a greater part – 65.9% – of men was employed), and two years later, at the age of 25, for women, and it stagnates, due to child-bearing/raising, in a life period of around 10 years. At the other extreme of working age, however, i.e. among 50 plussers, the labour market presence of both sexes increased significantly, although the steep drop in the employment rate occurs 3-5 years before reaching “official” retirement age, as in 1993, relative to the lower age limit in effect then. The employment rate of the generation aged 55–64, of priority importance in the Union employment strategy, was already 40.1% in 2002 (the target for 2010 is 50%), but the corresponding Hungarian rate of 29.0% is very far indeed from that, even considering the fact that the increase in retirement age has not been finished yet – at least for women”. [Munkaerőpiaci helyzetkép 2003., CSO, 2004.]

Figure 9.

Employment rate by age group, 1993 and 2003



Formázott: Betűtípus: 13 pt

Source: Labour Market Outlook, 2003., CSO, 2004.

The employment peak at ages 25–54 means, furthermore, that those past 54 offer the best chances for employment promotion. The future of the country, the establishment of a competitive, knowledge-based European economy, makes it imperative that the highest possible proportion of those aged 15–24, Hungarians included, continue their education.

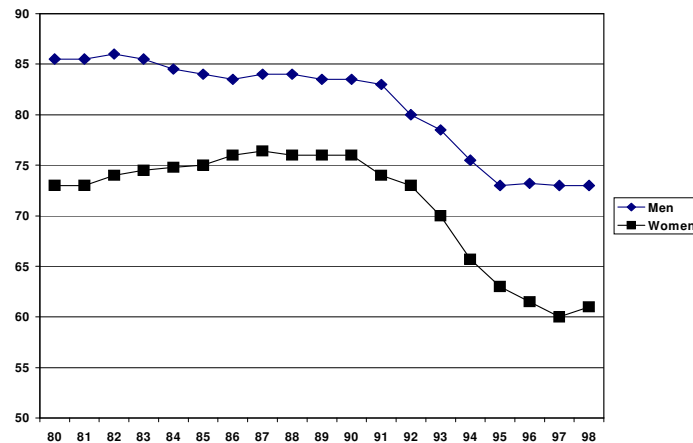
Keeping the older generations in the economy, on the other hand, is a major and certain resource. This does not mean that retirement age should be raised further – neither do the European declarations consider that desirable, although, as mentioned already, the majority of the EU countries had already encountered the problems of the sustainability of the pension systems years ago.

Hungary, too, is opposed to the further raising of retirement age, due to the lower life expectancy of the population among others. However, as elsewhere in Europe, diverse measures are needed to keep those past 54 in the labour market.

Firstly, as we have seen, mass exit from the labour market to inactivity starts in Hungary, as elsewhere in Europe, already prior to reaching retirement age, in spite of the lower age limit.

Figure 10.

Male and female activity rates based on the retirement age limit ever, 1980-1998



Secondly, Hungarian labour legislation, too, allows to send those having reached retirement age to pension without further justification, simply on the basis of their date of birth. This used to be an option, but it has become routine practice. The elevation of retirement age has kept tens of thousands of workers in the labour market. Obviously, mechanic practice ought to be replaced by reasonable regulations and implementation, taking into account the requirement of employment growth.

Thirdly, government actions to boost the spread of more flexible forms of employment included policies designed to stimulate the employment of pensioners. One of the first such measures came into force on 1 January 2004. Accordingly, an employer employing a long-term unemployed worker past 50 is exempted from one of the labour-related tax items, a serious obstacle to employment today, viz. itemised health care contribution payable in addition to the health insurance contribution,. (The plan is to eliminate this tax component, generating counter-interest to the employment of those with low wages, part-time workers included, by 2006.) The present relief in itself may promote the employment of a few thousands of registered long-term unemployed persons, but, obviously, more comprehensive measures applicable to much wider strata would be required. (Another measure designed to promote part-time employment, effective as of 1 January 2004, was that neither does the service period required for eligibility to pension diminish in case of earnings that would be part only of the minimum wages.) The (re)employment of older workers is the most reliable source and the largest reserve pool for raising the permanently low Hungarian employment level.

3.2.2 *Employment by broad sector and branch*

The long-term trends in employment restructuring prevailed despite the marked deceleration of economic growth. The employment structure of the Hungarian economy further approximated that of the EU due to the further decrease of employment in the production sectors (agriculture, industry) and its further growth in the services, with significant differences by country.

Table 3.6.

Employment rates by broad economic sector, 2001-2002

	Agriculture		Industry/Construction		Services	
	2001	2002	2001	2002	2001	2002
EU15	4.2	4.1	25.5	25.0	70.4	71.0
New member states	13.3	13.0	32.4	31.7	54.2	55.3
EU25	5.5	5.4	26.5	25.9	68.0	68.7

%

Source: Employment in Europe, 2003.

The Hungarian employment structure is approximating the typical pattern in the EU15, but this is due less to organic development and more to other factors, such as the collapse of the old structure in the early nineties, subsequent labour-saving developments in the production sectors and growing expenditures in many of the services branches, often covered by taxes.

Employment distribution by broad sector is a common indicator of the level of modernisation/prosperity of the economy. In the majority of the most developed countries, the rate of services employees exceeds 70% (in 2002, they represented 80% of earners in the UK, 77% in the Netherlands, 76% in Belgium, 75% in Sweden and 74% in Denmark). In the less developed and less well-to-do countries, including Hungary, production relying on a weaker capital, knowledge and technology basis still requires more workers. In Hungary, the rate of those employed in the services exceeded 60% in 2003 for the first time.

Table 3.7.

Employment by broad sector, 1900-2003

Year 1 January	Agriculture, forestry		Industry, construction		Services		No. of employed ‘000 = 100 %
	‘000	%	‘000	%	‘000	%	
1900*	1 734.6	61.1	422.5	15.0	684.2	23.9	2 841.3
1910*	1 684.7	59.7	558.1	18.3	810.1	26.5	3 053.0
1920*	2 127.2	59.7	562.9	15.8	875.3	24.5	3 565.4
1930	2 030.2	54.3	754.5	20.2	952.8	25.5	3 737.5
1941	2 165.1	51.5	919.3	21.8	1 118.7	26.7	4 201.9
1949	2 197.5	53.8	884.0	21.6	1 003.4	24.6	4 084.9
1960	1 830.0	38.5	1 617.7	34.0	1 311.9	27.5	4 759.6
1970	1 246.0	23.2	2 379.2	44.3	1 747.5	32.5	5 372.7
1980	1 109.0	19.3	2 386.1	41.6	2 238.5	39.1	5 733.6
1990	955.0	17.5	1 976.8	36.1	2 540.1	46.4	5 471.9
2001	205.3	5.6	1 225.4	33.1	2 266.3	61.3	3 696.9
Annual average **							
1992	460.1	11.4	1 431.0	35.5	2 134.6	53.0	4 025.7
1993	349.4	9.3	1 292.2	34.3	2 128.7	56.3	3 770.3
1994	327.6	8.9	1 237.3	33.5	2 127.6	57.6	3 692.5
1995	295.1	8.1	1 198.1	33.0	2 129.6	58.8	3 622.8
1996	302.4	8.4	1 190.1	33.0	2 112.6	58.6	3 605.1
1997	287.8	8.0	1 207.9	33.5	2 114.6	58.3	3 610.3
1998	274.7	7.4	1 267.3	34.3	2 153.6	58.3	3 695.6
1999	275.7	7.2	1 300.3	34.1	2 233.3	58.6	3 809.3
2000	255.5	6.6	1 304.0	33.8	2 296.7	59.6	3 856.2
2001	243.4	6.3	1 325.9	34.3	2 299.0	59.4	3 868.3
2002	240.9	6.2	1 319.9	34.1	2 309.8	59.7	3 870.6
2003	215.2	5.5	1 305.9	33.3	2 400.8	61.3	3 921.9

* Data referring to the present territory of the country

** Until 1998: data known prior to the population census of 2001.

Source: Year, 1 January: 1900-2001: Population censuses; Annual average: 1992-2003: LFSs

Aggregates by broad sector, changing by a few decimals only annually, result from positive and negative staff changes in the relevant branches. Two of the 14 economic branches (A-B) are assigned to agriculture, 4 (C-F) to industry/construction, and 8 (G-Q) to the services. In 2003, the number of the employed decreased in 6 of the 14 branches, by a total of 77 thousand. and it increased in 8, by a total of 128.3 thousand. (See Table 3.8.)

As indicated already, the number of employed women increased by around 30 thousand. In 2003, most women worked in trade (285 thousand), public administration (257 thousand) and health and social care (205 thousand). The latter two are “female occupations” as women represent 78 and 77%, respectively, of their employees. The rate of women, however, was highest in textiles, clothing and leather manufacture at 79%. There are some other branches and sub-branches where women represent the majority of earners.

Table 3.8.

Number and distribution of the employed by branch

Branch*	1992		2002		2003		Staff change, 2002/2003
	'000	%	'000	%	'000	%	'000 + -
A-B	460.1	11.4	240.9	6.2	215.2	5.5	- 25.7
C	52.7	1.3	14.8	0.4	12.8	0.3	- 2.0
D	1 053.5	26.2	959.9	24.8	925.5	23.6	- 34.4
E	108.0	2.7	74.2	1.9	68.2	1.7	- 6.0
F	216.8	5.4	271.0	7.0	299.4	7.6	28.4
G	480.4	11.9	552.1	14.3	553.1	14.1	1.0
H	115.6	2.9	137.3	3.5	139.3	3.6	2.0
I	346.4	8.6	309.7	8.0	303.2	7.7	- 6.5
J	68.7	1.7	75.3	1.9	72.9	1.9	- 2.4
K	140.3	3.5	232.8	6.0	265.8	6.8	33.0
L	236.7	5.9	282.1	7.3	295.4	7.5	13.3
M	311.8	7.7	318.0	8.2	329.0	8.4	11.0
N	236.3	5.9	240.7	6.2	267.2	6.8	26.5
O-Q	198.4	4.9	161.8	4.2	174.9	4.5	13.1
ALL	4 025.7	100.0	3 870.6	100.0	3 921.9	100.0	51.3

* **A-B** = Agriculture, hunting, forestry and fishing; **C** = Mining; **D** = Manufacture; **E** = Electricity, gas, steam and water supply; **F** = Construction; **G** = Wholesale and retail trade, repair and maintenance of motor vehicles; **H** = Hotels and restaurants; **I** = Transport, storage and telecommunications; **J** = Financial intermediation and support services; **K** = Real estate, renting, business support; **L** = Public administration, compulsory social security; **M** = Education; **N** = Health care, social care; **O-Q** = Other services.

Source: LFSs

Table 3.9.

Branch distribution of the employed, by gender, 2003

Branch*	Employed ('000)			% rate of women
	Men	Women	All	
A-B	166.6	48.6	215.2	22.6
C	11.0	1.8	12.8	14.1
D	547.3	378.2	925.5	40.9
E	50.2	18.0	68.2	26.4
F	275.1	24.3	299.4	8.1
G	267.6	285.5	553.1	51.6
H	59.7	79.7	139.3	57.2
I	219.5	83.7	303.2	27.6
J	22.6	50.2	72.9	69.0
K	143.6	122.3	265.8	46.0
L	151.5	143.9	295.4	48.7
M	71.4	257.6	329.0	78.3
N	62.5	204.7	267.2	76.6
O-Q	77.9	96.9	174.9	55.4
All	2 126.5	1 795.4	3 921.9	46.5

* See Table 3.8. above

Source: LFS

During the labour force survey, almost 72 thousand (44 thousand men and 27 thousand women) said that they had a second job, too. Note that this number is much smaller than that of second job holder sole proprietors (126.5 thousand), or pensioner entrepreneurs (81 thousand).

Main job holders indicating a second job are active in every area of the economy, most among them (20%) in real estate, renting, business support (branch K), probably engaged in business support activities.

Table 3.10.

Number and distribution of second job holders by branch, 2003

Sectors, branches	Men	Women	All	%
	‘000			
A-B (agriculture)	4 001	1 846	5 847	8,1
C-F (industry)	8 725	2 005	10 730	15,0
G-Q (services)	31 417	23 644	55 061	76,9
ALL	44 143	27 495	71 638	100,0

Source: LFS

The above-described development of the branch distribution of employment is due in part to economic trend effects affecting branches in different ways, and partly to long-term transformation processes shaping the world of labour (such as the gradual, inverse, development of the employment weight of agriculture and of the services, respectively). Government decisions concerning the operating conditions of the economy, however, play an essential role in the development of the employment situation and in the management of economic effects. Both contributed to shaping the employment level registered in 2003.

Economic trend effects played a major role, especially in the various manufacturing branches, most exposed to the global economic changes, and employing almost one quarter of earners. 36% of the earners concerned was employed by companies in foreign ownership,²¹ very keen on fast response to changes in supply and demand in the form of relocation, among others, to reduce costs. This was the main reason for their eastward migration previously to Hungary, and now away from it, and Hungarian companies adapt themselves to the circumstances by similar techniques.²²

²¹ CSO surveys the effects of foreign capital active in Hungary bi-annually. According to the overview released in 2003, summing up the results in 2002, foreign-owned companies employed a total of 347 thousand at their manufacturing firms, corresponding (not including the financial sector) to 62% of their total number of employees of foreign-owned firms in the entire economy. *{Foreign direct capital in Hungary, 1995–2002, A külföldi működő tőke Magyarországon, 1995-2002., CSO, 2003.}*

²² The accommodation capacity of Hungarian companies is quite promising: *{“More than a thousand Hungarian-owned companies are active in the biggest EU member state, Germany, - Világgazdaság, 3 November 2003; Hungarians, too, can work in Asia”- Népszabadság, 17 February 2004; Székesfehérvár-based Visteon relocations a production line to India, since domestic manufacturing has become a loss-maker – Világgazdaság, 3 April 2003}*

The effects of the economic trends hit hard certain manufacturing branches having had permanent difficulties anyway, first and foremost the textile, clothing, leather, timber and food industries, built, originally, a hundred years ago, on Hungarian raw materials. From among the branches having struggled for years or even decades to survive, the footwear industry suffered severe losses in 2003 (some 15 companies were forced to lay off a total of 3 400 staff, {*Világgazdaság*, 12 February 2004}; textile and clothing lost more than one thousand jobs {*Világgazdaság*, 20 February 2004}; the tinning industry had to lay off, too; the Nagyatád tinning factory, having accumulated significant debts, was again taken over by the state {*Napi Gazdaság*, 6-7 February 2004.}, and 90 food plants had to be closed down, because they failed to comply with the food safety regulations of the European Union {*Figyelő*, 237 November – 3 December 2003.} etc.).

The steel industry, fighting for survival in global competition, is also one of the “difficult” branches.

Fortunately, branches characterised by uncertain prospects and job losses for some time are being replaced by new ones: according to the experts, in 2003, the electrical industry was the most successful among them.

As a resultant of losses and gains, employment in manufacture decreased in 2003 (companies in foreign ownership employed 23 thousand less than one year earlier already in 2002).

From among the industrial branches, construction alone gained jobs in 2003.

Significant growth, on the other hand, was registered in the services branches alone. The increase was highest at 33 thousand in “Real estate, renting, business support”; the experience is that growth concentrated in the colourful world of business services.

On the other hand, in absolute numbers, overall (not branch-specific) growth was fastest in the branches of the public sector. Some areas (education, health care) have become much more attractive than before thanks to the significant increase in wages and emoluments. Although the government tried to offset marked staff growth by scheduled reductions, the balance is still positive at around 50 thousand.

The direct and indirect effects of central measures, of decisive relevance for staff numbers, have made their effects felt in many other areas, too, from the shut-down of loss-making coal-mines (the decade-long programme has essentially been terminated in 2003), through the gradual streamlining of the army and, instead of compulsory military service, the build-up of a more modest contracted staff, to job-creating and job preserving subsidies etc.

However, as before, no central measures resulting in significant employment growth, especially in terms of the employment of the youth and the old, were taken in 2003.

Obviously, changes of relevance for employment, too, continue, of necessity, in the economy overall. Beside the economic trend effects, however, there

are several areas where further development and modernisation is absolutely necessary (e.g. transformation of the operation of the railways and the post, with staff implications).

New activities being introduced now (from new occupations resulting to the spread of computerisation to adult education and environmental protection) require many activities, not necessarily in the traditional framework, however. Consequently, employment growth in Hungary is definitely not conditional on the economic climate alone, but mainly on central measures to alter the terms and conditions of employment in a purposeful way.

3.2.3 *Employment status, occupational clusters*

The previous trends prevailed in the development of the employment status pattern of the employed in 2003. The proportion of employees continued to grow, and, at a slower rate than that of the self-employed and the members of partnerships, while that of co-operative members and assisting family members underwent accelerating decline.

Table 3.11.

Employment status of the employed*

Employment status		1992	2002	2003
Employee	'000	3 203.4	3 337.2	3 399.2
	%	79.6	86.2	86.7
Co-op. member	'000	225.0	22.5	8.6
	%	5.6	0.6	0.2
Member of partnership	'000	257.9	109.9	114.7
	%	6.4	2.8	2.9
Sole entrepreneur	'000	290.1	377.1	378.4
	%	7.2	9.8	9.6
Family member	'000	49.3	23.9	21.0
	%	1.2	0.6	0.5
Total	'000	4 025.7	3 870.6	3 921.9
	%	100.0	100.0	100.0

* Ages 15–74

Source: LFS, CSO, 2004.

The relative proportion of the two large group of earners, the employees and the self-employed, continued to change in favour of the former. (International statistics has so far used this dual system, considering as employee persons working for an employer under a labour contract, and meeting some additional criteria. This classification is about to change, due to the spread, quite fast since the seventies, of “intermediate” labour market statuses in between employee and self-employed status.)

Anyway, employee status, protected by minute labour law regulations, is considered the most attractive option throughout Europe. Beside social and legal protection, employees enjoy many advantages codified by collective

contract (allowances, preferences, 13th month salary etc.). Small wonder that job seekers in Hungary aspire first and foremost to employee status, and few consider other advantages implied by self-employment a promising alternative.

Owing to the decline in the number of co-operative members – started in agriculture mainly by the collapse of the economy in the early nineties, the subsequent restitution of (landed) property and in industrial and services co-operatives by the formation of business enterprises – continues today mainly due to the establishment once again of partnerships. Part of former co-operative members become members or employees of partnerships.

The steady decline in the number of assisting family members is mainly due to the growing contribution payment obligations, applicable to them, too.

The number of small proprietors grew to a modest extent in 2003, but it is still much lower than at the time of the 1999 peak (411.6 thousand at that time).

International comparisons show qualification and other job requirements by occupational cluster. This illustrates, in addition to the distribution of manual/non-manual activities in the economy, the real labour utilisation of the economy, broken down by qualification. Slight annual changes in demand produce quite significant shifts in the longer run.

CSO introduced the new, international, classification system in 1994, that is, it is possible today to make comparisons relative to the status of a decade ago. (See Table 3.12.)

First of all, the number of non-manual workers increased substantially, by around 186 thousand, while that of manual workers grew by 48.4 thousand only, so that the rate of the former exceeded 40%.

Several remarkable changes took place in both categories.

In the category of non-manual occupations, the number of jobs requiring tertiary qualification went up by a hundred thousand approximately, while that of simple office (administrators') jobs fell by 75 thousand.

Manual jobs also reflect the changing demand for the various activity groups. The number of jobs in agriculture, industry and construction, as well as of unskilled jobs keeps decreasing, while that of services, machine operators' and assembly workers' is on the rise. (The latter is indicative of the demand for assembly line workers in mass production, mainly at relocated plants.)

Table 3.12.

Number of the employed by occupational cluster, 1994, 2002–2003

Occupational cluster		1994			2002			2003		
		all		women	all		women	all		women
		'000	%	%	'000	%	%	'000	%	%
1.	Legislators, senior officials and managers	240.8	6.5	36.8	261.7	6.8	34.5	271.2	6.9	34.3
2.	Professionals	383.3	10.4	56.7	454.5	11.7	57.2	497.0	12.7	56.6
3.	Technicians and associate professionals	448.6	12.1	64.5	544.7	14.1	65.2	565.1	14.4	65.7
4.	Clerks	318.9	8.6	91.2	246.8	6.4	92.3	243.9	6.2	93.4
Non-manual occupations, total		1 391.6	37.7	63.7	1 507.7	39.0	62.0	1 577.2	40.2	61.7
5.	Service workers and shop and market sales workers	517.0	14.0	56.8	600.6	15.5	55.7	609.9	15.6	56.8
6.	Skilled agricultural and forestry workers	132.4	3.6	31.3	134.8	3.5	29.3	120.7	3.1	25.4
7.	Craft- and related workers	852.3	23.1	21.3	820.7	21.2	16.8	798.6	20.4	16.3
8.	Plant and machine operators and assemblers	390.1	10.6	21.1	480.8	12.4	29.4	474.6	12.1	29.0
9.	Elementary occupations	359.9	9.7	57.1	284.8	7.4	57.1	296.3	7.6	57.7
Manual occupations, total		2 251.7	61.0	35.7	2 321.7	60.0	35.2	2 300.1	58.7	35.5
10	Armed forces	49.2	1.3	1.2	41.2	1.0	1.9	44.7	1.1	1.4
National economy, total		3 692.5	100.0	45.9	3 870.6	100.0	45.4	3 921.9	100.0	45.8

* Ages 15–74

Source: LFSs

It is worth paying special attention to the development of the labour market situation of women; their growing share among non-manual and decreasing share among manual workers. The rate of women is lower than that of men in the most important managerial jobs, but it is higher than that in every other non-manual occupation. As for the manual occupations, the rate of women exceeds that of men in services-type occupations requiring no vocational qualification. This polarisation is indicative of grave imbalances in the situation of female labour in terms of the employment chances of educated/uneducated and young/older women. Women represented somewhat more than half of the 1.4 million non-manual employees, but among the almost 2 million (1,973 thousand) manual workers, 37.9% of men and 15.3% only of women had skilled worker qualification; an equal proportion, 15.1%, worked as semi-skilled workers, but women prevailed among the unskilled (9.3%, men: 5.7%).

3.2.4 Employment by ownership relation and by legal form of the business entity

The distribution of employees by public, co-operative or privately owned business entities was last described in our Report for 1998 *{Main trends in labour demand and supply, 1998. p.24.}*, on the basis of the March 1997 survey of the Hungarian Household Panel. The main wave of privatisation had been over by then; foreign and domestic buyers had purchased the bulk of state companies put up for sale. After the change of regime, the establishment of new, private-owned enterprises gained impetus as well.

All in all, according to the 1997 data on earners.

- 38.3% worked at state-owned entities (public organisation, state enterprise, company, company owned by the municipality);
- 1.9% at traditional (production) co-operatives;
- 10.2% at partly private (partly state-owned) business entities, and
- 49.5% at private business entities or sole proprietors.

In the period since 1997, the weight of the private sector has increased further. Although the categories of the labour force survey differ somewhat from those of the Hungarian Household Panel, the relevant results are comparable.

According to the 2003 data on earners.

- 27.9% was employed by state-owned organisations (public sector, state-owned enterprises, municipalities and their companies);
- 3.1% by co-operatives, churches and foundations;
- 10.0% by companies in joint ownership and
- 53.5% by the private sector.

(5.4% of respondents did not know who the owner of the workplace was.)

The great majority of private-sector employers (43.5%) is a domestic company or a private individual.

Foreign capital, although playing a major role in the Hungarian economy, especially the operation of companies capable of producing for export, employed in 2002, as quoted already, 14.4% only of earners.

Table 3.13.

Number of employees of companies in foreign ownership, 1995, 2002

Branch, sector	1995		2002	
	employee	% rate to the employees of the branch	employee	% rate to branch employees
Agriculture	4 679	1.6	6 090	2.5
Mining	2 472	7.3	1 035	7.6
Manufacture	251 702	29.6	346 773	36.1
Electricity, gas, steam, water supply	34 087	35.5	18 843	25.4
Construction	21 653	10.0	8 523	3.1
Trade, repair	68 842	15.0	92 287	16.7
Accommodation, catering	10 417	8.9	11 968	8.7
Transport, storage, post, telecom.	32 754	10.2	27 026	8.7
Real estate, business support	20 512	15.7	35 692	15.2
Education	372	0.1	516	0.2
Health and social care	1 296	0.1	1 751	0.1
Other communal/personal services	4 060	2.1	5 002	1.8
ALL.	452 846	12.5	555 506	14.4

Source: Branch head-counts: CSO., FDI in Hungary, 1995-2002., CSO, 2003.

The growth of the number of business organisations continued unbroken in 2003. Despite the more restrained development of the economy, incorporated partnerships (companies limited by shares, limited liability companies) proliferated fastest, the same as in the two previous years. The slow but steady growth of companies with a prescribed amount of capital (i.e., incorporated ones) hopefully indicates a turn compared to the previous years' massive growth of the number of unincorporated entities established without capital (limited partnerships, general partnerships, sole proprietorships).

Table 3.14.

Number of active organisations *

	1995		2001		2002		2003	
	no.	%	no.	%	no.	%	no.	%
Partnership company	188 207	28.2	371 778	40.2	385 344	40.8	409 265	42.2
<i>Of which:</i>								
incorporated	94 948	14.2	163 824	17.7	171 584	18.2	185 606	19.1
unincorporated	93 259	14.0	207 954	22.5	213 760	22.6	223 659	23.1
Sole proprietorship	417 587	62.6	468 797	50.8	474 678	50.2	473 238	48.8
Enterprise, total:	605 794	90.8	840 575	91.0	860 022	91.0	882 503	91.0
Public/social insurance organisation	14 992	2.2	15 615	1.7	15 401	1.4	16 026	1.7
Non-profit organisation	46 804	7.0	67 153	7.3	69 074	7.6	70 855	7.3
ESOP organisation	303		228		194		175	
TOTAL:	667 893	100.0	923 571	100.0	944 691	100.0	969 559	100.0

* Year, 31 Dec. The Inland Revenue Office (APEH) and CSO record registered and active organisations in different ways. The figures quoted here are based on CSO's accounting system.

Source: CSO, Monthly Statistical Bulletins, 2003/12.

However, there is no close correlation between the number of organisations and the level of employment. A significant proportion of the almost 970 thousand companies registered as active was established/operated without a main job holder participant (many limited partnerships, sole proprietorships, non-profit organisations were established exclusively by second job holders, but also limited liability and other incorporated companies). As international statistical practice considers companies operated by the owner (without employee) as having zero staff, it is impossible to define precisely the number of employed in these organisations. Data by staff category suggest that almost 850 thousand enterprises, i.e. the bulk (61.8%) of the organisations concerned, typically includes no main job holder, or only the owner who is also the only worker.

Another more than one third of the organisations concerned have 1–9 staff, that is, they are micro organisations.

The economic and employment weight of micro, small and medium-size enterprises, which have always played a major role in market economies, has increased considerably in the most developed countries under the effect of accelerating changes after the seventies, the disintegration of mammoth organisations and the spread of local services units. (At that time, in Hungary and in other countries still busy “building socialism”, the leading role was played by huge industrial and agricultural plants employing tens of thousands.) In the developed countries of the world – as described in detail in last year’s Report – small organisations carry a much bigger weight than in the catching-up countries, including Hungary. It is no accident that European employment programmes expect the further growth of employment from the SMEs. Under better conditions, especially lower labour and in particular part-time employment costs, there would be a chance for that in Hungary, too.

Table 3.15.

Main forms of active business organisations* by staff category,
31.01.2003

Legal form	Staff category						All
	0 **	1-9	10-19	20-49	50-249	250 +	
	Micro		Small		Medium	Large	
Incorporated							
LLC***	48 476	99 450	12 344	7 670	3 427	481	171 858
CLS	575	958	385	552	917	468	3 855
co-operative	2 794	1 446	383	540	369	14	5 546
Total	51 845	101 854	13 112	8 762	4 713	963	181 259
%	28.6	56.2	7.2	4.8	2.6	0.5	100.0
84.8%							
Unincorporated							
LLC	2 278	4 456	177	50	6		6 967
LP	75 759	111 226	2 362	558	116		190 035
Total:	78 037	115 682	2 539	608	122		197 002
%							
GP	32.7	64.0	2.5	0.7	0.1		100.0
LP	39.9	58.5	1.2	0.3	0.1		100.0
Total:	39.6	58.7	1.3	0.3	0.1		100.0
98.3%							
Sole proprietorship	395 931	75 331	1 558	378	40		473 238
%	83.7	15.9	0.3	0.1			100.0
GRAND TOTAL:	525 813	292 867	17 209	9 748	4 875	977	851 499
%	61.8	34.4	2.0	1.1	0.6		100.0
96.2%							

* Not including forms/enterprises subject to mandatory transformation/termination, of a total number of 31 004, including 26 079 building communities, condominiums

**Business units operating without employee, on a one-man basis by the owner, and entities of unknown staff number

*** Abbreviations: LLC: limited liability company, CLS: company limited by shares, GP: general partnership, LP: limited partnership.

Source: CSO Monthly Statistical Bulletins, 2003/12.

CSO currently provides staff category data exclusively for organisations employing more than 4 staff. (That is, the number of owners and employees of enterprises with a smaller staff and of employees of local public institutions is unknown.)

Table 3.16.

Number of employees of organisations with more than 4 staff, by staff size category*, 2002, 2003

Staff size category (persons)	Active business organisation (31 Dec.)				Annual average no. of employees			
	2002		2003		2002		2003	
	no.	%	no.	%	'000	%	'000	%
Micro								
5–9	35 318	45.8	36 742	46.2	187.1	8.5	192.3	8.7
Small								
10–19	19 179	24.8	19 715	24.8	200.6	9.1	200.0	9.0
20–49	13 257	17.2	13 496	17.0	259.0	11.8	265.0	11.9
Medium-size								
50–99	5 361	6.9	5 513	6.9	203.4	9.2	219.7	9.9
100–149	1 523	2.0	1 555	2.0	123.1	5.6	126.1	5.7
150–199	742	1.0	739	0.9	95.3	4.3	97.3	4.4
200–249	413	0.5	424	0.5	70.7	3.2	70.4	3.2
Large								
250–299	272	0.4	256	0.3	57.9	2.6	54.8	2.5
300–499	505	0.7	508	0.6	275.8	12.5	277.7	12.5
500–999	397	0.5	393	0.5	222.8	10.1	226.4	10.2
1000–1999	144	0.2	143	0.2	150.2	6.8	146.7	6.6
2000–4999	57	0.1	54	0.1	144.1	6.5	132.7	6.0
5000 +	27	0.0	20	0.0	212.4	9.6	213.6	9.6
TOTAL:	77 195	100.0	79 558	100.0	2 202.4	100.0	2 222.7	100.0

* Not including employees of local public institutions; statistical staff number

Source: Main labour developments, January–December 2003,. CSO, 2004.

Comparing data broken down by staff category – not including the “incomplete” micro-size circle – to the total population of 3.9 million of the employed will show that small enterprises employ hardly more than one tenth of earners (11.9%), medium-size ones 13%, and large ones with more than 250 staff 26.8%.

On the other hand, the job creating capacity of small enterprises is still weak.

3.3 Atypical (non-standard) jobs

3.3.1 Divided labour market

Large international organisations have for some time realised that in many developed countries, the labour market is divided into two. One segment is that of workers protected by labour law, the majority, fortunately, but the other one, that of persons excluded from the world of organised, protected, labour, is also growing steadily. The slogan of social inclusion, as opposed to exclusion, was born in order to change the situation of casual workers, street vendors, garbage collectors and all persons living on undeclared work. Big international organisations launched their campaigns, essentially identical in content, first and foremost in their interest. OECD’s “making work pay” – i.e., make it worth working under protected conditions, EU’s “better job for all” and ILO’s “decent work” programme (described in more

detail in last year's Report) all aim at providing legal and social protection to every worker.

Beside the developing world (in the focus of attention in particular of the ILO), many European countries must also face the problem implied by the situation of those excluded from the world of protected labour. In Europe, the main point is that the economy offers less and less "traditional" jobs (in other words: indicative, basic, standard, i.e. full-time jobs providing social and legal protection and lasting for an indefinite term, perhaps a life-time). In the well-to-do countries, labour has become very expensive – the more prosperous the country, the more expensive. Wages as well as public burdens imposed on wages, mandatory health and pension insurance payable by employers, are quite excessive in many countries. Keen international competition forces the economies to be thrifty; to employ the minimum amount of labour, for the minimum amount of time. The same saving constraint has resulted in part-time work and employment for a definite term, and interim solutions, forms of employment hardly or not known previously, between the labour law status of employees and independents, quite distinct previously, are the products of the changed world of labour. For, the bulk of the non-employed (whether women, young or older people) would like to work, but potential employers, such as the multitude of small organisations, offer "traditional" jobs to a decreasing extent. The demand focuses more and more strongly on non-traditional forms of employment.

In many countries of the EU, governments responsible for legislation and trade unions fighting for the acquired rights of workers are in a very difficult position. Safeguarding equal rights applicable to every worker as well as the employment of the latter, both implying high costs, however, reduce the chances of job-seekers.

3.3.2 Non-traditional forms of employment

So far three forms having evolved in the decades-long and difficult process of adaptation to the changed demands of the economy – part-time work, work under fixed-term contracts and self-employment – have been subject to monitoring.

Although these three forms are present to different extents in the old and new member states of the EU, in 2002, almost half of earners in the EU15 (45.9%) already worked under one of the atypical/non-standard forms. (In 1985, the corresponding rate was 36.5%.) In most new member countries (except for Cyprus and Malta), standard employment has remained the more general form: the decisive majority of earners works under identically regulated (employee) legal relationships. In 2002, around 40% of earners worked in a non-standard form, more than half as self-employed, mainly in agriculture.

Table 3.17.

Atypical jobs in the EU Member States, 2001–2002

%

Country	Part- time workers		Fixed-term contracts		Self-employed	
	% rate to the population aged 15–64					
	2001	2002	2001	2002	2001	2002
Belgium	18.5	19.1	8.8	8.1	16.4	16.3
Denmark	20.2	20.0	9.2	9.1	7.0	7.0
Germany	20.9	21.4	12.4	11.9	10.5	10.6
Greece	4.0	4.5	12.6	11.2	42.1	41.8
Spain	7.9	7.9	31.7	31.0	16.4	15.8
France	16.3	16.1	14.6	13.9	8.9	8.7
Ireland	16.4	16.5	5.2	5.4	17.8	17.6
Italy	8.4	8.6	9.8	9.9	25.8	25.4
Luxemburg	10.4	10.6	5.6	5.1	6.1	5.9
Netherlands	42.2	43.9	14.3	14.4	13.9	13.8
Austria	18.2	20.2	7.8	7.1	n.a.	n.a.
Portugal	11.0	11.2	20.4	21.7	27.3	26.9
Finland	12.2	12.8	16.4	16.0	11.9	11.7
Sweden	21.1	21.5	15.3	15.2	5.2	5.0
UK	24.6	24.9	6.7	6.3	11.2	11.5
EU15	17.8	18.1	13.3	13.0	14.7	14.6
New member states						
Czech Republic	4.9	4.9	8.0	8.1	15.1	16.0
Estonia	8.1	7.7	2.5	2.7	8.2	8.1
Hungary	3.6	3.6	7.5	7.3	14.3	13.8
Latvia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lithuania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	10.3	10.8	11.7	15.4	28.0	28.1
Slovenia	6.1	6.1	13.0	14.2	17.4	16.0
Slovakia	4.9	4.9	2.3	1.9	8.4	8.6
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New member states	7.8	8.0	9.3	11.4	21.4	21.3
EU TOTAL:	16.4	16.7	12.7	12.7	15.6	15.7

Source: Employment in Europe, 2003, pp. 209-237.

No uniform international definition exists as yet for the non-standard forms of employment, due probably to the significant differences in national labour conditions. Efforts are being made to translate common interpretations to the particular, familiar, conditions of the given country, so far primarily in function of the features differentiating them from the traditional forms. With the accumulation of experiences in this area, it will probably become possible to leave behind this approach, and interpret the new forms of work for pay according to their own features (also). It is not likely, however, that this should occur in the near future.

Irrespective of the uncertainties relating to interpretation and accounting, changes in the manner of working have been the order of the day for decades

in the economies. Let us survey briefly first the forms monitored at EU level and then a few other, fast-spreading, forms, not subject to monitoring yet.

a.) Part-time work

Part-time work, i.e. work for less hours than the legal working time, is the most widespread atypical form in Europe. Given the national differences in the definition of “full-” (daily, weekly, monthly) working time, “part-time”, too, may have different meanings. (In February 2002, the European Parliament approved the guideline that EU workers should not work more than a weekly 48 hours, over-time included. Legal working-time, however, is less than 40 hours a week in most countries. On the average of the EU, in 2002, part-time work meant a weekly 21 hours, e.g. 18 hours in Germany and 23.6 in Italy. Some countries distinguish “short” part-time work, of a few hours a week, and “longer” part-time work at minimum half of what qualifies as full time.)

The areas where part-time work is used depend among others on the economic structure of the country concerned. (In the Netherlands, where the share of part-time workers is highest, 77% among them worked in the services sector – this is also the highest rate among the EU member states; 3.3% worked in agriculture and 19.5% in the industry. Greece, relying least on part-time work, employed 16% in agriculture, 24% in industry and only 60% in the services under such schemes.) Beside the structure of the economy, of course, many other conditions must also be met (not in the last the determination to promote employment.)

The decisive majority of part-time workers consists of women, having chosen that form, according to the findings of numerous research surveys conducted in the past decade, voluntarily.²³ (For mothers with small children and for elderly women, part-time work is the long-awaited solution. Neither are the national income levels negligible in this respect: in well-to-do countries, even the part-time employment of women implies extra income.)

Another large, and growing, group of part-time workers is that of the youth, still in education, earning the costs of their education this way, and hence in a double status as students and (part-time) earners.

The older generations are under-represented yet among part-time earners, with the exception of a few countries, such as Austria, although this would be the best way of keeping them in employment.

Anyway, in the past few years, with a few exceptions only, most new jobs and employment promotion in the EU15 was due to the spread of part-time work.

In the new member states, economic facts, rigid employment regulations and many other factors have so far acted against the spread of part-time work.

²³ According to the summary covering 30 OECD countries, in 2001, 13% of female and 16% of male part-time workers would have preferred to work full time, that is, the decisive majority voted for part-time work. (*Employment Outlook 2003*, p.50.)

In Hungary, where, according to the available data, in 2002, the rate of part-time employment was lowest after Slovakia and the Czech Republic, mostly pensioners were employed this way (their working hours are often “reconstructed” on the basis of given amount of pay).

As shown by the research projects conducted by Mária Frey (partly together with Ilona Gere) for several decades, a significant part of Hungarian women, especially mothers with small children, would like to work part-time. The spread of this form, however, is greatly hindered, on the side of potential employees, by low income implied by this form (in the context of incomes conforming to the two-earner family model, it is difficult to do without the full pay of one earner); and, on the side of employers, by the costs of the mandatory health care contribution payable on employment in addition to the high burdens imposed by the taxation system.

The central administration intends to cancel the latter by 2006 and, as mentioned already, new measures have been introduced to promote part-time work by facilitating the employment of the unemployed and of parents with small children.²⁴

According to the findings of the labour force survey, these measures have had no visible effects on Hungarian employment in 2003 yet.

In Hungary, the legal working time is 40 hours a week. Only 1% of earners worked 1–14 hours, and another 10.6% 15–35 hours. Under the LFS, 5.9% of earners qualified as part-time workers (working 1–29 hours a week).

The relevant rate is quite low even if part-time work is extended to cover any type of work for less than 40 hours a week.

Table 3.18.

Regular weekly working time in main jobs

%

	1-39 hours			40 hours			40+ hours			Highly volatile		
	men	women	all	men	women	all	men	women	all	men	women	all
2000	2.7	8.5	5.0	52.9	68.7	60.0	30.4	17.5	25.0	14.0	5.3	10.0
2001	2.8	7.0	4.8	66.0	75.4	70.3	18.1	12.2	14.9	13.1	5.4	9.6
2002	2.9	8.0	5.3	67.0	75.9	71.0	17.4	10.5	14.3	12.7	5.5	9.4
2003	3.7	9.3	6.4	67.1	77.2	71.8	16.2	8.3	12.6	12.8	5.0	9.2

Source: LFSs

In 2003, the number of those working less than a weekly 40 hours rose a little, and the proportion of men among them, around 30%, also increased slightly. The main reasons for doing part-time work, however, have carried identical weights for years

²⁴ According to MEL Decree No. 13/2003.(X.10.), subsidy can be granted to employers undertaking to employ at half or max. three-quarter of the legal working time ever persons registered as unemployed at the labour centre for at least three months, or raising at least one child under the age of 14 in their own households, or receiving nursing fee on the basis of the Social Act. The subsidy is equivalent to maximum 75% of the aggregate amount of the wages and contributions and/or the interurban travel expenses of commuting to work, to be borne by the employer, can be reimbursed in part or in full. This regulation came into force at the end of October 2003..

Table 3.19.

Reasons for working shorter hours

Reasons	2000			2001			2002			2003		
	men	women	all	men	women	all	men	women	all	men	women	all
Less than 40 hours/week in main job ('000 persons)	62.6	155.8	218.4	59.8	140.1	199.9	61.7	140.4	202.1	81.4	168.5	249.9
<i>of which.: (%)</i>												
Full-time worker with a weekly working time of less than 40 hours	41.3	45.1	44.0	33.9	39.5	37.8	31.0	39.3	36.7	36.5	37.6	37.3
Cannot find full-time work, lack of work	3.8	13.3	13.4	15.3	13.6	14.1	15.2	14.2	14.5	14.0	14.6	14.4
Does not want to work full-time	16.5	20.4	19.3	16.9	20.6	19.5	17.4	19.0	18.5	16.2	19.4	18.4
- to state of health	13.7	7.5	11.5	15.0	7.8	10.0	16.5	9.6	11.7	16.3	10.2	12.2
- education, upgrading training	2.8	2.2	2.3	4.3	1.6	2.4	3.0	1.7	2.1	1.8	1.4	1.5
- other reason	11.9	11.5	11.6	14.6	16.9	16.2	16.9	16.3	16.4	15.2	16.7	16.2
% rate to the employed	3.0	9.0	5.7	2.8	8.1	5.2	2.9	8.0	5.2	3.8	9.4	6.4

Source: LFSs

The short-term forecast of the Hungarian Ministry of Employment and Labour shows the same orders of magnitude year on year. With the exception of a few areas, such as trade, business entities make no efforts to increase part-time employment. The 4.5 thousand entities asked under the prognosis for the 2nd half of 2003 employed 3.4% in other than full-time jobs, in addition to pensioners, 2.7% (the same rate as in the previous years) as part-time workers (2000: 2.0%, 2001: 2.3%, 2002: 2.4%). *{Short-term labour market prognoses, Rövidtávú munkaerőpiaci prognózisok.}*

However, quite obviously, part-time employment could be the breakout point from low employment. According to the OECD assessment referred to already, while from 1991 to 2001, full-time employment decreased in four countries only (Austria, Finland, Italy, Japan) parallel with the spread of part-time employment; at the same time, in nine countries, it contributed more than half of employment growth. The OECD – similarly to the other large international groups – proposes that employer and employee interest representation organisations and governments responsible for labour legislation promote, jointly, the employment of specific groups – such as mothers with small children, persons with reduced working ability, the elderly – in consideration of their special situation. (*Op. cit.*, Chapter 3.)

In Hungary, where a multitude of young persons, women, people with changed working ability and older persons would welcome a work opportunity, it is essential that this advice be taken very seriously.

b.) Temporary employment

Employers facing intensifying competition try to reduce the costs of ever more expensive labour in the organised (declared, tax-paying) economy among others by employing the minimum number of staff for a minimum period.

Historically, a century ago, at the time of the development of mass-producing big industry, companies attempted to bind employees, partly in order to reduce high fluctuation, by contracts concluded for an indefinite term (occasionally the entire working life). Later on, thanks to the efforts of the trade unions, notice periods and severance pay for dismissal in the employer's interest became an integral part of collective contracts throughout Europe (in Hungary, the latter was introduced after the change of regime only).

Companies could only conclude fixed-term contracts in a few well-defined cases, to prevent that they avoid their obligations in case of dismissal.

With the change of the overall situation of the economies, however, high dismissal costs put the brake on fast accommodation; the higher these costs (as in Spain and Germany, for example), the more they hinder the recruitment of new staff. Therefore, several countries introduced more permissive regulations applicable to the hiring of new labour.

Employment for other than indefinite terms has been known in the economies for a long time, as in the case of seasonal work typical in several branches (agriculture, construction, travel and catering); in some countries in shipping, fishing, and in other areas. At several places, seasonal workers were subject to special regulations.

Labour hiring/lending, a form having spread in the past decades, is often also a fixed-term solution; and labour exchange agencies also often place labour, especially non-manual workers (interpreters, hostesses, secretaries) for a fixed period of time.

Although their (statistical) classification is uncertain yet, persons doing temporary manual work (day-labour) also belong to this circle.

Data on the increasingly diversified types of temporary work – an important sign of the changed/changing economic demand – figuring in international comparisons are usually aggregates based on items matching the specific national circumstances. (Day-labour, however, is usually not assigned to this category, but some countries specify the shortest and longest term of contracts at 1–3 years. for example.)

Fixed-term employment, although spreading slower than part-time work, also contributes, according to the OECD assessment referred to several times above, to employment growth (but its contribution was higher than that of employment for an indefinite term in 7 only of the 27 countries under study). The largest proportion of the contracts concerned was concluded with

workers aged 15–24; to give access to work to the unemployed in the first place (*op.cit.*, Chapter 1.).

In Hungary, 256 400 (7.5%) of the 3.4 million employed had fixed-term contracts in 2003; 147 thousand men and 109 thousand women.

More than 80% was employed for a minimum of one month and a maximum of 12, mostly under a subsidised form (public benefit work or employment with wage subsidy), but seasonal and casual workers and persons employed for a trial periods also belonged to this category. A mere 5.5% among them declared that they wanted exclusively fixed-term employment, while the majority would prefer a contract for an indefinite term.

According to the short-time prognosis prepared by the Ministry of Employment Policy and Labour for the second half of 2003, in February 2002 and February 2003, 16.7 and 15.7% of earners, respectively, worked under fixed-term contracts at the companies under study. The typical term has, for years, been 180–220 days. Contracts for 6–7 months typically indicate seasonal work (at tinning plants processing agricultural products, in travel, hotels and catering etc.). The majority of the workers concerned are semi-skilled or unskilled; their proportion is on the rise among those having fixed-term employment. The employment of skilled workers in this form relates, according to the report, “to a significant extent to special and temporary special tasks, or is indicative of a cautious approach to labour management”.

Table 3.20.

Vocational qualification of persons employed with fixed-term contract

	2001	2002	2003
		1 st half	
Unskilled	69.7	80.9	81.1
Skilled	30.3	19.1	18.9

%

Formázott: Balra zárt,
Behúzás: Bal: 1,25 cm, Első
sor: 1,25 cm

Source: Short-term labour market forecast, 2nd half 2003, Table 3.2.1, p. 39., MEL

Hungary registers short-term employment in a special way, through the Casual Employee’s Booklet (CEB).

We have reported on the history and function of CEB annually ever since its introduction in 1997. Suffice it to recall here that the original objective was to give persons no longer entitled to unemployment benefits but still out of work an opportunity to acquire eligibility to further allowances (unemployment allowance, health care provision) by doing short-time temporary work. This conception, although motivated by the best intentions, failed to take into account the demands of potential employers (family farms, small organisations, households), relying on persons in the neighbourhood to do temporary work, irrespective of the minimum wages, at the locally established and accepted tariffs. Practically no one ever paid tax on such

work, so tax rates pegged to the minimum wages ever deterred those in need of it.

Despite annual modifications, this scheme has raised little interest. Significant cuts in the relevant public burdens in 2003, however, seem to have brought about a perceptible change. Registered employment in this category has become much more attractive due mainly to the reduction of public burdens on the employment of registered unemployed persons.

Table 3.21.

Utilisation of the Casual Employee's Booklet

	Issued	Used	% rate of registered unemployed to all users	average no. of workdays/cap.	% rate of lowest payment**
	CEB				
	'000	% rate			
1997*	11.0	56.0	58.2	3.1	96.0
1998	21.0	52.0	52.3	6.7	93.0
1999	18.0	55.8	62.8	3.3	92.7
2000	26.8	55.3	60.0	8.0	69.2
2001	32.1	55.5	55.0	7.9	76.5
2002	39.9	62.5	62.5	10.1	76.5
2003	82.7	62.1	69.3	14.6	50.0

* CEB was available from September 1997.

** Pay changed year on year, essentially in function of the minimum wages ever – employers paid the relevant public burdens accordingly.

Source: Employment Office.

The close correlation between employment costs and declared employment has always been obvious; the case of the CEB is only one of the many illustrations. Despite the growth of declared work, short-term temporary work still goes undeclared for the most, especially since the advantages of declaration (social provisions for the worker, legal employment for the employer) are not proportional in the majority of the cases with those of undeclared (untaxed) short-term temporary employment.

If, however, the regulations concerned were based on a careful weighting of the circumstances (and a further moderation of the tax burdens involved), CEB, available to all, might contribute significantly to the growth of legal employment, especially among the unemployed having little chance of traditional employment, and among the youth, among women and the elderly registered as inactive.

Another form that mostly implies fixed-term employment is the already mentioned labour lending activity, a relatively new form in Hungary. The scheme itself is apparently simple (although it implies several issues to be resolved by experts of labour law). One company (the agency) identifies for the other (the employer) the labour needed by the latter, and puts those concerned on its own payroll, and then hires them to the company which actually employs them. Hence the hiring entity and the employer are distinct. The first pays public burdens on the employment of the workers concerned,

manages their personnel affairs, while the employer pays for all these to the hiring party.

In Hungary, such service is typically demanded by major foreign companies, occasionally from foreign agencies relocated to Hungary. This circle is not particularly extensive as yet (the Székesfehérvár plant of IBM used to operate this way until its closure, and in January 2004, the Finnish Elcoteq Hungary Ltd. hired labour under this scheme, initially for a month {*Világgazdaság*, 15 January}).

Part of seasonal employees of companies regularly involved in seasonal activities is also supplied by lending agencies. Employment companies operated with the assistance of OFA, the National Employment Foundation, also looked for jobs for unemployed persons employed by them in the capacity of lending agencies, among others (as did DIFO at Diósgyőr or the Ózd Employment Promotion Public Benefit Company). A similar agency called OFA HID Munkaerő-kölcsönző Ltd. was founded in 2003 in Győr, under the auspices of the county labour centre.²⁵

Hence fixed-term employment is spreading through several channels, and represents one of the new phenomena of the world of labour today.²⁶

c.) The self-employed

Who qualifies as self-employed is one of the most prominent issues awaiting clarification today. Uncertainties regarding the interpretation of this term generate growing confusion in Hungary, too.

Let us note in advance that uncertainties are due, in this area, too, to the many changes having taken place in paid employment, and the proliferation of various forms in between the once clear-cut categories of employee and independent.

The current Hungarian terminology is a mixture of the distinctive features used in international statistics and hence also in labour law, accordingly, basically, an employee is a person working on a continuous basis for an employer, with the latter's technical infrastructure and according to his instructions, entitled to wages in return; and a self-employed person is someone using his technical infrastructure etc. to sell products or services, executing the task alone, for a fee.

The rights and obligations of employees and employers are regulated under the Labour Code; the relationship between the self-employed and their

²⁵ The first experiences were reported by the Director of County Labour Centre in the July/August 2003 issue of *Munkaügyi Szemle*.

²⁶ According to a research project in Silicon Valley, USA, the most creative IT specialists do not want to bind themselves to one company, but contract for an interesting research topic and look for another one (and another company, town, country if necessary) afterwards. However, the lower one's rank in the hierarchy of the organisation, the more he/she will insist on permanent employment. {Carmay, M.- Costells, M.- Benner, Ch: *Labour markets and employment practices in the age of flexibility: A Case study of Silicon Valley*, *International Labour Review*, 1997/1.}

clients is governed by the Civil Code, on the basis of the principle of free contracting.

National taxation systems also make a distinction between income generated by an employment relationship on the one hand and by the business activity of the self-employed on the other – assigning to the latter category those who traditionally qualify as having an independent financial status: the owners of enterprises, or craftsmen, artisans, retail traders, freelance intellectuals acting as owners employing themselves, too.

At the end of the eighties, ILO made an attempt to identify the circle of the “economically independent”. Accordingly, the following qualify as self-employed: working owners of unincorporated entities, i.e. enterprises that are not independent (formally, of the household), irrespective of whether they have employees or not; persons working on their own invoice (e.g. freelance intellectuals); family-based farmers and assisting family members of those in these categories, as well as the members of production-type co-operatives.

The definition proposed by ILO has not become generally accepted in practice.²⁷

The following, however, are obviously true:

- It is a lasting trend that, although the rate of the self-employed differs considerably by labour market (from 5% in Sweden to 42% in Greece), it is relatively permanent (in the EU, it was 15.1% in 1985 and 14.6% in 2002).
- Specific rates are determined to a large extent by the structure of the economy: self-employment is typically significant in countries with a high rate of agricultural employment, based on family farms.
- Growing prosperity is concurrent with the contraction of the share of the self-employed, because it is easier there to collect the capital required for the foundation of an incorporated entity that is independent of the household. (In such cases, the working owner becomes the employee of the firm.) In the most advanced economies, the multitude of the self-employed consists of immigrants and other strata finding it more difficult to get a job.

In Hungary, the number of independent earners, as defined by the ILO, dropped in the transition years. Specific groups show different development tendencies, but only the number of small proprietors has increased and then stabilised since 1992.

²⁷ In September 2003, *Labour Market Trends*, providing a monthly overview of the labour market situation of the UK, described the typical features of the labour market participation of the self-employed in a lengthy study (“Self-employment in the UK labour market”; pp. 441-451.). The article states that there is no accepted definition of the self-employed – but lists the interpretations provided by the act on the right of workers, of the tax authority and the courts.

Table 3.22.

Number of the self-employed, 1992-2003

‘000

Year	Co-op. member	Member of partnership	Sole proprietor *	Assisting family member	All*
1992	225.0	257.9	290.1	49.3	822.3
1993	134.1	197.1	309.1	42.4	682.7
1994	103.3	174.7	328.9	40.4	647.3
1995	84.2	167.9	351.7	40.1	643.9
1996	79.0	151.8	372.2	40.9	643.9
1997	68.9	137.4	373.3	40.1	619.7
1998	55.5	133.3	372.6	28.3	589.7
1999	43.5	110.6	411.6	28.5	594.2
2000	38.0	129.2	386.3	26.6	580.1
2001	31.4	118.9	377.3	27.1	554.7
2002	22.5	109.9	377.1	23.4	532.9
2003	8.6	114.7	378.4	21.0	522.7

*/ Main job holders, pensioners and freelance intellectuals

Source: LFSs

The above figures give a clear picture of developments having taken place in the economy: the disintegration (and partly transformation into family farms) of the agricultural co-operatives, and the transfer of members of the previous unincorporated partnership forms (business partnership, civil law partnership) to new, mainly also unincorporated, partnerships (limited partnership, general partnership). The number of sole proprietors (disregarding main job holders and those in pensioner status according to the labour force survey) has stabilised, after an initial period of more intensive growth, with the slow growth of jobs giving employee status, at around 380 thousand. The number of assisting family members has been declining steadily, partly under the effect of the growth of public burdens.

Data on the situation of the Hungarian self-employed have been available since 1990. It is a remarkable Hungarian phenomenon that the proportion of main job holders is relatively low, while that of pensioner entrepreneurs and especially second job holders is high.

Table 3.23.

Number of sole proprietors by employment status

Year	Main job holder		Retiree		Second job holder		Total 1000 = 100 %
	'000	%	'000	%	'000	%	
1990	159.0	65.7	21.5	8.9	61.4	25.4	241.9
1991	184.5	58.2	28.8	9.1	103.9	32.7	317.2
1992	184.2	54.4	30.5	9.0	124.1	35.6	338.8
1993	218.2	54.2	36.7	9.1	148.0	36.7	402.9
1994	258.9	54.1	44.3	9.3	175.6	36.6	478.8
1995	257.0	58.6	39.9	9.1	141.8	32.3	438.7
1996 *	259.5	56.4	47.0	10.2	153.6	33.4	460.1
1997	276.7	59.5	56.3	12.1	132.0	28.4	465.0
1998	270.7	59.1	55.6	12.1	132.1	28.8	458.4
1999	278.7	59.6	54.0	11.6	134.8	28.8	467.5
2000	279.7	57.3	64.5	13.2	143.5	29.5	487.7
2001	260.9	55.7	74.0	15.8	133.9	28.5	468.8
2002	266.7	56.2	82.1	17.3	125.9	26.5	474.7
2003	265.6	56.1	81.1	17.1	126.5	26.8	473.2

* On 31 December

Source: 1990-1995.: Inland Revenue Office (APEH): number of tax-payers in the given year;
1996-2003.: CSO, Monthly Statistical Bulletins

The above rates are mainly shaped by the taxation regulations offering favourable conditions to those wishing to test themselves as entrepreneurs; and also making the legalisation of income earned in non-employee status conditional on obtaining an entrepreneur's permit.

As in several countries of Europe, the debate on the so-called pseudo-contracts, i.e. the employment of self-employed persons with entrepreneur's permit as employees, has continued in Hungary, too. Those arguing in favour of the workers' interests say that the latter are put at a disadvantage; they do not benefit of allowances due to employees, do not enjoy full legal and social protection – although in reality they may have been forced to become “self-employed” by their employer's decision. The real winners are the employers, exempting themselves from several burdens associated with employment (such as severance pay), and of taxes and contributions payable on the wages of employees, as mandatory insurance fees are paid in such cases by the “self-employed”.²⁸

²⁸ In Hungary, the term ‘forced enterprise’ is quite widespread. A ‘forced entrepreneur’ is someone starting an enterprise for lack of vacancies offering employee status, to earn a living, or “forced” to request an entrepreneur's permit or create a partnership (limited partnership) by the employer, while doing the same job as before. The latter has become typical among those doing agency work for insurance companies, in the mass media, at theatres etc. As time went by, however, it turned out that self-employment, although resisted initially, is not considered unacceptable, worse than employee status, in every occupation. Those doing agency work, for example, are subject, if only due to their special performance-based remuneration, to a system of employment regulations codified by the Civil Code, differing from that applicable to employees.

In several occupations (truck drivers, security guards, journalists, sportsmen, artists etc.), this phenomenon has become quite widespread. The Ministry of Employment Policy and Labour warned that it would introduce strict action and major penalties in the near future against companies using pseudo-contracts.

However, in mid-year, the debate, closely followed by the media, took a new turn. It was revealed, among others, that in several occupations (freighters, security guards), the great majority of workers consider the established form advantageous (in view of the effective taxation regulations). As the entrepreneur's fee is calculated on the basis of the market conditions ever, he is better off paying his own taxes. Furthermore, a multitude of the companies concerned would go bankrupt if they had to hire as employees those providing them paid services currently.

The debate called attention once again to the rates and obsolete pattern of employment-related taxes and the uncheckable spread of new forms of employment – prompting the authorities in charge to focus on devising deliberate measures instead of the promised fast intervention. Experts know well that instead of putting up the old prohibition signs, efforts should be made to the harmonise of the many conditions of work (including tax provisions). This will require interest reconciliation, feasible over a longer period of time only.²⁹ In the meantime, the EU, too, keeps studying this issue.

d.) Teleworking

The development of teleworking is of special interest in Hungary in several respects.

Firstly, there are many efforts to spread computer literacy and the relevant culture, from programmes to provide computers to schools to the purchase of IT equipment at special prices and to the so-called tele-houses. Measurements vary in this area, but according to one figure, in early 2003, 56% of West European and 17% of Hungarian households had a computer. [*Világgazdaság*, 18 April 2003] Whatever efforts are made, it will probably take a longer time to spread computer literacy among the Hungarian population.

Secondly, after several attempts, in 2002, MEL and the Ministry of IT and Communications launched a joint pilot to create a thousand new teleworking

²⁹ Similar problems have put the settlement of the status of “economically dependent” entrepreneurs (mostly providing services to a single employer) on the agenda in Austria. According to a joint survey of the Austrian Trade Union Association (ÖGB) and Employee Chamber (AK), the bulk of those working this way does not have adequate social protection; they do not get the same assistance as employees in case of illness, unemployment or old age. The Austrian government thinks a solution could be found in the context of voluntary insurance, but the social partners are opposed to that on the ground that this would provide eligibility to provisions exclusively to those who can undertake the burdens of contribution payments. *OFA KHT Newsletter*, based on <http://www.eurofound.ie/2003/09/InBrief/AT0309201N.html>.

jobs. The two ministries provided HUF500 million each to establish the necessary technical infrastructure and provide relevant training. In 2003, the programme received another HUF190.5 million from the Employment Fund to create 371 new teleworking jobs, and to provide partly training (in general and specialised computer skills) and partly wage subsidies.

674 valid tenders were received upon the call for tenders to create teleworking jobs; the applicants undertook to create a total of around 3.8 thousand new jobs. The 345 winner applicants received wage subsidy for the purpose of providing basic training to 630 and specialised training to 840 persons, and for employing 1.276 new workers. Most new jobs were to be created in the capital (617) and in County Szolnok (113), and a smaller number of jobs in counties Tolna and Nógrád.

Contracting and administration implemented with the participation of the county labour centres provided many remarkable lessons – from misunderstandings relating to the call for tenders to uncertainties concerning the job circumstances: As stated by the overview of MEL, “Part of employers are still adverse to the idea of work away from the workplace, due to uncertainties of labour legislation, of the tax provisions applicable to the use of the Internet and of data protection and safety regulations. Another problem on the employers’ side was that they had no certain, long-term orders for teleworking (e.g. data entry, accounting, archiving etc.). *{Report on the implementation of the 2003 budget of the Labour Market Fund, Beszámoló a Munkaerőpiaci Alap 2003. évi költségvetésének teljesítéséről, MEL, 2004.}*”

The spread of teleworking will for quite some time depend on the many aspects of the development the environmental conditions.

Thirdly, teleworking is probably the most adequate symbol of the changing employment conditions of our days. Teleworking is feasible in the capacity of employee, self-employed, administrator or manager, on a full- or part-time basis, at a place appointed by the company or at home, with equipment owned by the company or by the worker, for the most diverse forms of remuneration, reimbursement of expenses etc.

The traditional labour law provisions and minute regulations are losing their absolute value parallel with its spread. Of course, the protection of the fundamental rights of workers will remain an obligation of society, but social partners must take into account the new circumstances when it comes to codifying the applicable regulations. This is the message conveyed, among others, by assessment referred to already of the so-called Supoit committee, an international group of experts commissioned by the EU.,

One of the essential objectives within the context of the probably lengthy process of accommodation will be the identification of new pillars of employment growth and the harmonic integration of forms of employment considered “atypical” as yet.

3.4 Undeclared work

One of the basic problems of employment promotion in Europe is that part of employment does not make it to the organised economy. Those engaged in undeclared work do not pay the otherwise mandatory health care and pension contributions, and consequently are not eligible to the relevant services should they need them; they (or those for whom they work) pay no labour income tax, and hence the state cannot collect the revenues that would cover expenditures more safely.

This situation is due to several factors – one of them being the rate, different by country, of taxes on labour, and the other the increase in, mostly temporary, demand for short-term employment by households and small organisations.

The EU has been warning the member states for years of the necessity to drive back undeclared work, and the European Employment Strategy for 2003–2004 listed the transformation of undeclared work into regular employment as a separate task for the first time.

The Joint Report evaluating the national action plans states that few countries made plans to acquire more thorough knowledge on this phenomenon and its extent. Several countries plan a simplification of enterprise administration, of registration related to the hiring of labour and to social insurance. Several countries intend to stimulate the declaration of work in household services by tax instruments.³⁰ Some countries pay special attention to the circumstances of employment of foreign workers and illegal immigrants, etc.

The workgroup headed by Wim Kok stressed in this context the existence of forceful counter-incentives in the tax and benefit systems, to be changed in order to make the multitude of undeclared work activities appear in the organised economy.

Given the highly different tax and benefit systems in effect in Europe, this “complex” issue, as it is called in the Report, requires different solutions by country. Beside social and economic hindrances to alteration of the established tax and benefit systems, the scope and duration of legally undeclared activities is also different everywhere.

It seems likely that high rates of declared employment are concurrent with low rates of undeclared activities, and vice versa. (The latter case is probably equally true in Italy and in Hungary.)

Despite the similarities of the phenomena concerned, their reasons may be highly different.

In Hungary, for example, as indicted repeatedly, the members of two large social groups are exempt from reporting employment (and paying tax on employment).

One group, a rather populous one, is that of agricultural small producers. In Hungary, income generated by the sales of part of products produced for own consumption, up to HUF3 million, is practically tax-free, and still plays a major

³⁰ The Belgians experiment with a voucher system, the French with tax reliefs, the Germans also with tax and contribution payment reliefs on short-term, so-called mini or midi activities.

part in the living of the inactive population, especially those living in the countryside. According to CSO's survey conducted in 2000, more than 850 thousand of the approximately 950 thousand private farms belonged to the category of the smallest, that of the so-called original producers. Approximately the same number was exempted from paying tax on revenue generated by the sales of their products and also from all types of declaration obligations. (A more precise survey, following several failed attempts, was carried out only in order to meet the severe agricultural subsidy conditions implied by accession to the European Union, but the final results of that are unknown yet.)

Those cultivating these dwarf "farms", mainly retired co-operative members, former state farm employees (or persons on child care or no longer looking for a regular job), are numerous, and they often work a lot. According to CSO's so-called micro-census which preceded the full-scale agricultural survey of 2000, some 355 thousand among the inactive work at least 90 days annually on their farms. According to the full-scale survey of 2000, almost half of the households of the population aged 15–74 – 46.8% – was engaged in agricultural production and almost one third produced for sales, too, which generated, according to the official phrase, income "generated by work to others for pay".

The majority of society would probably be opposed to taxing this population, well-aware of the fact that most among them supplement a modest pension or social allowance this way.

Another major group whose work leaves no trace in the employment statistics of the organised economy is that of students. As indicated repeatedly, students doing temporary work under the auspices of school associations are not obliged to report their work in any way. According to the estimates, some 150–200 thousand students work more or less regularly. Students are eligible to social insurance on the basis of their student status, and their employment is quite popular among others because employers are exempted from paying tax and contributions on their earnings.

Hence the earners referred to in the above examples, hundreds of thousands, work legally without declaring it.

This circle, however, is probably much wider than that. Apart from foreigners staying in Hungary as tourists, relatives, students etc., engaging in undeclared work (most among them being ethnic Hungarians from one of the neighbouring countries, speaking the language), Hungarian residents also engage in occasional, regular or casual, work quite willingly. The employed, the registered unemployed and the inactive mostly accept work offered outside the organised economy mainly by small organisations, family farms, small firms active in the seasonal branches, more prosperous households or older people, from caring for the old to cleaning, gardening and giving private lessons. Of course, there are probably also ready-made clothing plants employing undeclared labour, although probably not many, and other assembly-type activities suitable for home-based job work, etc.

Although undeclared (and consequently untaxed) activities are advantageous to both buyer and worker, their spread is not motivated exclusively by tax avoidance.

As mentioned several times in a different context, the reasons include the escalation of demand to be met by non-standard forms of employment, and the absence of forms, solutions, matching them, as well as the extent of employment-related taxes, among the highest in European comparison. OECD's proposal is as follows: "Any elbow-room that can be created for the purpose of tax reduction should be used to cut high taxes imposed on labour in Hungary". *{Economic Survey of Hungary, 2004., OECD}*

In order to convert undeclared work into declared work, it is imperative that the government take measures to establish the necessary conditions.

In 2003, the government decided, under Act XCIV of 2003, on creating another monitoring system beside the inspections of the National Occupational Safety and Labour Chief Inspectorate: the Uniform Labour Registration System. Accordingly, from May 2004 on, employers must report at once after the conclusion or termination of the employment contract the entry/exit of workers subject to the Labour Code, indicating their specified personal data.

The act is meant to enhance the safety of workers (that is, their legal employment implying social and legal protection), and to drive back undeclared work.

3.5 Subsidised employment

As in previous years, Hungarian society spent billions on providing permanent or temporary employment and labour income to those having no chance on the primary labour market in 2003, too.

Since the emergence of unemployment in the early nineties, employment policy has deployed many instruments to help the jobless return to the population of earners as soon as possible. The so-called active measures include job creating subsidies the same as placement promotion targeted at the many groups of the unemployed, mostly modelled on tested programmes of various European countries. Some of the programmes are being replaced time and again by new ones in function of the economic context and the relevant experiences and results.

Most programmes implemented in 2003 were follow-ups of already existing ones. The Employment Act was amended, and the labour administration introduced new subsidies,³¹ and made attempts to extend the eligibility criteria and the amounts concerned. Social solidarity was expressed by national and county-level programmes; by programmes enjoying PHARE assistance and shared by other ministries, too, to promote the (re)entry to the labour market of the most deprived social groups, such as the Roma youth, women excluded from the labour market and persons in multiply disadvantageous positions; pilot programmes of the National Employment Foundation etc. It is typical of the efforts that almost half of county labour centres operated five or more labour market programmes simultaneously, and, nationally, there was a total of 80 programmes of a narrower or wider scope in 2003.

³¹ One of the new programmes, "Degree-holder school-leavers to public administration" is a central initiative. 50 degree-holder school-leavers, mostly jurists and economists, took part in practical training under that scheme.

Subsidy programmes are funded by society, directly or indirectly, from the Solidarity Fund generated by the contributions of employers and employees³² and the payments of tax payers to the central budget.

Funds generated by the social contributions – to be allocated according to the relevant decision of the Steering Committee including the representatives of the employers, the employees and the government – increased somewhat in 2003 (2202: HUF191.6 billion; 2003: HUF193.3 billion), in spite of the reduction of the contribution payment obligation of employees, in effect since 1996, from 1.5% to 1% of the gross wages as of 1 January 2003. (Employers have been paying since 1999 an amount corresponding to 3% of wages and wage-type allowances paid to workers, having amounted to a total of HUF146.2 billion in 2003.)

29.1%, HUF56.3 billion of the HUF193.3 billion revenue attained mainly as a result of the significant growth of salaries was allocated to the so-called active measures (labour market training to promote employment, subsidised jobs, job creation subsidy). The budget of the so-called passive measures – unemployment provisions – was HUF68.6 billion.

The report on the revenues and expenditures *{Beszámoló a Munkaerőpiaci Alap 2003. évi költségvetésének teljesítéséről, Report on the implementation of the 2003 budget of the Labour Market Fund, MEL, 2004.}* describes in detail the main programmes. In what follows, we shall rely on the statements in the Report. (We have quoted its observations concerning teleworking in the relevant section above.) Let us stress that the following description is limited to employment promotion programmes, and the scope of the present report does not allow to discuss them individually (in terms of cost efficiency, for example).³³

a.) Labour market programmes providing temporary jobs

- Public benefit employment

In regions characterised by high unemployment and especially at minor settlements where there is practically no work opportunity (i.e., work to be done under a traditional employment relationship), public benefit work

³² The Employment Fund originating from central budget funds and privatisation proceeds was created at the time of the manifestation of open unemployment, at the end of the eighties, and it was replaced as of July 1991 by the Solidarity Fund generated from the mandatory, wage-based, contributions of employers and employees. Since then, the social costs of unemployment provisions have been covered by the latter. The costs concerned are of two types essentially: cash benefits to the unemployed (passive measures) and active measures to assist (re)employment (training, retraining, work experience, subsidised employment). The present discussion concerns the last only. The Labour Market Fund, serving several purposes to date and also generated mainly by special tax revenues, includes a separate fund segment for the purpose of vocational training, rehabilitation and wage guarantees; a total of HUF220.7 billion was available in 2003 to provide social support to these tasks.

³³ Despite the reduction, it is difficult to make a clear distinction as, for example, it was the assumption of the costs of travel to work in 2003 which made it possible to more than five thousand to accept job offers implying travel expenses; or that companies bridge wage-payment difficulties due to (presumably) temporary business problems. Thanks to the latter, some 12.7 thousand could go on working in various regions of the country, mainly at light industrial companies.

organised from time to time by the municipalities provides practically the only access to (legal) labour income to those receiving social allowance, and to unemployed persons not eligible to benefits.

Public benefit work has, from the start, meant communal work in the first place: road maintenance, ditch-cleaning etc. The available options have increased somewhat, and municipalities currently have certain health and social care, as well as educational and cultural tasks done under the same scheme (care for the old, cleaning of institutions etc.)

Although the original goal, namely that this should be a temporary solution for the workers concerned to preserve their working capacity, is put in the limelight again and again, in practice, a fraction only of those in need of such work can be placed permanently.

In 2003, as before, this was the “most active” measure; most unemployed were given an earning opportunity through public benefit work schemes. It is typical that almost half of the national budget allocated for this purpose was used in the two most deprived regions from an employment point of view (Northern Hungary, Northern Great Plain).

It is a problem for the poorest settlements that the labour centre can only cover 70–90% of costs, and the rest must be borne by the municipality, but even a 10% own contribution, is too much for the latter. It is a deficiency of the regulation that, as of May 2000, the elimination of the income supplementing allowance, in order to test the propensity for employment, essentially, the municipalities can also prescribe communal work (so-called “public purpose work”) for those receiving social allowance, and they get more support for that than for organising public benefit work, but the circle of potential candidates is narrower.

One form of temporary employment is public works.

- The public works programme

Mainly to extend the circle of employment opportunities, the central administration has for years assigned certain tasks (reconstruction after floods, afforestation etc.) to the communities.

In 2003, a public works programme was announced that was targeted at disadvantaged unemployed persons, primarily persons of Roma origin, in order to improve their conditions and circumstances of living, and to level settlements and micro-regions in a disadvantageous situation. Tenders worth HUF1 billion were announced for this programme, and the Labour Market Fund contributed another HUF250 million.

The applicant municipalities wanted to have done communal works in demand for a long time with the help of this money, from water-channelling to the maintenance of public buildings.

The programme employed 6.8 thousand public workers for 4–8 months, two-third among them being of Roma origin.

- Employment with wage subsidy and the assumption of public burdens

The number of beneficiaries of subsidised employment – whose employment is cheaper for the employer as part of the wages/mandatory contributions is covered by social solidarity funds – is almost identical to that of public workers.

The two social groups most concerned by this scheme are the long-term unemployed and the school-leavers. Wage and public burden subsidies granted under different programmes are meant to compensate for the disadvantaged labour market situation of the beneficiaries. Energetic assistance is quite justified in the case of both groups.

In 2003, the cases of employment with wage subsidy and the number of employers having requested the assumption of contribution payment obligations since the elevation of the minimum wages (and hence the relevant public burdens) increased. (As for the latter, one outcome of this option is the spread of CEB discussed already.) The reduction/elimination of wage and contribution payment obligations, i.e. labour costs to be borne by the employer, is also the main instrument (discussed above) of the stimulation of part-time employment since end-2003 (this will have measurable results in 2004 only).

The main experience regarding subsidised employment is that, as in the previous years, this scheme is used mainly by small enterprises, sole proprietors, typically in the eastern Hungarian region, having used 60% of the total wage subsidy budget in 2003.

- Going independent

Of the relevant subsidies available for two purposes, the first supports future entrepreneurs by extending the unemployment benefits for another 6 months and reimbursing the costs of technical counsel and training fees. Assistance to the change-over to self-employment, on the other hand, implies the allocation of repayable, interest-free capital available by application; the maximum amount of this subsidy was raised as of 1 January 2003, from HUF1 million to HUF3 million. The subsidy can only be granted if the applicant has own resources, too.

Although relatively few have shown an interest in the above two programmes (most unemployed aspire at employee status), their usefulness is indisputable.

In the course of the year, more than 150 thousand took part in the programmes described above (public benefit work, wage subsidy and assumption of contributions, self-employment). According to the data of the National Employment Office covering a longer period of time and summing up all active measures (programmes), participants of labour market training included, social solidarity assisted 267 thousand persons, mostly registered unemployed and school leavers, by offering a job opportunity to almost two-third among them.

Table 3.24.

Number of active programme participants**persons*

Active measures	1997	1998	1999	2000	2001	2002	2003
Public benefit employment	101 208	116 113	120 575	93 441	80 742	84 498	76 892
Wage subsidy	38 497	49 596	51 741	50 971	48 089	40 838	40 349
Subsidy to job-creating investment**	23 418	17 498	17 462	12 420	9 086	6 452	4 595
Subsidy to start entrepreneur's career	4 674	4 343	4 364	4 979	5 016	4 326	4 011
Employment in reduced working time	1 375	-	-	-	-	-	-
Travel expense reimbursement***	6 000	8 062	10 973	10 094	9 356	9 774	7 495
Programmes for school-leavers	15 565	23 330	21 073	18 288	16 758	16 108	17 551
Job creation by self employment	1 209	3 027	4 450	5 325	6 025	6 138	5 493
Job preservation****	2 299	4 587	9 953	7 157	653	12 634	12 668
Assumption of contribution payment obligation	574	1 805	2 339	3 876	3 702	10 008	11 883
Other*****	-	-	-	-	-	100	824
Total	194 819	228 361	242 930	206 551	185 427	190 876	181 761
Labour market training	75 993	79 604	84 764	88 173	91 519	82 835	82 895
Retirement with age exemption	3 576	1 914	828	133	-	-	-
TOTAL	274 388	309 879	328 522	294 857	276 946	273 711	264 656

* Including everybody having participated in the program for at least one day in the given year.

** Number of those employed at jobs created with subsidy. As of 2000, the programme is assigned to the competence of the Ministry of Economic Affairs.

*** From 1998 on: mobility subsidy (reimbursement of local travel expenses, group transport, residential supplement, support to labour recruitment).

**** The option of job-preservation support was cancelled as of 2000, to be re-introduced in an amended form in 2002.

***** Intensive job-search subsidy, rehabilitation wage subsidy.

Source: National Employment Office

Converting the number of those "affected" in the course of the year to annual averages (filtering out participation for 1–2 days and repeated participation by the same person), it appears that more than 63 thousand were granted a work opportunity thanks to the labour market programmes, exceeding somewhat the net employment increase over the same period.

Table 3.25.

Annual average number of beneficiaries of active measures*persons*

Active measures	1997	1998	1999	2000	2001	2002	2003
Public benefit employment	30 780	30 877	28 867	23 705	23 185	17 751	17 534
Wage subsidy	25 762	29 313	31 369	27 524	26 547	21 693	20 136
Subsidy to job-creating investment*	16 195	12 291	9 433	3 192	6 943	1 708	1 270
Subsidy to start entrepreneur's career	1 410	1 307	1 374	1 506	1 616	1 269	1 250
Employment in reduced working time	269	-	-	-	-	-	-
Travel expense reimbursement	2 618	2 926	3 765	4 091	3 483	3 294	3 088
Programmes for school-leavers	6 096	10 302	8 685	7 816	7 094	6 827	7 686
New measures introduced in 1997 and in later years **	2 056	4 076	7 149	8 789	8 697	10 529	12 251
TOTAL	85 186	91 092	90 642	76 623	77 565	63 071	63 215
Labour market training	22 750	23 039	25 004	26 307	27 187	23 410	25 044
Retirement with age exemption	2 791	1 348	449	45	-	-	-
TOTAL	110 727	115 479	116 095	102 975	104 752	86 481	88 259

* No. of jobs filled during the year (to meet employment obligations)

** Cf. assumption of contributions, job preservation, self-employment, intensive job-search, rehabilitation subsidies introduced in 2002

Source: National Employment Office

The above data include new jobs created by job creating investments in 2003. A similar programme was announced in 1993, too.

b.) Job-creating investments

The central administration used to dispose of various preference options to assist international companies relocating to Hungary or extending their production there, but with Hungary's accession to the EU, this possibility, representing a competitive edge, has been cancelled. Preferential treatment currently targets infrastructure development, job-creation and vocational training. The application-based programmes of the Ministry of Economic Affairs (Széchenyi-, Smart Hungary) give priority to developments to enhance competitiveness and to small and medium-size enterprises. Although these programmes support job creation, too (in case of Smart Hungary, for example, the creation of jobs associated with advanced technology), such efforts are typically backed by the Labour Market Fund.

In 2003, a subsidy budget of almost HUF5.6 billion was available for job-creating investments. Investors could apply for a maximum of HUF1 million non-repayable subsidy per job, and another HUF200 thousand extra subsidy to create jobs in socially, economically or infrastructurally deprived settlements, settlements hit by unemployment well above the national average, or the micro-regions specified by MEL, in a grave employment situation due to the shut-down of coal-mines. Furthermore, another HUF200 thousand was

available to applicants undertaking to employ unemployed persons after the termination of the investment.

Subsidies maximised at HUF80 million per investment, and HUF160 million per investment in the specified small regions, were awarded to 474 enterprises, undertaking to create a total of 5,529 jobs, and, within that, the employment of almost 2,900 unemployed persons for at least 36 months, at the 517 most deprived settlements of the country.

Around two-third of winner applicants had finished the investment by the end of the year and started to hire staff.

c.) Programmes of OFA and of the non-profit organisations

OFA, the National Employment Foundation, relying, to a large extent, on financing from the Labour Market Fund, continued one of its main activities, the testing of programmes to improve the labour market situation and promote the employment of those in need. According to the data of the Report covering the activities of the year *{Beszámoló az Országos Foglalkoztatási Közalapítvány 2003 évi tevékenységéről, Report on the 2003 activity of the National Employment Foundation, 2004. <http://www.ofa.hu>}*, in 2003, OFA provided assistance under a total of 27 programmes, providing training and employment to almost 45 thousand.

Special attention was paid to the Roma and to other disadvantaged groups of the labour market.

It is an important achievement of the programme development activity of OFA that, after years of systematic testing, several programmes were terminated in 2004, such as KID, promoting the labour market integration of the youth, or Új Esély (New Chance), Újra Dolgozom (I work again), designed to assist permanent employment, as well as the so-called alternative programmes targeted at different groups, which were integrated into the Human Resources Development and Regional Operational Programmes as a result of experiences accumulated over several years.

Ever since its foundation, OFA has provided regular support to the employment promotion activities of non-profit organisations. In 2003, 29% of subsidised programmes was executed jointly with non-profit organisations.

Beside the civil organisations supported by OFA, there are many other national and local organisations which assist in the employment of various groups of those in need, from young persons having low educational qualification, the disabled or convicted youth, to older, degree-holder, job-

seekers.³⁴ Their activity is indispensable for both society and the public employment service.

The number of those employed thanks to these many forms of support is included in annual data on the employed. However, in the context of the fast changes taking place in the economy, although special assistance to those in the greatest need is as essential as ever, employment promotion requires more comprehensive measures.

3.6. Hungarians abroad – foreigners in Hungary

3.6.1 International trends

Analyses monitoring the tendencies of international and even inter-continental migration have indicated an upswing since the early 2000s. According to the annual OECD overview *{Trends in international migration, SOPEMI {the abbreviation stands for the French name of the publication} 2003., OECD, 2004.}*, interest in immigrating labour is partly explained by ageing in several countries. And although the regulation of immigration is still of primary importance, several OECD countries make efforts to attract qualified/highly qualified foreign workers and graduating students. Some countries look for persons with lower qualification, too, especially for seasonal work in agriculture (United States, Austria, Spain and Greece), construction, care for the old and other business or household services (Italy, Portugal, UK). These developments clearly show the increase in the demand for temporary work, in close correlation with the new demands of the labour market.

Labour migration, however, was but one component of the significant growth of migration in general between the end of the nineties and the first half of 2002. A decisive proportion of migration relates to family reunification (by granting entry to relatives). (By the way, the SOPEMI Report gives a detailed annual overview of the many data pertaining to persons of foreign origin, having settled down and engaged in employment in the 30 countries of the OECD.)

Anyway, immigration plays a decisive role in the development of the demographic composition of the populations of several European countries (e.g. Spain and Italy), especially those where the population would actually shrink without that (e.g. Germany). Although most governments introduced restrictions in the context of international efforts to combat terrorism (in the areas of illegal migration and man-trading among others), several countries

³⁴ In her latest work *{Kinek a pénze? Kinek a döntése? Bevételei források és döntéshozók a non-profit szektor finanszírozásában (Whose money? Whose decision? Sources of revenue and decision-makers in the financing of the non-profit sector), Non-profit Research Group, Bp., 2003.}*, Éva Kuti, having monitored the activity of non-profit organisations for years, wrote, among others about the activity of non-profit organisations having no revenue (public or private funds) at all, representing in 2002 7% of the almost 50 thousand non-profit organisations, whose work is supported by more than 90 thousand members and 20 thousand volunteers.

have re-regulated the entry, residence and employment options of foreigners (e.g. Denmark, Germany, Portugal, Greece).

This time the OECD study devotes a special section to inter-regional, local, migration. “Region” in this context means economies that are inter-dependent in terms of seasonal employment, cross-border economies, irrespective of national frontiers, international urban regions or an inter-national network of sending and hosting countries. Awareness of the special situation of regions acting, economically, as a common labour markets, made several OECD countries introduce special regulations applicable to labour flow there.

Employment in Europe 2003 also discusses the phenomena of migration separately, partly on the basis of the data and assessment of the OECD.

It is well-known that, in accordance with the four “freedom principles”, beside capital, goods and services, labour, too, is free to move within the EU; no restriction applies to a EU citizen’s choice of place of work/residence within the EU. The experience, however, is that, apart from regional commuting migration, EU citizens are not particularly mobile, and very few leave their country to move to another and work there. (This has many reasons, including those rooted in language skills and the social provision systems.) Neither has EURES, the European-level computerised job brokerage system, introduced to promote internal mobility, brought a change of merit in this respect.³⁵

In summer 2003, the EU Commission proposed a highly ambitious plan at Thessaloniki.³⁶ The long-term plan started out from the assumptions that 1) growing immigration is necessary, among others, because the employable population will probably diminish in the EU after 2010, and 2.) the EU should integrate immigrants to a larger extent, and the precondition of success is to prepare future immigration; 3.) the EU must take the necessary EU-level initiatives to introduce much more comprehensive measures.

The analysis stated that previous migration processes (such as those following World War II) are not comparable with the current one, as the present three-component migration – for the purpose of employment, family reunion or asylum – has been typical since 2000 only. Employment, however, has been the overriding motive in two countries only, preceded by family reunion in the others.

³⁵ Data accessible on the Internet indicate that in early December 2003, 1 582 employers of 19 European countries were looking for employees; most among them (117 companies) for cooks,; 83 for waiters and IT system designers and programmers, respectively. The list included physicians (79), computer engineers (56), kitchen and restaurant help (44), reception clerks (42), travel agency employees (37), nurses, surgeons (34), computer operators (33). The corresponding supply was as follows in the 19 countries: 41 450 job-seekers, including 2 166 system designers and programmers, 1 484 waiters, 1 255 journalists, writers, 1 225 reception clerks etc.

³⁶ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Region on immigration, integration and employment, COM (2003) 336.03.06.2003.

Beside IT specialists, given special treatment in several countries, most countries received seasonal workers in the first place.

Although several years of immigration resulted in significant foreign presence in the countries of Europe, their rate to the population overall still does not exceed 9–10% even in the most popular target countries (Austria, Germany, Belgium). In Greece, Finland, Portugal, Spain and Italy, the corresponding rates are 1.6–2.3%.

The economic and social reality of the morrow makes it imperative for the host countries to integrate workers coming from third (extra-EU) countries to the fullest extent.

The proactive policy of the EU, however, has, at least for the time being, been offset by measures taken by the majority of the old member states to postpone the free movement of labour from the new member states.

3.6.2 Employment of Hungarians abroad

Hungarian public opinion registered with satisfaction, not so much for practical reasons, but as a sign of the assertion of the principle of equal treatment, the news expressing the willingness of the EU member states to host labour coming from the then accession candidate countries. However, the countries concerned revoked their decisions to open their labour markets one after the other as the date of enlargement approached, limiting labour inflow in most cases by the earlier, severe, regulations.

Public opinion was disappointed mainly by the postponement of acquiring equal EU citizen status. As for employment abroad, polls made in recent years have repeatedly confirmed that Hungarians showed very modest interest in this issue.

The same was supported by CSO's study accompanying the labour force survey of first half 2003. *{Migrációs elképzelések az Unió küszöbén, Migration conceptions on the threshold of the Union, CSO, February 2004}*

Accordingly, 4% of the population aged 15–74, some 300 thousand, planned or considered it feasible to engage in work abroad; 5.5% of men and 2.4% of women. The propensity for migration was highest at 9% among those under 30; in the age-groups of 30–40 and 50+, the corresponding rates were 3.5 and 0.5% only, respectively.

The idea of employment abroad meant a serious intention in even fewer cases: 10% only (35 thousand) actually took any preparation steps, mostly using established work contacts abroad. The intentions of another approximately 40% were uncertain, and the migration propensity of almost 50% was definitely weak.

Those giving serious consideration to the idea of migration are mostly married men of around 30, skilled workers or degree holders, having a job at home, too. Their number, however, as mentioned, is but a small fraction of that of the population of earners.

One of the main factors shaping such plans is foreign language skills. Two-third of potential migrants, 84% of those considering this alternative seriously, have a certain proficiency in at least one foreign language, 42–39% among them in German or English.

The most important factor, however, is the skills demand of the target country – uncertain prospects abroad quickly cool migration aspirations.

As of now, however, there is no way to experiment with the chances, as Hungarians (too) can only engage in work abroad under the same conditions as before, mostly in the framework of inter-governmental agreements.

Apart from the extensive exchange agreements applicable to young specialists, to let people under 30 acquire work experience abroad, from among the EU member states, Germany offers seasonal and guest work to Hungarians and in Austria they may work under the cross-border commuting agreement, too. Beside the old member states of the EU, Hungary concluded mutual labour exchange agreements with Slovakia and Romania.

The experience of several years is that the quotas by the relevant agreements are not exploited to the full. Agreements to provide work experience opportunities to young specialists apply to 5 thousand, but hardly more than 2.1 thousand used them. The Austrian quota alone was used to the full, the Swiss one in more than 50%, the German in 25% of the cases and the others to an even smaller extent. The well-known reasons for that include rigid provisions applicable to the duration of employment (it cannot be extended, repeated etc.), as well as to the foreign language skills of the youth. (On the other hand, although the agreements concerned are mutual ones, the EU youth evidently do not wish to acquire work experience in Hungary; only 6 French youth came to Hungary under such schemes.)

The remaining opportunities are based on traditional contacts with the given country, such as in the case of seasonal work in Germany, on an annually changing scale, depending on the demand ever of the German economy. (Note that Germany receives Polish labour exceeding several times the number of Hungarian workers for the purpose of seasonal work.) Hungarian workers may work in Germany under other titles as well, as employees of Hungarian companies working there, or by individual labour permit, to be acquired by the employer.

Another special form is the commuters' agreement with Austria, in effect since 1998, originally allowing the daily commuting of 550 persons. Residents of the three Hungarian counties along the Austrian border (Vas, Zala, Győr-Sopron) may engage in work on the Austrian side under certain conditions. The current quota allows the mutual employment of 1 700 (it is hardly used by Austrians, who typically start an enterprise in the region instead of coming to work there), which actually applies to one of the common labour market regions mentioned in the SOPEMI report. Historically, the economy of this region, divided artificially into two by the

state frontier, was built on a single labour market. Hence the agreement gave the green light to the natural labour supply available in the economy.

Employment agreements with the neighbouring ex-socialist countries functioned in their old form but partly already in 2003, before the accession to the EU of Hungary, the Czech Republic and Slovakia (there was no labour exchange between the Czech Republic and Hungary, and although Slovakia represents a stable source of labour supply to Hungary, only 17 Hungarians went there.) As for Romania, independent of the bilateral agreement, the hosting of workers in demand in the Hungarian economy is quite widespread. As will be shown under the following section, Romanian citizens make up 60% of foreign workers employed with labour permit in Hungary.

Table 3.26.

Number of labour permits issued under bilateral employment agreements, 2003

Country	Agreement category	Annual quota	Hungarians abroad	persons
				Foreigners in Hungary *
Germany	Work experience	2 000	519	0
	Seasonal work	no quota	3 832	0
Ireland	Individual initiative	12	0	0
Luxembourg	Work experience	20	1	0
Austria	Work experience	1 600	1 559	0
	Cross-border commuting	1 700	1 700	0
France	Work experience	300	6	6
Switzerland	Work experience	100	70	0
Czech Republic	Work experience	300	0	0
Slovakia	Employment	2 000	15	2 000
	Seasonal	200	2	0
Romania	Seasonal	8 000	2	19
	Work experience	700	0	17

* The figure for foreigners working with labour permit in Hungary appears also in Table 3.28.

Source: National Employment Office

3.6.3 Foreign workers in Hungary

On 1 January 2003, there were almost 116 thousand foreign citizens with residence or immigration permit in Hungary, by and large the same number as one year earlier (116 429).

Table 3.27.

***Number of alien residents in Hungary by continent and specific countries,
1 January 2003***

Continent/country	Men	Women	All
Europe	46 404	51 826	98 230
<i>Of which:</i>			
Romania	23 002	24 279	47 281
Yugoslavia	4 028	3 892	7 920
Ukraine	4 481	5 372	9 853
Germany	2 780	4 320	7 100
Poland	734	1 211	1 945
Russia	729	1 065	1 794
Slovakia	572	964	1 536
Croatia	434	366	800
Austria	504	246	750
EU member states	5 695	5 934	11 629
Asia	7 653	5 827	13 480
<i>Of which:</i>			
China	3 569	2 851	6 420
America	1 348	1 086	2 434
<i>Of which:</i>			
USA	915	699	1 614
Africa	1 002	279	1 281
Other continents *	243	220	463
TOTAL:	56 650	59 238	115 888

* Perons of unknown citizenship included

Source: Pocket-book of statistics, 2003., CSO, 2004.

The majority of those staying in the country with a valid permit is also employed. (Having an earning occupation is a precondition of the residence permit.)

The definition of the annual work permit quota is assigned to the competence of the minister of employment and labour. In 2003, the quota of foreigners employed simultaneously with permit was 81 thousand (*Magyar Közlöny*, No.15.), as in the previous year. Permits are issued on the prospective employer's request by the county labour centres. In 2003, a total of 57 383 thousand foreign citizens were granted Hungarian labour permit. At the end of the year, 48 651 had an effective work permit, somewhat more than last year (42 700).

Table 3.28.

**Number of foreign citizens with Hungarian work permit,
31 December 2002, 31 December 2003**

Worker's citizenship	2002		2003	
	no.	%	no.	%
EU Member States	2 298	5.4	2 200	4.5
Other European countries	36 763	86.1	43 089	88.6
<i>of which:</i>				
Romania	25 836	60.5	27 609	56.7
Ukraine	5 925	13.9	7 621	15.7
Slovakia	2 759	6.5	5 686	11.7
Overseas countries	582	1.4	423	0.9
Asian	2 886	6.8	2 018	4.1
Other	171	0.4	921*	1.9
Total	42 700	100.0	48 651	100.0

*Unknown persons included

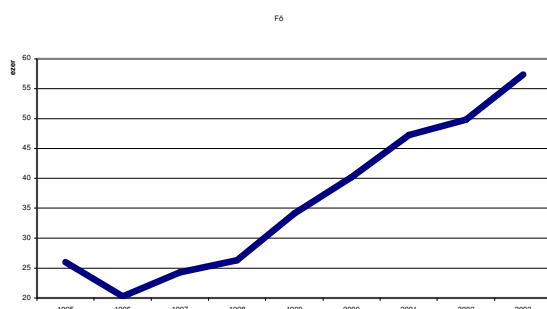
Source: National Employment Office

The demand for foreign labour increased parallel with the change of the economic context, the introduction of new activities and, last but not least, the growing difficulties of making available the number of workers needed for seasonal work at a given time and place.

Therefore, the number of work permits has increased steadily since 1996.

Figure 11.

Number of work permits issued to foreigners



Source: National Employment Office

Despite the increase, as can be seen, the authorised number corresponded to less than 1.5% of those employed in Hungary.

The largest number of foreigners works in construction, having taken over the lead from manufacturing in 2001. The third branch in this respect is trade and catering; and the fourth is, among others, that of sportsmen, artists etc. working under Hungarian contract.

Table 3.29.

Employment of foreigners by economic branch of the employer, 2003

Worker's citizenship	Agri. kult.	Min- ing	Manuf	Energy	Constr.	Trade	Trans- port, telecom	Fin.	Ed,	Health care	Sports, culture	Un known	Total
EU	25	-	764	19	69	442	70	115	212	22	448	14	2 200
<i>of which</i>													
Austria	4	-	129	-	8	42	1	13	8	4	25	-	234
France	1	-	85	6	15	143	4	15	14	4	80	4	371
UK	5	-	49	2	4	61	6	27	115	7	125	-	398
Germany	7	-	274	4	16	69	17	30	35	-	84	5	548
Italy	6	-	83	4	2	17	4	6	5	3	27	1	155
other	2	-	144	3	24	110	38	24	35	4	107	4	494
Other	2 635	23	11382	545	15096	5 955	447	848	722	1 384	3 924	128	43 089
European													
<i>of which:</i>	2 428	20	5 282	409	9 976	4 464	228	531	388	983	2 900	-	27 609
Romania	23	1	4 556	120	133	261	47	77	101	179	186	2	5 686
Slovakia	105	2	1 110	1	4 756	678	127	175	124	171	358	14	7 621
Ukraine	79	-	434	15	231	552	45	65	109	51	480	112	2 173
other													
Overseas,	-	-	48	2	3	55	6	26	134	5	141	3	423
<i>of which</i>													
USA	-	-	37	4	2	39	3	20	108	4	106	2	323
other	-	-	11	-	1	16	3	6	26	1	35	1	100
Asia	2	-	697	-	22	667	12	11	9	7	579	12	2 018
<i>of which:</i>													
China	-	-	15	-	13	339	-	5	1	1	516	9	899
Mongolia	1	-	489	-	5	102	-	3	-	5	15	1	621
other	1	-	193	-	4	226	12	8	8	1	48	2	498
Other continents	1	-	16	-	10	37	2	1	5	5	56	-	133
Unknown	-	-	-	-	-	-	-	-	-	-	-	788	788
Grand total	2 663	23	12907	566	15200	7 156	537	1 001	1 082	1 423	5 148	945	48 651

Source: National Employment Office

The decisive proportion of those arriving literally from all over the world come from the ethnic Hungarian regions of the neighbouring countries. Half of the entire stock of foreigners came from Romania; and this rate increases to 80% if we add those from Ukraine, Slovakia and Serbia. A mere 2 526 came from the old member states of the EU, corresponding to 4.5% of the entire stock.

Hungarian employers typically demand male workers capable of hard work (almost half of hired persons was male workers aged 25–39; the number of men is around twice that of women); vocational skills rarely count (54% of the entire stock had 8-year elementary education only, and hardly more than 20% has a vocational qualification of some sort).

Despite the growing number of work permits, the illegal employment of foreigners has probably not decreased. Labour inspections – typically limited to major construction works/employers – has for years identified approximately the same number of illegally employed foreign citizens, in

2003 2 429 persons. (1998: 1 956; 1999: 1 774; 2000: 2 363; 2001: 1 876; 2002: 1 714 persons.) Construction, catering, and trade are the most popular areas of the illegal employment of foreigners, but the experience is that probably a much higher number does seasonal work at small farms, especially for older persons who can only afford to have helpers at this cost.

3.7 Registered labour demand

Although minor employers, as is well-known, tend to look for new employees primarily on the basis of personal trust, through old colleagues, relatives, friends, a growing number requests the brokerage/assistance activity of the labour service.

Despite economic recession, in 2003, labour demand announced to the labour service was higher than ever before. The distribution of the demand for qualified/less qualified labour has hardly changed relative to the previous years.

Table 3.30.

Registered labour demand

Year, December	No. of reported vacancies*	Of which: (%)				
		Skilled	Semi-skilled	Unskilled	Manual	Non-manual
		workers			All	
1993	28 089	45.8	23.5	7.2	76.5	23.5
1994	30 806	49.0	27.3	8.2	84.5	15.5
1995	26 756	52.1	24.3	11.8	88.2	11.8
1996	35 540	51.7	22.5	10.2	84.4	15.6
1997	36 307	51.0	26.4	8.9	86.3	13.7
1998	40 952	46.5	31.6	10.6	88.7	11.3
1999	42 579	47.0	30.3	11.9	89.2	10.8
2000	39 183	38.3	36.8	14.0	89.1	10.9
2001	37 327	38.8	30.8	18.6	88.2	11.8
2002	33 779	35.2	32.5	21.2	88.9	11.1
2003	44 035	32.4	27.7	26.9	87.0	13.0

* Closing stock

Source: National Employment Office

The biggest customers of the labour service are foreign companies settling down in Hungary, demanding dozens or even hundreds of workers in a given region at one time, and expecting help first and foremost from the public employment service. Minor employers typically address the service if they can obtain a subsidy of some sort (wage subsidy, contribution assumption) by employing unemployed persons. Often, the employer calls on the employment service because he cannot find labour with adequate qualification through his traditional, informal, contacts. Typical labour centre customers include, furthermore, companies with high labour fluctuation due to poor working conditions and low wages which cannot ensure adequate supply on their own.

Skilled-worker shortage has been a permanent feature of the demand for years. It seems, however, that although there are some basic problems due to the backlog in the adaptation of the occupational structure and of vocational training to the new

demand in the past more than one decade, skilled-worker shortage has (so far) been restricted to a few occupations and areas.

MEL's short-term forecast confirms the same. Capacity utilisation and the reasons of occasional under-utilisation are regularly queried at the companies figuring in the survey sample. There are three decisive reasons for this problem, affecting an ever narrower circle of companies (10% in 2003): decline in domestic demand, lack of foreign demand and capital shortage. Under-utilisation is attributed to one of these three reasons in more than 80% of the cases. Labour shortage, as stated by the prognosis, is present as a factor of capacity under-utilisation in every branch except for mining, the power industry and construction, but its weight is small at 1–2%. The shortage of labour with adequate qualification, on the other hand, rates 4%. It is highest in some branches of manufacturing (textiles, clothing) at 10–12%, while the average is around 5%. (Note that one year earlier the companies concerned indicated more intensive skilled labour shortage – the textile industry, for example, attributed capacity under-utilisation to this circumstance in 20% of the cases.)

The National Employment Office has for years prepared a list of occupations sought through the employment service or showing a deteriorating position in the labour market. (The main items were described annually in our Reports.) The national list summing up county-level data shows demand in excess of 150 persons (let us recall that this means a demand for 7–8 persons per county on average), and also demand on a smaller scale by county.

In 2002, demand exceeding 150 persons was registered for a single unskilled manual occupation: chambermaids, to be hired, probably, by new hotels and resort places open in the travel season.³⁷

As for skilled manual workers, major demand was registered in 3 occupations only (mason, building joiner, precision engineer); while in non-manual occupations for mechanical engineers only.

Locally, at county level, the demand was more varied, especially at entities operating in the sphere of interest of major employers, targeting all sorts of skills.

In 2003, the list changed, as did the demand of the economy. In first half 2004, no general national demand in excess of 150 persons was registered for any of the vocations/occupations.

Demand for 100–150 persons was reported in a single skilled manual occupation (that of glass-blowers) and a single non-manual one (low-current electrical engineer).

Demand on a smaller scale (21–50 persons) was noted for skilled printing machinery operators, smiths, trolley and loading machine operators, building

³⁷ Note that one reason making it difficult to satisfy the demand of high-standard hotels, even in Budapest, is that, according to a report by the daily *Népszabadság*, although there are many candidates, even chambermaids are expected to speak a certain or several foreign languages. Lack of foreign language skills prevented the employment of many security guards, caretakers, reception clerks, too. {23 March 2004}.

insulators, roof-tilers and, in the category of non-manual occupations, for technical trainers.

Excess supply on a similar scale was registered in a few unskilled jobs (leather-making, operator of processing machinery, thermal plant machinery) and a few skilled ones (reader of power, gas and water meters), and especially in non-manual occupations (operation manager, timber/light industrial technician, line manager in various branches such as clothing, metallurgy, machinery and vehicle manufacture, etc.).

Some 60 occupations/jobs were assigned to the category of “volatile supply/demand”, characterised by shortage at some places and surplus at others.

This in itself is a natural phenomenon of any constantly changing economy.

In order to match typically local-level supply and demand, many conditions must be met, from life-long learning (retraining, further training) to adopting the idea of internal territorial mobility. The latter is one of the most difficult issues (throughout Europe). In Hungary, as in several countries of Europe, possession of one’s own flat/house is a decisive factor. Even if a good alternative is offered, giving up one’s home, often considered the achievement of a lifetime, seems an insurmountable obstacle to migration as yet. Consequently, solutions, too, must be identifies in consideration of this circumstance.

Beside data collected by the labour service, a national prognosis was drawn up of the expected manual skilled-worker demand, specifically to orient the next move to restructure vocational education.

Accordingly, in the past years, demand for six occupations/occupational clusters increased most: toolmaker, cutter, smith, welder, repair and maintenance jobs, printer. (Registered shortage, however, was nevertheless highest at 45–60% in the struggling ready-made clothing industry which can hardly compete with its rivals, especially Asian ones.) *{Világgazdaság, 29 April 2003}*

The employment service can only play a limited role in easing tensions generated by permanent or temporary shortage phenomena and changes in supply and demand so long as it can only place registered unemployed persons and not all workers. This organisation, which is about to undertake a new role after Hungary’s accession to the EU (within a few years’ time, job brokerage will be its primary function) could only satisfy a fraction of the demand reported to it in 2003, due among others to the qualification composition of the registered unemployed.

The number of successful placements can only be traced through the current registration system for beneficiaries of unemployment benefits. (Benefit extension was stopped in a few cases due to placement.) No information is available on the placement (occasionally outside the scope of the brokerage activity of the employment service) of registered unemployed persons receiving no benefits.

Placement results in the narrow circle subject to monitoring are modest and show a slightly decreasing tendency.

Table 3.31.

Monthly average no. of registered vacancies, of the registered unemployed, of unemployment benefit recipients and placements among them, 1995-2003

Year	Vacancies (no.) *	Registered unemployed (no.)	% rate of vacancies to the registered unemployed	Closing stock of unemployment benefit recipients (no.)**	Placements		
					no.	% rate to vacancies	% rate to benefit recipients
1995	28 680	507 695	5.6	182 788	8 569	29.8	4.7
1996	38 297	500 622	7.7	171 737	8 228	21.5	4.8
1997	42 544	470 112	9.1	141 743	7 312	17.2	5.2
1998	48 260	423 121	11.4	130 724	7 110	14.7	5.4
1999	51 271	409 519	12.5	140 717	6 933	13.5	4.9
2000	50 000	390 492	12.8	131 665	7 628	15.3	5.8
2001	45 194	364 140	12.4	119 210	6 993	15.5	5.9
2002	44 603	344 715	12.9	114 934	6 971	15.2	6.1
2003	47 239	357 212	13.2	107 226	6 630	14.0	6.2

* Annual averages

** Not including recipients of income supplementing allowance

Source: National Employment Office, Monthly bulletins

A few thousand of the announced vacancies remain unfilled every year despite the best intentions and efforts of the organisation. In most cases, employers set special conditions (rare occupation, foreign language skills, computer literacy etc.) that cannot be met from the given stock of the unemployed, and not even in other ways (e.g. newspaper ads).

Table 3.32.

Number and rate of job vacancies registered for more than 180 days, December 1993- December 2003*

Year (Dec.)	Total no. of registered vacancies	Of which: registered for 180+ days	
		no.	%
1993	28 089	2 918	10.4
1994	30 806	4 719	15.3
1995	26 756	931	3.5
1996	35 540	4 487	12.6
1997	36 307	5 895	16.2
1998	40 952	4 851	11.8
1999	42 579	4 134	9.7
2000	39 183	2 894	7.4
2001	37 327	2 505	6.7
2002	33 779	1 786	5.3
2003	44 035	1 854	4.2

* Closing stock

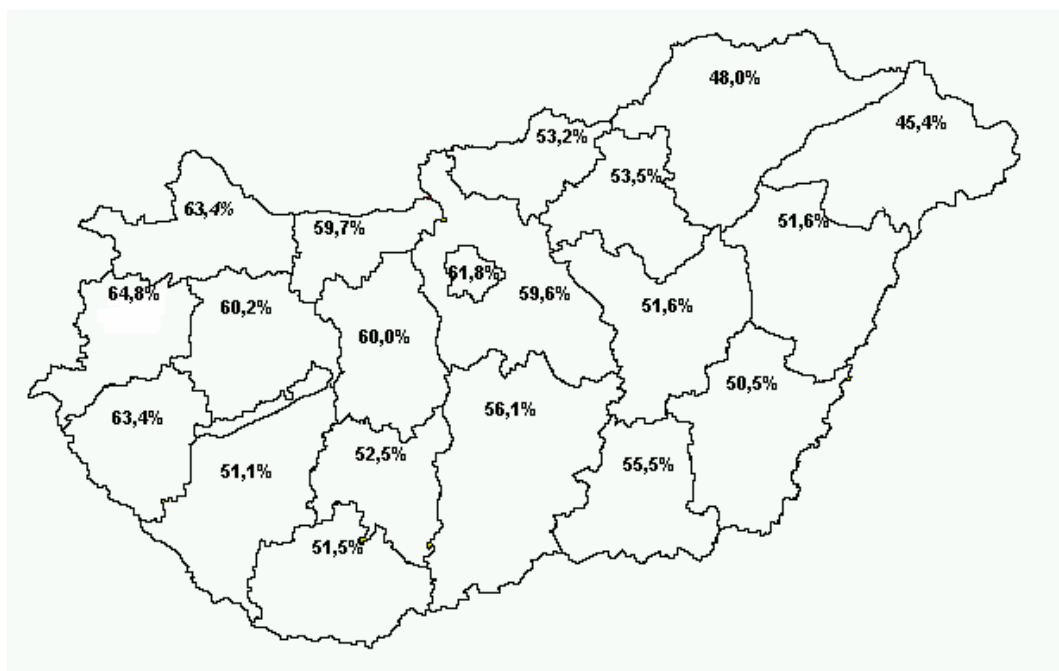
Source: National Employment Office

Progress in the continuous mapping of real demand and in the promotion of the placement of (registered or unregistered) job-seekers is expected as the public employment service gradually become capable of job brokerage, its primary function in the European Union.

Figure 12.

Rate of the employed to the population aged 15-64, by county, 2003

National rate: 57.0%



Source: LFS, CSO

Formázott: Betűtípus: 13 pt, Félkövér, Dőlt, Aláhúzás, Magyar

Formázott: Normál

Formázott: Betűtípus: 13 pt, Félkövér, Dőlt, Aláhúzás

Formázott: Betűtípus: 13 pt, Félkövér, Aláhúzás, Magyar

Formázott: Normál, Balra zárt, Térköz Utána: 0 pt, Sorköz: szimpla

Formázott: Betűtípus: 13 pt, Félkövér, Magyar

4. UNEMPLOYMENT

4.1 International trends

As it is well-known, in labour force surveys used for international comparison, conducted in accordance with standardised principles and methods, practically men and women over the age of 15, who have no income-earning occupation, but actively seek such employment and wish to work are considered to be unemployed, regardless of whether they are deemed to be unemployed according to the laws of their own country.³⁸ Therefore, not only those who lost their jobs or those who are about to begin their career, but also students who intend to work while they study (often in order to be able to study), those who need supplementary income in addition to their old-age pension and those who do not wish to remain housewives anymore may also belong to the group of active job-seekers.

It is a fundamental aim of the European Union to ensure that whoever wants to work may get a job as soon as possible, and consequently the group of job-seekers should shrink to the smallest possible size.

In this regard, 2002, and then 2003, were not successful years. For the time being, the evaluations about 2003 are rather close-mouthed. After the modest success achieved in earlier years (1997: 10%; 1998: 9.4%; 1999: 8.7%; 2000: 7.8%; 2001: 7.4%), the rate increased to 7.7% in 2002 and 8.1% in 2003, which again meant nearly 14 million job-seekers. Within that, the proportion of the long-term unemployed (persons unemployed for a period of more than one year) stabilised over 3% in 2003 (but it is higher than this in Greece and Italy). Long-term unemployment strikes women more (with the exception of Finland, Ireland, Sweden and the United Kingdom). In the first half of 2003, unemployment among young people also increased, and it is continuously very high in a number of member states (Greece, Italy, Spain, Finland, France and Belgium).

The situation – the urgency of which, calling for changes, was underlined also by the Wim Kok report cited several times – demands efficient action on the part of member states. The EU Joint Report considered that although the average unemployment rate of the 15 member states would stabilise in the next two years, i.e. it would not continue to increase, there was a high risk of a jump in the further increase of long-term unemployment and inactivity. This requires more efficient tools for activation and prevention, ranging from assistance given to individuals in seeking employment during the early stage of unemployment, to the modernisation of labour organisations. *{Joint Employment Report 2003/2004. pp. 21-22}*

Employment in Europe 2003 publishes figures describing employment in 2002 by country. While the results at that time did not deteriorate so much, the order of countries, which has evolved over several years, has remained essentially unchanged.

³⁸ This is just the essence of the definition; the more accurate and more detailed description is set out in the methodology appendix.

The lowest rate of unemployment at 2.7% was recorded in the Netherlands and the highest, at 11.3%, in Spain. The unemployment rate of 9 countries was below the EU average and of 6 countries above that.

Table 4.1.

Unemployment in the EU member states, 2001 and 2002

Member state	Unemployment rate		Of which:				Below the age of 25 *		Long-term unemployed **	
	2001	2002	men		women		2001	2002	2001	2002
			2001	2002	2001	2002				
Belgium	6.7	7.3	6.0	6.6	7.6	8.2	6.1	6.3	3.2	3.6
Denmark	4.3	4.5	3.9	4.4	4.9	4.6	8.4	7.7	0.8	0.9
Germany	7.8	8.6	7.8	8.7	7.9	8.3	4.2	4.9	3.8	4.0
Greece	10.4	10.0	6.9	6.6	15.5	15.0	10.1	9.6	5.4	5.1
Spain	11.6	11.3	7.5	8.0	15.4	16.4	9.1	9.5	3.9	3.9
France	8.5	8.7	7.0	7.8	10.3	9.9	7.0	7.4	3.0	2.7
Ireland	3.9	4.4	4.0	4.6	3.8	4.0	3.3	3.9	1.2	1.3
Italy	9.4	9.0	7.3	7.0	12.9	12.2	10.2	9.7	5.8	5.3
Luxembourg	2.1	2.8	2.0	2.0	2.7	3.9	2.6	2.8	0.6	0.6
The Netherlands	2.4	2.7	2.0	2.5	2.9	3.0	4.0	3.9	0.6	0.7
Austria	3.6	4.3	3.2	4.1	4.2	4.5	3.2	3.7	0.9	0.8
Portugal	4.1	5.1	3.2	4.2	5.1	5.1	4.6	5.5	1.5	1.8
Finland	9.1	9.1	8.6	9.1	9.7	9.1	10.0	10.8	2.5	2.3
Sweden	4.9	4.9	5.2	5.3	4.5	4.5	5.9	6.4	1.0	1.0
United Kingdom	5.0	5.1	5.5	5.6	4.4	4.5	7.7	7.8	1.3	1.1
EU15	7.4	7.7	6.5	6.9	8.6	8.7	7.0	7.2	3.1	3.0
New member states										
Czech Republic	8.0	7.3	6.7	5.9	9.7	9.0	7.2	6.6	4.2	7.7
Estonia	11.8	9.1	11.5	9.8	12.0	8.4	8.1	5.5	5.7	4.8
Hungary	5.6	5.6	6.1	6.0	4.9	5.1	3.8	4.1	2.5	2.4
Lithuania	16.1	13.1	18.4	13.3	13.8	13.0	10.2	6.8	9.0	9.0
Latvia	12.8	12.8	14.1	13.7	11.6	11.8	8.7	9.5	7.2	5.8
Poland	18.5	19.9	17.1	19.1	20.2	20.9	15.6	15.7	9.3	10.9
Slovenia	5.8	6.0	5.5	5.7	6.2	6.4	5.8	5.6	3.5	3.3
Slovakia	19.4	18.6	19.8	18.4	18.9	18.8	17.6	15.9	11.4	12.1
Cyprus	4.4	3.8	2.9	2.9	6.4	5.0	4.4	4.0	9.0	0.8
New member states, total	14.5	14.8	13.7	14.2	15.5	15.6	12.3	12.1	7.5	8.1
EU TOTAL	8.6	8.9	7.6	8.0	9.8	9.9	8.1	8.2	3.9	3.8

* % rate to the 15-24 year-old

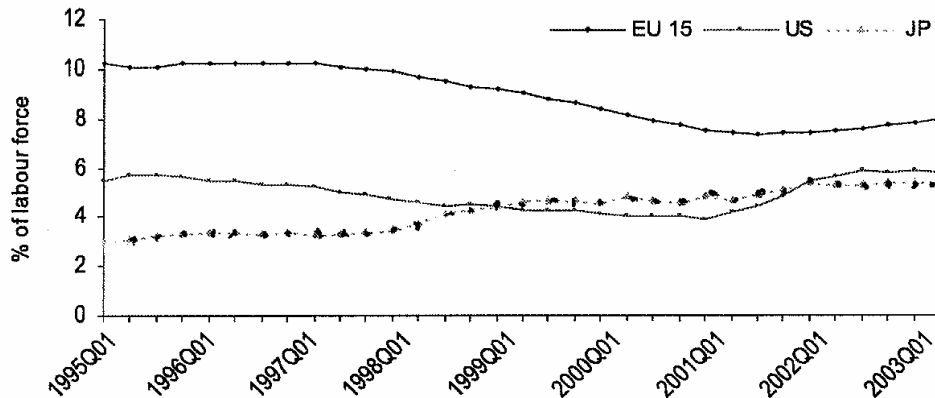
** % rate to the 15-64 year-old

Source: Employment in Europe 2003, pp. 208-237.

During the recessions, which passed through different parts of the world with a slight difference in time, the level of unemployment in Japan, the US and the EU gradually approached each other.

Figure 13.

Unemployment rates in the EU, the USA and Japan since 1995 (seasonally adjusted quarterly data)



Source: Employment in Europe 2003, p. 17.

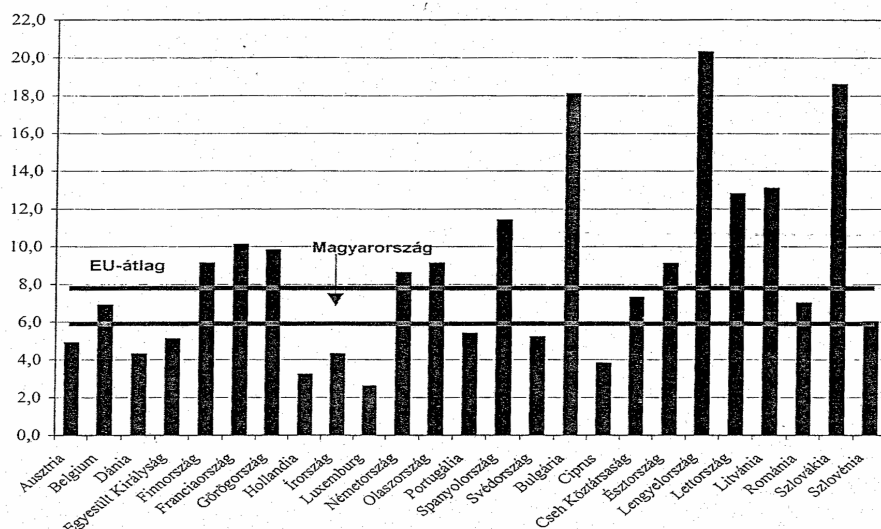
The 14.8% rate of new member states (which is expected to be measured separately, too, for some years after accession) has a negative influence on the EU's figures. As cited from the Employment Observatory homepage by OFA Kft's newsletter: "Several of the Accession States, while generally benefiting from higher levels of growth than the current EU Member States, have nevertheless also had to contend with raising – or, at best, stagnant – unemployment. In the Czech Republic –one of the largest of the ten countries that will be admitted to the EU on 1 May 2004 – the employment rate for 15 - 64 year olds has actually dropped from 55.6 per cent in the third quarter of 2002 to 54.7 per cent in the third quarter of 2003. A similar picture of steady, though unspectacular, economic growth with slightly falling employment has been evident in Slovenia, where the employment rate fell by 0.8%per cent in the year to October 2003. Although the Polish economic grew at its fastest rate for several years in 2003, this has not yet translated into a material improvement in the labour market."

{<http://www.eu-employment-observatory.net/fr/publications/sysdem/report2003.4.asp> – cited in: European social and employment newsletter No. 58., OFA Kht.}

Hungary's unemployment rate – together with that of Cyprus and Slovenia – remained below the EU average.

Figure 14.

Unemployment rate of the population aged 15-64 in the EU member states in 2002 and in the accession candidate countries and Hungary in 2003



Source: Labour Market Outlook, 2003., CSO, 2004.

4.2 The rate of unemployment in Hungary in 2003

In Hungary – as it is well-known – unemployment is measured by two methods, similarly to several other countries.

Method 1: Since 1992 (when Hungary joined the labour force survey system adopted earlier in OECD countries, which allows for international comparison) the Central Statistical Office (CSO), which conducts the surveys, has registered the unemployed according to the definition of “active job-seeker” mentioned above. According to the definition – as already quoted – active job-seekers may be students, pensioners, housewives, as well as – naturally – those who lost their jobs and wish to work again. However, those – although they may have had themselves registered according to Hungarian rules – who do not actively and persistently seek a new job are not deemed to be unemployed.

Those who are also willing to work but do not undertake to seek a job for various reasons are deemed to be “passive unemployed”. (Note: in recent years, the number of the passive unemployed who consider job search hopeless has amounted to approximately half of the number of those actively seeking jobs in Hungary, and the aggregate number of the two groups is on the same scale as the number of the registered unemployed.) By the way, the passive unemployed are shown among the inactive in the survey.

Method 2: Registration as unemployed according to Hungarian rules. The substantial points of this method and its differences from the method described above will be explained later.

We note in advance: in 2003, unemployment increased according to both calculation methods, although not significantly, but breaking the decreasing trend that has continued for years. (In 2002, the number of the registered unemployed decreased, while the data of the labour force survey already indicated a deterioration.)

First, here is an overview of the figures calculated according to international practice.

4.2.1 Labour force survey (LFS) data

In 2003, 244.5 thousand persons were considered to be unemployed in terms of the labour force survey, practically the same number as in the previous year, taking into account the possibility of sampling errors (in 2002, 239 thousand persons were unemployed on annual average). The unemployment rate was 5.9%, one decimal higher than in the previous year. (See table 4.2.) Similarly to the previous year, the unemployment rate of women continued to increase slightly also in 2003 (from 5.4% to 5.6%), while it remained the same for men (6.1%). The unemployment rate of young people (aged 15-24) increased from 12.6% to 13.4%. A new phenomenon is the unemployment of graduate career beginners. {*Munkaerőpiaci helyzetkép 2003., CSO, 2004.*}

About three quarters (75.5%) of active job-seekers seek employment because they lost their income-earning jobs (in addition to those dismissed, this includes those who give up self-employment, those leaving voluntarily and those who finished temporary work). Another 8.3% would like to return to the labour market after a period of interruption (military service, childcare, being a housewife). Almost the same number of people (8.1%) appeared as new entrants after completing their studies. Barely more than 6,000 (2.5%) sought employment because they wanted to work while studying, being on childcare or retired. (About 11,000, 4.8% indicated reasons other than those mentioned above.)

67.2% of active job-seekers are also registered unemployed.

Looking at the situation in terms of age groups: this time, unemployment involved those aged 30–54, who are deemed to be the best age for employment and are otherwise employed in the highest proportion; this means that it was the jobs of people who have been income earners until then, in the wake of shutting down and streamlining of factories, which waved through the economy causing smaller or larger redundancies.

The number of active job-seekers is relatively low among both the youngest and the oldest. The number of those wishing to work has decreased significantly among those aged 15–19 over the years, and has remained below 12 thousand in 2002 and 2003. (It is rather unreasonable to calculate an unemployment rate compared to the number of active persons for this age group, and this is justified by the logic of measurement used for the statistics. Most of the people in this age group still study, i.e. are considered to be inactive, and are not meant to work at this age. On the other hand,

those who are forced to find income-earning employment should be given all the help they can get.)

Table 4.2.

Number of the unemployed by age group and gender

Age group	1998	1999	2000	2001	2002	2003	Unemployment rate in 2003
	‘000						
15-19							
male	16.1	12.7	10.7	7.5	6.1	6.8	32.1
female	12.1	8.9	7.7	5.7	5.6	5.0	
all	28.2	21.6	18.4	13.2	11.7	11.8	
20-24							
male	38.6	34.0	31.8	26.6	26.8	24.9	11.5
female	18.5	20.4	18.5	15.3	18.0	18.2	
all	57.1	54.4	50.3	41.9	44.8	43.1	
25-29							
male	26.6	25.9	25.7	25.7	26.1	25.8	6.9
female	16.9	15.3	15.9	15.9	17.1	17.8	
all	43.5	41.2	41.6	41.6	43.2	43.6	
30-39							
male	43.0	43.1	35.9	33.8	33.8	34.1	5.7
female	31.1	30.0	25.2	22.9	25.1	28.5	
all	74.1	73.1	61.1	56.7	58.9	62.6	
40-54							
male	56.6	49.1	48.3	42.1	38.0	41.0	4.4
female	41.8	39.7	35.9	30.4	32.5	32.5	
all	98.4	88.8	84.2	72.5	70.5	73.5	
55-59							
male	4.9	4.8	5.8	5.8	6.5	5.0	2.9
female	2.2	0.8	1.2	1.0	2.2	3.2	
all	7.1	5.6	7.0	6.8	8.7	8.2	
60-64							
male	1.1	0.3	0.5	0.9	0.6	0.8	2.4
female	0.9	0.1	0.1	0.3	-	0.7	
all	2.0	0.4	0.6	1.2	0.6	1.5	
65-74							
male	1.8	0.1	0.2	-	0.1	0.1	0.8
female	1.8	0.1	0.3	0.2	0.3	0.1	
all	3.6	0.2	0.5	0.2	0.4	0.2	
15-74 , aggregate							
male	188.7	170.0	158.9	142.4	138.0	138.5	5.9
female	125.3	115.3	104.8	91.7	100.8	106.0	
all	310.4	285.3	263.7	234.1	238.8	244.5	
15-64, aggregate							
male	186.9	169.9	158.7	142.4	137.9	138.4	5.9
female	123.5	115.2	104.5	91.5	100.5	105.7	
all	310.4	285.1	263.2	233.9	238.4	244.1	
Of Hungarian working age							
male	185.8	169.6	158.4	141.8	137.9	138.2	5.9
female	121.2	114.9	104.2	90.9	100.1	104.9	
all	307.0	284.5	262.6	232.7	238.0	243.1	
Passive unemployed	110.4	110.0	108.2	109.3	117.6	99.9	

Source: LFSs

Not many of those over the age of 55, i.e. those approaching the legal age for retirement in Hungary, and those who have already passed this age seek jobs. The reasons for their withdrawal is quite well-known. The view that finding employment is hopeless over the age of 45 is widespread also in Hungary, and with good reason.

Job seeking probably gains speed among the older population if suitable forms of their employment emerge. (The preferences adopted in 2003 for employment of persons over the age of 45 to support part-time employment may launch the desired changes.)

Nearly two-thirds of the unemployed started job search in 2003; barely over one-third of them started more than one year earlier. (It is latter group that is deemed to be “long-term” unemployed.)

It is a trend experienced for years that the period of job search grows shorter. this indicates the quick changes in the economy as well as that unemployment is becoming more and more a temporary situation between two jobs for many. On the other hand –given the current Hungarian situation – it could still mean a relatively quick resigning from job search and leaving the labour market, the (involuntary) choice of inactivity. Reduction of the number of the long-term unemployed may imply that individuals seek new jobs despite their unfavourable characteristics for the labour market, just as to giving up hope and the increased frequency of withdrawing from the labour market. In 2003, about 18 thousand have been seeking jobs for 2–3 years, nearly 25 thousand for more than 3 year, and of those, over 18 thousand for more than 4 years.

Table 4.3.

Number of the unemployed by job-search spell

%

Year	Job-search spell								Total ‘000 *	Average job- search spell (month)
	> 1	1-3	4-12	>1 year	13-18	19-24	<25	long- term unempl oyed		
	months				months					
1992	10.1	21.0	50.4	81.5	9.6	8.9	-	18.5	432.6	na
1993	7.3	15.2	45.3	67.8	15.2	17.0	-	32.2	492.9	na
1994	7.1	13.2	38.4	58.7	14.7	17.2	9.4	41.3	429.5	na
1995	5.7	12.6	36.1	54.4	14.1	8.5	23.0	45.6	404.8	na
1996	5.1	12.0	33.2	50.3	14.4	9.5	25.8	49.7	388.7	18.8
1997	4.2	12.0	33.9	50.1	15.4	9.0	25.5	49.9	328.7	17.5
1998	4.4	15.0	36.0	55.4	13.4	9.4	21.8	44.6	294.2	17.0
1999	5.2	15.4	34.5	55.1	13.4	9.5	22.0	44.9	283.7	17.5
2000	6.4	14.7	34.7	55.8	14.1	9.1	21.0	44.2	262.5	16.8
2001	6.4	16.0	35.9	58.3	13.6	9.0	19.1	41.7	231.9	16.1
2002	6.5	16.6	36.7	59.9	13.8	8.4	17.9	40.1	237.0	15.9
2003	6.6	17.4	33.5	63.5	11.4	7.3	17.8	36.5	241.6	15.8

* Not including persons starting a new job within 30 days

Source: LFSs

As it has been mentioned in a different context, the vast majority of the unemployed used to have an income-earning job earlier. However, nearly 10% of them were employed 8 or more years ago, and nearly 15% (14.6%) have never had (regular) work.

The jobs of nearly 186,000 persons were terminated within the last 8 years. Of them, 5.8% used to work in agriculture, 43.8% in industrial sectors (of them, the vast majority, 31.9% in the manufacturing industry), and the others (50.4%) in the services sector.

16.5% of them performed white-collar work; within that, 9% of them worked in jobs where higher education qualification was a requirement. The greatest proportion of the 83.5% who used to work in blue-collar positions consisted of those in industry and construction industry (25.6%), in a service type employment (17.6%), and machine operators, assemblers and drivers (15.8%); however, the second highest proportion (21.1%) was that of those dismissed from (simple) jobs not requiring vocational training, who are the most expandable.

95% of job-seekers who have been in employment before were in employment. Another 4% consists of those who seek jobs because they surrendered their business. Former members of co-operatives, of business companies and helping family members together make up less than one per cent of job-seekers.

Of the national economy sectors, the greatest proportion of dismissals may be found within the manufacturing industry, indicating that this sector and within that, certain industries, are exposed to strong international competition, are forced to adjust to the fluctuations of the economy and to gradual structural changes. Other than manufacture, the construction industry – also exposed to economic fluctuations – also dismissed a significant number of people in the last years. Within services, commerce and repairs were the sectors with the highest rate of dismissals, alongside with public administration and defence, where redundancy involved 18,000 people in recent years. The development of the number of the unemployed from the different sectors of the national economy also reflects the consolidation of the transition economy in the longer term.

Table 4.4.

Number of the unemployed*by emitting industry*thousand*

Industry **	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
A – B	53.4	66.9	48.8	40.9	35.7	26.9	21.7	18.6	13.4	14.0	12.2	10.7
C	5.2	7.8	8.8	5.0	3.2	3.8	2.9	2.7	2.8	1.7	1.2	0.8
D	140.7	144.1	115.9	106.8	99.4	87.7	72.8	69.3	63.4	55.6	56.9	59.3
E	7.3	7.4	6.0	7.0	5.7	5.6	4.7	4.4	3.4	2.6	2.3	2.1
F	48.5	50.0	43.2	43.2	38.8	30.3	26.9	23.4	21.9	20.0	20.3	19.1
G	43.9	48.4	49.9	44.9	44.1	35.2	35.2	30.6	29.3	25.4	27.1	27.1
H	17.0	23.0	18.6	15.9	16.3	14.5	11.6	10.7	11.1	10.9	10.9	9.5
I	21.5	27.2	24.4	22.7	23.9	16.5	13.3	13.9	10.7	9.8	7.9	8.2
J	1.5	2.9	2.9	3.0	3.6	2.7	3.8	3.2	3.7	3.1	2.1	1.7
K	11.7	12.4	11.4	8.8	9.4	6.5	8.9	9.0	7.7	7.5	9.0	9.5
L	13.0	13.6	12.7	16.3	19.8	20.2	18.3	19.3	18.0	17.1	17.9	18.2
M	7.7	8.1	8.3	11.2	12.3	9.2	7.6	8.2	5.0	4.0	6.9	6.8
N	10.3	8.4	9.0	9.8	7.9	7.4	9.5	7.0	6.9	5.9	5.1	5.8
O – Q	17.4	17.7	11.6	13.6	15.4	16.5	10.3	8.6	9.5	9.4	9.5	6.8
Total	399.1	437.9	371.5	349.1	329.8	283.0	247.5	228.9	206.8	187.0	189.3	185.6

* By previous employment, terminated within 8 years

** A-B = Agriculture, hunting, forestry and fishing; C = Mining and quarrying; D = Manufacture; E = Electricity, gas, steam and water supply; F = Construction; G = Wholesale and retail trade; repair of motor vehicles; H = Hotels and restaurants; I = Transport, storage and telecom.; J = Financial intermediation; K = Real estate, renting, business support; L = Public administration, mandatory social security; M = Education; N = Health and social care; O-Q = Other services

Source: LFSs

CSO regularly calculates the unemployment rate of different sectors, i.e. the proportion of persons employed in and persons dismissed from each sector. In 2003, the proportion of those dismissed from the textile, clothing and leather goods production sector was over double (10.2%) of the average 4.5%, and the rate seen in most of the other branches of the manufacturing industry exceed the average, being in constant change. (The lowest rate is 3.6% in chemical industry.)

In agriculture, the rate (4.7%) is slightly over the average, while most service sectors (except for commerce, repairs and public administration and defence) remained well below the average at 2–3%.

The incessant change in the economy, the replacement of activities, professions, materials, tools and procedures is an unstoppable process. As modernisation goes along, innocent people loose their jobs. In recent years, typically less qualified people or people in declining occupations became unemployed. (Earlier we talked about occupations that are popular and occupations that are in decline. In the second half of 2003, the line of professions not sought anywhere was led by several occupations in the mining industry: breakers, breaker aids, barrow-men, and machine operators of shoe factories, which shut down one after the other, as well as shoemakers and shoe repair craftsmen lead. Milling industry workers were also at the head of the line.)

In 2003, 70% of the unemployed had low levels of schooling and had occupations characterised by lower demand, but this proportion has persisted for years.

Table 4.5.

Distribution of the unemployed by educational attainment

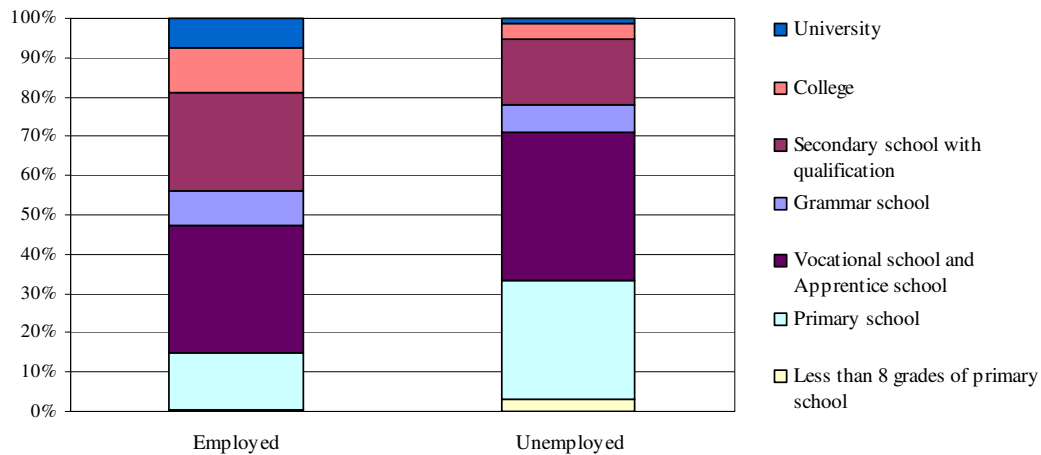
Attainment level	1997	1998	1999	2000	2001	2002	2003
Incomplete primary education	4.4	4.4	3.4	2.5	2.8	3.0	3.1
Primary education	36.5	34.4	32.1	30.0	32.6	32.2	30.4
Vocational school	35.9	34.3	37.6	38.8	37.2	36.0	37.6
General secondary school	8.7	9.9	7.3	7.7	6.5	6.5	7.1
Vocational secondary school	11.7	13.1	16.5	17.0	16.8	16.8	16.5
College	2.0	2.7	2.2	2.7	3.0	3.5	3.9
University	0.8	1.2	0.9	1.3	1.1	2.0	1.4
Total no. = 100%	348.8	314.0	285.3	263.7	234.1	238.8	244.5

Source: LFSs

Although the level of education is certainly not an exclusive criterion for employment in jobs, the greater level of culture education, broader perspective and the variety of skills that are assumed to have emerged in obtaining a higher qualification in education provide an important aspect in selection. This is well reflected in the comparison of the level of education of those in employment and the unemployed.

Figure 15.

Distribution of the employed and the unemployed by highest qualification of education in 2003



Source: LFS

In 2003, a part of those who just graduated from higher education did not find employment to match their plans; this was a relatively new phenomenon, which earned considerable attention from the public. In earlier years, there was great demand for young graduates, particularly those who spoke foreign languages, and foreign companies settling in Hungary employed both technical graduates and graduates of social studies with a relatively high initial salary. The promising outlook increased the willingness to continue studying and get a degree – which was high anyway – in the age groups that followed. Masses of those who were not accepted for state education without tuition fee and supported by grants opted for courses of private universities, which became more numerous.

However, demand for young graduates declined in several professions. The public urged for a restriction on the number of students accepted to universities and, on the other hand, – in revival of old reflexes – the creation of state jobs. (During the year, several employment policy programmes were launched to support the employment of young graduates.)³⁹

In terms of numbers: more than three quarters of the 13 thousand unemployed with higher education qualifications were in the age group 25-74, and 3,023 (23%) were younger than 24, i.e. presumably career beginners. (By the way, there were altogether 19 thousand unemployed with higher education qualifications in 2002.)

Unemployment, unused knowledge and skills of members of all social groups constitute a loss for society; this is particularly true for those with higher education qualifications and the young, who presumably carry up-to-date knowledge. Avoiding their unemployment requires special measures, but not by restricting education opportunities or increasing job creation by the state. In the 2001 census in Hungary, only 13% of the adult population had higher education qualifications – this is a relatively low proportion in Europe. New education and employment patterns may be adopted by increasing this proportion (for instance, learning combined with part-time work, school years interrupted and spent working, etc.), if the conditions for this are created. In any case, traditional employment relations dissolve mostly in non-manual jobs, and young graduates of the future should expect this to continue.

As already mentioned, about three quarter of the unemployed sought jobs in 2003 because they lost their job. However, there were different reasons

³⁹ As it has already been mentioned: for instance, the Office of the Prime Minister and Ministry of Employment and Labour established 50 trainee positions for young graduate who saw a career in public administration. HUF111.6 million was set aside from the Labour Market Fund for the programme launched early in 2003 under the title “Graduate career beginners for public administration” among central training programmes. 240 young people – mostly economists and lawyers – submitted valid applications, and trainees were selected out of this group. In May 2003 another programme was launched in Szabolcs county under the title “Assistance to finding employment for young graduates. Jobs were created for about one hundred young graduates who came from/wanted to stay within the county, with supplementary funds provided by the regional development council. {Report on the delivery of the budget of the Labour Market Fund for 2003, Ministry of Employment and Labour, 2004.}

behind the loss of jobs, and the weight of the reasons is rather stable over a longer period of time. this is true particularly for the period after 1996–1997, when the economy gained strength and the number of unemployed continued to decrease, and the different reasons were on a similar scale in terms of numbers as well.

Table 4.6.

Distribution of the unemployed* by primary reason of job search

thousand

Year (Jan.- Dec.)	Job loss		Quitting	Termination or suspension of own business	Termination of temporary employment	(Re)entry to the labour market **	Total
	'000	%					
1992	317.8	73.5	35.3	9.0	2.8	67.7	432.6
1993	353.0	71.6	34.5	10.6	9.5	85.3	492.9
1994	294.4	68.5	34.6	9.5	7.9	83.1	429.5
1995	273.0	67.4	33.2	7.2	8.2	83.2	404.8
1996	252.6	65.0	32.1	10.4	10.8	82.8	388.7
1997	198.6	60.4	31.2	8.6	14.9	75.4	328.7
1998	175.7	59.7	29.2	7.3	14.5	67.5	294.2
1999	162.1	56.8	31.5	5.8	19.7	64.4	283.7
2000	147.6	56.2	27.2	7.6	19.5	60.6	262.5
2001	129.3	55.8	28.3	6.6	18.4	55.3	231.9
2002	128.1	54.1	27.8	5.9	19.1	56.1	237.0
2003	130.4	54.0	27.0	5.3	19.5	59.4	241.6

* Not including persons (2.2 thousand) starting a new job within 30 days

** After study, parental leave, military service, etc.

Source: LFSs

The annual figures of the labour force survey show the reasons of long-term (12+months) unemployment and the unemployment of job-seekers together. Although – as has already been discussed – the majority of the unemployed were new, changes in circumstances can be detected well at certain points. Most job losses due to wind-ups affected the long-term unemployed, while most of the newly unemployed were made redundant. Or: there are many more people who quitted because of their working conditions or for financial or other reasons and have not yet found a new job among the long-term unemployed. The majority of those who were forced to give up self-employment come also from the long-term unemployed. On the other hand, many more of the newly unemployed completed temporary or ad hoc work and left school than did the long-term unemployed.

More than 60% of the otherwise low number of those who wish to work while studying, in retirement or on childcare came from newly unemployed who intended to find a job during the year, etc.

It is not possible to deduce trends that will become permanent from small changes in the reasons of job-search; however, it can be already seen that the changes are not ad hoc or random.

The unemployed – whatever the reason for their unemployment – stubbornly try to find employment in many ways. The labour survey tries to reflect “active job search” by showing these different ways. The most general method of job search – in the case of 84-86% of unemployed – is monitoring ads for jobs and making use of relatives and acquaintances. The next most frequently used method (for two-third) is contacting potential employers and obtaining regular information from the labour offices. The other job search methods are less popular, but 40% of the persons concerned published ads themselves, while a quarter visited private job mediators, etc.

Many of them have received promises, but only 2,200 may occupy their new jobs within 30 days, and another approximately 700 expect to do so in three months.

Somewhat over one third of the 244,500 persons seeking employment (37.1%) received some, mostly small, income. Most of them (39,400) receive unemployment benefit, another 5,300 receive aid to supplement their income, 28,800 get welfare aid, 12,400 receive old-age pension and 3,600 receive other support (e.g. for childcare).

Even those job-seekers who receive the highest income that may be granted as (registered) unemployed (HUF 39,240), who nevertheless depend on their families, as well as the majority, who do not receive even this much, would like to have regular income to be earned by work. Although their salary requirements differ significantly based on their qualifications, earlier income, and compared to the income that may be realised in their vicinity (ranging from HUF 25,000 to an income of more than HUF 100,000), the requirements are typically much lower than the national average, due to the composition of the unemployed in terms of education, if for nothing else.

Table 4.7.

Average net earnings of employees and expectations of the unemployed

HUF '000 /cap/month

	National economy average						Total	Unemployed, net expected income		
	manual			non-manual				men	women	all
	occupations									
	men	women	all	men	women	all				
2000	45.6	35.7	42.1	91.2	61.5	73.6	55.7	43.3	37.5	41.0
2001	52.7	41.9	48.9	109.4	71.2	85.1	64.6	50.8	44.8	48.5
2002	61.8	51.4	58.2	128.6	86.4	102.4	77.8	60.0	52.5	56.8
2003*	70.7	59.3	66.8	141.4	101.6	116.8	89.7	68.3	58.6	64.1

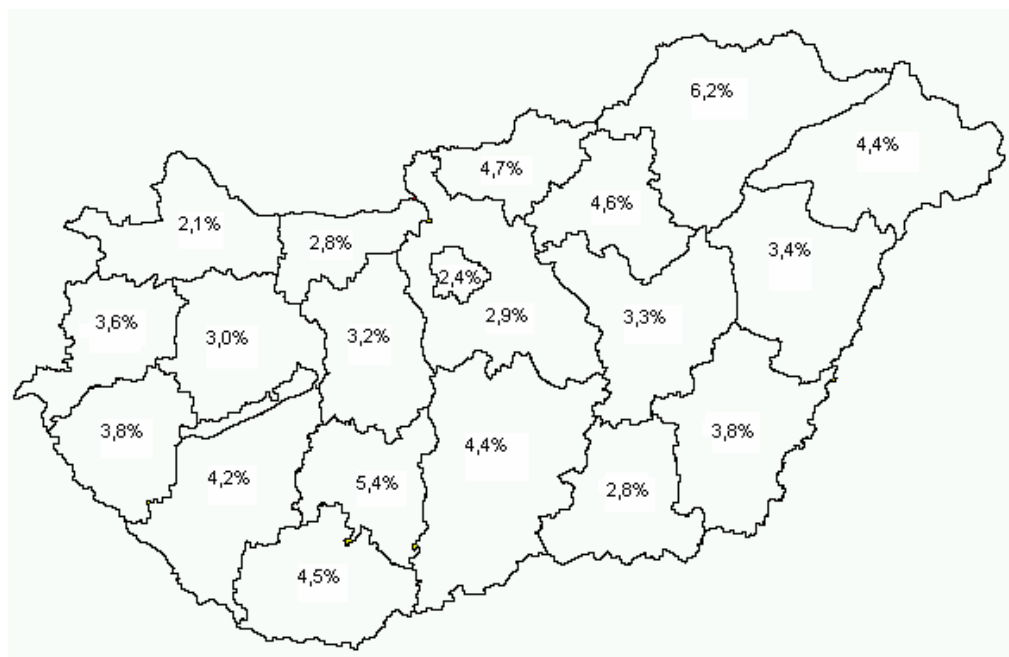
* Preliminary figure

Source: National economy, average: annual institutional labour statistics; net income expected by the unemployed: LFSs

By the way, about half of the unemployed (43%) sought jobs with a monthly income of up to the minimum wages valid in 2003; the other, somewhat larger half (47%) sought jobs over the minimum wage, but below the national average income. About 10% expected a net income of more than HUF 90,000.

Figure 16.

% rate of the unemployed within the population of the 15-64 year-old by county,
2003
National ratio: 3.6%



Source: LFS 2003., CSO, 2004.

4.2.2 Unemployment according to the Hungarian legislation

Similarly to practically all countries, Hungary has determined how it intends to take care of its citizens who become unemployed out of no fault of their own in a sovereign manner. This took place in the mid-80's, and after different forms of aids, those entitled to unemployment benefits were able to get it from 1989. Comprehensive legislation was adopted in 1991 (Act IV of 1991 on the promotion of employment and care for the unemployed). The act, which has been modified nearly every year since then, set up a monetary fund based on contributions by employers and employees operating on the principle of quasi-insurance (solidarity fund) to cover the cost of assistance to the unemployed.⁴⁰

Although it was possible to apply the principle of insurance only in part initially (because a significant part of the newly unemployed did not have the service time required for using aid), the principle limited the range of those

⁴⁰ Examples were provided by several European countries where the support granted by mutual self-help associations to members were replaced by mandatory insurance systems focusing on self-help after World War II.

who can benefit from aid to those who have been in employment earlier and to career beginners.

The range of those eligible to help was extended from 1 July 2001, and now includes persons who “possess the conditions necessary for establishing employment”. Those eligible to old age pension and those studying in day courses of education institutions still do not qualify as unemployed.

According to Hungarian rules, only those who are registered by the local office of the national labour service, i.e. registered as unemployed, are deemed to be unemployed.

Although the group of those who may be registered as unemployed is smaller than the group of active job-seekers (which, as we have seen, includes students as well as pensioners), the number of registered persons increases year after year. (According to international experience, the main reason for this is that the criterion of active job-search proves to be a strong filter.)

In 2003 – for the first time after a longer period – the number of the registered unemployed also increased.

Table 4.8.

Number and rate of the registered unemployed, 1997-2003

Year	Registered unemployed '000	Of which:				Rate of registered unemployed
		% rate of women	15-25 year-old		school-leavers* %	
			'000	%		
1997	470.1	43.3	93.4	19.9	42.4	10.5
1998	423.1	44.8	77.6	18.3	32.6	9.5
1999	409.5	45.9	72.0	17.6	29.9	9.7
2000	390.5	46.3	65.9	16.9	26.0	9.3
2001	364.1	46.1	63.8	17.5	26.8	8.7
2002	344.7	46.5	60.2	17.5	28.5	8.2
2003	357.2	47.4	60.2	16.9	31.3	8.3

* Including school-leavers under 30

Source: NEO

The majority of the 12,500 increase is a consequence of women losing their jobs: in 2003, the number of registered unemployed increased by more than 9,000 women (and by 3,400 men). The increase in the proportion of women within the registered unemployed has been going on for years, indicating that changes have been rather powerful in certain industrial and service sectors where mostly women are employed (for instance, in the textile, clothing and leather goods industry, food industry but also in certain machine industry activities, as well as in commerce, etc.).

In general, the change in the groups of registered unemployed by age group from one year to another is usually small. However, in the longer run, a permanent decrease may be noted in the number of those below 19, which is explained by the increase in the number of those who intend to continue their studies but also by the fact that unskilled 15-19 year olds with low levels of

schooling consider job-seeking to be hopeless. On the other hand, the number and proportion of those over the age of 45 continues to increase nearly at a constant rate; their number has been over 100,000 for years, and now amounts to 305 of the registered unemployed. the increase registered in 2003 went to raise the number of unemployed primarily in the older age groups; of the 12,500 persons, 5,780 were over 45.

Table 4.9.

Number and rate of the registered unemployed 1998-2003

Age group	1998		1999		2000		2001		2002		2003	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
19. >	16 336	3.9	13 426	3.3	11 514	2.9	11 035	3.0	10 077	2.9	10 036	2.8
20-24	61 219	14.5	58 606	14.3	54 347	13.9	52 782	14.5	50 073	14.5	50 169	14.0
25-34	126 450	29.9	122 413	29.9	115 531	29.6	106 333	29.2	98 885	28.7	102 826	28.8
35-44	122 030	18.8	111 815	27.3	101 516	26.0	91 119	25.0	85 395	24.8	88 116	24.7
45-54	85 711	20.3	88 476	21.6	89 951	22.3	81 119	22.3	78 238	22.7	82 280	23.0
55. <	11 375	2.7	14 783	3.6	20 635	5.3	21 752	6.0	22 048	6.4	23 786	6.7
TOTAL	423 121	100.0	409 519	100.0	390 494	100.0	364 140	100.0	344 716	100.0	357 212	100.0

Source: NEO

The composition of the registered unemployed by level of schooling has not changed significantly, either. The greatest part is those with the lowest level of schooling – their proportion increased somewhat over the years. Nearly half of the increase in 2003 (6,135 persons, 49%) went to increase the number of unemployed in the weakest position in the labour market. The about one-third proportion of skilled workers barely changes. The proportion of those who graduated from secondary school is nearly constant and their number increased by about 2,000. On the other hand, the number of those who graduated from college or university has grown nearly constantly, although their proportion is just a fraction of all other groups. In 2003, 133,000 graduates were registered, which is 2,000 more than earlier.

The changes from year to year are small also in terms of employment categories. Although – as explained before – 60% of income-earners are blue-collar workers, their proportion among the unemployed is 83%. Compared to the 40% in white-collar jobs, 17% of the unemployed came from this type of job. In 2003, the number of unemployed with vocational qualifications increased by about 3,200 persons; on the other hand, the number of unskilled workers decreased by more than 2,300 (trained and unskilled workers). This time, the number of those who had white-collar jobs earlier increased by 2,671 (from 58,380 to 61,051 persons).

Table 4.10.

Annual average number of the registered unemployed and their distribution by educational attainment and skill groups, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
<u>Education</u>							
Primary school or less	40.8	40.6	40.4	41.0	42.0	42.4	42.7
Vocational school	35.6	36.0	35.7	34.9	34.1	33.5	32.9
General sec. school	20.8	20.9	21.2	21.2	20.9	20.8	20.7
Higher education	2.8	2.6	2.7	2.9	3.0	3.3	3.7
<u>Skill-group</u>							
Skilled worker	35.6	35.8	35.9	35.5	35.2	35.2	34.8
Semi-skilled	25.0	25.2	25.3	25.0	24.8	24.4	24.3
Unskilled	21.4	21.4	21.1	21.7	22.9	23.5	23.8
Manual, total	82.0	82.5	82.3	82.2	82.9	83.1	82.9
Non-manual, total	18.0	17.5	17.7	17.8	17.1	16.9	17.1
Total: '000 = 100%	470.1	423.1	409.5	390.5	364.1	344.7	357.2

Source: NEO

Any conclusions concerning the condition of the economy should be drawn very carefully from the changes in the distribution of registered unemployed by demographic features and qualification; all the more so because it is well known that only a part of those who lost their jobs or wish to enter or re-enter the labour market get registered as unemployed. Although more powerful changes in the economy (recession as well as constant and permanent improvement) are reflected also in the change in the number of registered unemployed (such as modifications over a longer period of time, e.g. the impact of young persons continuing their studies, earning vocational qualifications, etc.) the data for non-registered unemployed do not provide the best basis for evaluating changes.

Registration means help that cannot be substituted for those who need it most. (As seen above, they include the dominant portion of the registered unemployed.) Need may be diverse – from job-seeking to learning a (new) trade, and to monetary support to replace the income lost during unemployment.

The systems that support the unemployed are manifold throughout Europe; they can be more generous or more thrifty depending on the traditions, dominant social values, level of economic development, welfare etc. of countries. (In some countries – for instance Germany where unemployment has been high for a long time – the generous benefit, the length and extent of the period of providing aid has downright motivated a part of the unemployed not to find employment – now, amidst political battles, there are many attempts to eliminate the „unemployment trap“.)

In Hungary, the benefit system was generous actually only in the mid-80's when the economy was characterised by a shortage of labour force. (Labour

supply exceeded the labour demand for about 30,000 persons for the first time in May 1990, by a few hundred.) Starting from the early 90's, cash benefit began to shrink while unemployment increased. Today – in line with European efforts – it tries to offer the conditions for being fit for the labour market, by providing training, salary subsidies, assuming the employer's costs, etc.

The registered unemployed may access the assistance given by society. They are the ones who may use the services meant to improve their situation:

- job mediation free of charge;
- training and re-training programmes free of charge, sometimes supporting participation even by giving out money;
- supported occupation programmes;
- in addition to the above programmes called „active programmes”, provision of a cash benefit for a defined period and in a defined amount (unemployment benefit) to those who are entitled to it.

The method of support and the range of those receiving support has changed more or less year after year, in keeping with the situation in the labour market, and changes in the number and composition of the unemployed, or even only the changes in the evaluation of earlier concepts.

A common feature of the changes that came into force in 2003 is that principles, tools and methods that are better aligned to the goals of the EU's employment policy have gained more ground than ever. On the other hand, learning to increase opportunities in the labour market, active job-seeking were motivated by a number of new personal or cash benefits or increasing the existing ones, particularly for the unemployed who otherwise need social aid.

For the time being, the modernisation of technical conditions started in order to strongly improve job mediation. One of the actions in modernisation launched earlier with the help of the Phare programme was the development of offices equipped with computers, which receive customers in a suitable environment. (20 offices are modernised in the first round in the framework of the twinning programme, with the help of foreign experts.)

The preparation of connecting to the EURES international computer job mediation system is also meant to help the unemployed seek jobs abroad.

The preparation of the staff of about 4,800 working with the labour market for the main task in the future, i.e. exploring and mediating jobs, was conducted in an increasingly broad group. It is well known that the capacities of the labour service have been tied up in administration related to aids, and individual procedures of determining and disbursing aid amounts to several hundred thousand people for years. This left little energy for other things to do. The priority order of activities has been modified continuously over recent years.

For the future – in line with the EU's efforts – the no. 1 task shall be to place the unemployed in jobs as soon as possible; i.e. the job exploration and mediation activities of offices.

In recent years – according to figures already presented in section III. 4. – this has not been successful, partly because of the given number of registered unemployed; and partly, however, due to the rigidity of Hungarian employment conditions, uniformised employment terms and the costs of employment, which are extremely high even in European comparison. The condition for job mediation to become successful is a significant change in the employment conditions that prevail today.

The labour market organisation has made significant efforts to improve the employment capacity of the unemployed. This is promoted primarily by training programmes.⁴¹ Every year about 80,000 people were able to attend labour market training (nearly 83,000 in 2003, including 18,000 career beginners and 9,000 persons in employment, whose continued employment depended on acquiring new skills). About 15% of the participants at trade, computer and language training courses which lasted for 3.6 months on average were able to find employment quickly after completing the course (that is, the employment service had reliable knowledge of this figure), but nearly 60% re-entered the register. (Starting from the end of 2003, according to Decree of the Ministry of Employment and Labour no. 13/2003. (X.10.) in force from 15 October 2003, it is possible to determine a benefit to replace income for the duration of training and the costs of travel, meals and accommodation may be reimbursed partly or in whole for unemployed persons who attend realignment training that provides the basis of vocational training (ensuring the earning of elementary school qualification) and are eligible, for the duration of the training course.)

The most important aids promoting employment were presented in section III. 4. The line of programmes covered out of central and local (decentralised) sources that exist in the counties and support different groups to different extents included the promotion of intensive job-seeking. This aid may be requested by persons who have been registered as unemployed for at least three months and if they prepare a plan for co-operating with the labour office for intensive job-seeking they can have their travel, consultancy and training costs refunded if such services are used. However, this aid, which may be disbursed for no more than three months per year at an amount determined as 30 to 50% of the lowest amount of unemployment allowance has not met actual interest; altogether 109 people used it in Budapest and four counties. (Starting from the second half of 2003, the unemployed on allowance were able to receive aid under nearly the same name – benefit promoting job-seeking – but with more advantageous conditions. Although this involves a

⁴¹ Information on training and other, so-called active instruments is based on the Employment Service's analysis. (*The operation of employment policy instruments in 2003, Employment Service, 2004.*) The analysis was made by Éva Sziklai.

smaller group, it provides regular income for at least a few months to those who have a small chance for job-seeking, as will be explained later.)

The so-called passive instruments are cash benefits payable to registered unemployed under certain defined conditions. About two-thirds of the registered unemployed have received – mostly modest amounts of – cash benefits for years.

Table 4.11.

Monthly average number of registered unemployed and unemployment benefit recipients

Year	Registered unemployed	Recipients of							
		unemployment benefits		unemployment supplement		regular social aid *		Total	
		no.	%	no.	%	no.	%	no.	%
1990	47 739	30 302	63.5	-	-	-	-	30 302	63.5
1991	227 270	174 641	76.8	-	-	-	-	174 641	76.8
1992	556 965	412 945	74.1	18 408	3.3	-	-	431 353	77.4
1993	671 745	404 823	60.3	89 329	13.3	-	-	494 152	73.6
1994	568 366	228 924	40.3	190 303	33.5	-	-	419 227	73.8
1995	507 695	182 788	36.1	209 982	41.3	-	-	392 770	77.4
1996	500 622	171 737	34.3	211 309	42.2	-	-	383 046	76.5
1997	470 112	141 731	30.1	201 304	42.8	-	-	342 833	72.9
1998	423 121	130 724	30.9	182 118	43.0	-	-	312 842	73.9
1999	409 519	128 184	31.3	159 825	39.0	-	-	288 009	70.3
2000	390 492	131 665	33.7	143 515	36.8	-	-	275 180	70.5
2001	364 140	119 210	32.7	61 157	16.8	70 335	19.3	250 702	68.8
2002	344 715	114 934	33.3	9 051	2.6	104 399	30.3	228 384	66.2
2003	357 212	107 226	30.0	1 934	0.5	114 263	32.0	223 423	62.5

* The table does not include beneficiaries of pre-pension unemployment benefits, an average 6,458 in 2003. Neither does it include recipients of benefits to stimulate job-search, 10,515 persons in December 2003. Their inclusion would not alter the proportions shown here.

Source: NEO

In 2003, the following forms of cash benefits existed:

a.) Unemployment benefit. As it was mentioned earlier, a part from a short period before the 1990's, social support to people losing their jobs has never been generous in Hungary. The rules for the term of benefit and its amount have become more and more restrictive since they were established first in the Employment Act in 1991. In 2003 the criteria for eligibility for unemployment benefit has become stricter than ever before as a result of the latest regulations which entered into force in February 2000. (One day's benefit may be paid for at least five days employment certifying contribution payment too; at least 200 certified days of employment are required for reaching the 40-day benefit minimum.) The benefit amount is 65% of the former average wages, i.e. minimum HUF 19,620 in 2003 for a month (HUF 654 per day). The maximum benefit was HUF 39,240 per month (HUF 1,308 per day). The eligibility period is maximum 270 days (i.e. 9 months).

Since 1996 only approximately one-third of the registered unemployed people have received a benefit. At the end of 2003 the average benefit amount was HUF 35,457. Unqualified people received HUF 33.3 thousand, and people with a degree received HUF 38,000 in benefit.

Table 4.12.

Average amount of unemployment benefits, 20 November to 20 December 2003

Educational attainment	Recipients		Monthly average benefits, HUF/cap	Average spell of benefits (day/cap)*
	no.	%		
Incomplete primary education	3 746	2.9	33 324	62
Primary education	37 792	28.9	35 021	90
Apprentice school	49 202	37.6	35 259	98
Vocational school	2 552	2.0	35 333	105
Vocational secondary school	16 277	12.5	36 025	109
High school for technicians	4 482	3.4	36 669	105
General secondary school	11 013	8.4	35 873	108
College	4 197	3.2	37 873	110
University	1 462	1.1	38 012	112
Total	130 723	100.0	35 454	98

* Including previous days on benefits for re-entrants

Source: NEO

The unemployment benefit has replaced only a modest proportion of the income that the unemployed could get if – like their more fortunate peers – they could work.

Table 4.13.

Earnings of full-time employees and unemployment benefits (monthly averages)

Year	monthly gross average earnings*	of which:		Average unemployment benefits/month	% rate of benefits to		
		av. earnings of manual workers	minimum wages		average earnings	av. earnings of manual workers	minimum wages
					% -ában		
1990	13 446	11 137	4 800	5 845	28.6	34.5	80.1
1991	17 934	14 189	7 000	7 903	44.1	55.7	112.9
1992	22 294	17 239	8 000	8 798	39.5	51.0	110.0
1993	27 173	20 856	9 000	9 949	35.9	47.7	110.5
1994	33 939	25 036	10 500	10 841	31.9	43.3	103.2
1995	38 900	29 203	12 200	11 891	30.6	40.7	97.5
1996	46 837	35 305	14 500	13 461	28.7	38.1	92.8
1997	57 270	42 419	17 500	16 141	27.8	38.1	92.2
1998	67 764	49 423	19 500	18 895	27.8	38.2	96.9
1999	77 187	55 218	22 500	22 406	29.0	40.6	99.6
2000	87 645	61 930	25 500	22 826	26.0	36.9	89.6
2001	103 553	72 626	40 000	25 677	24.8	35.4	64.1
2002	122 454	84 713	50 000	31 860	26.0	37.6	63.7
2003	137 187	91 396	50 000	35 454	25.8	38.8	70.9

* 1992–93: Min. 20 staff; 1994–98: min. 10 staff; 1999 on: business organisations with min. 5 staff and public organisations

Source: CSO Yearbooks, CSO and National Employment Office, monthly statistical publications

b.) *Those whose eligibility to benefit expired* but were unable to find a job were eligible to income supplement between 1992 and 2000 as a kind of social support. Between 1995 and 2000 the proportion of those receiving income supplement was significantly higher than those receiving benefit, indicating that, under the given employment conditions, the economy did not offer solutions for the majority of registered unemployed to find a job. The income supplement was terminated in May 2000; it was only paid on to those for whom it had been established earlier. The others were gradually transferred, in an increasing number, to those receiving regular social benefit due to their unemployment.

In 2003 less than 2,000 unemployed people received income supplement, but more than 110,000 received social benefit.

The monthly amount of the income supplement (80% of the lowest amount of retirement pension) was HUF 17,440; the amount of regular social a benefit was even lower: it was HUF 15,260 for unemployed of active age, i.e. 70% of the retirement pension.

c.) Elderly people, close to retirement age, *who have already used their eligible benefit* and have little hope for finding a job were also able to receive HUF 17,440 per month unemployment benefit before retirement. According to the calculations of the Central Statistical Office the subsistence minimum of average household was monthly HUF 104,350 in 2003; the figure for different types of families consisting of two individuals of active working age and 2 children was HUF 145,044.

Within the subsistence amount monthly HUF 12-14,000 was spent on food per person, although this figure differed according to family types. {*Subsistence minimum 2003., KSH, 2004.*}

The amount allocated to those requiring social support due to unemployment was hardly higher than the minimum of the nutrition need of one person. It is one of the (natural) consequences of the limited amount of benefits that the individuals concerned cannot choose between reported and unreported employment; they work as they can.

- d.) The introduction of a *benefit encouraging job search* intended to ease exposure to lack of money. In accordance with the provisions of the Ministry of Employment and Labour Decree No. 7/2003.(VI.12.), which entered into force on 1 July 2003 unemployed who already received unemployment benefit for at least 180 days were eligible to such a benefit if they did not receive either unemployment benefit before retirement, or disability pension, or sickness benefit after the termination of their unemployment benefit. One of the conditions of this benefit is that the individuals concerned agree to search for jobs regularly in accordance with an agreement concluded with the employment office, and they regularly certify their efforts. The benefit of 17.935, representing at least 85% of retirement pension could be given to people over the age of 45 for six months in 2003. It is a new feature in financial support to the unemployed that those who find a job in the meantime receive the benefit for the outstanding period.

The initiators expect a significant success from this new type of support. {“According to the estimate of the Ministry of Employment and Labour in 2003 approximately forty thousand people will apply for the new benefit” – *Népszabadság, 13 December 2002*} The facts show much more moderate interest: in July 2003 8,290 agreements, and in December 13,080 agreements were concluded; in July 893, and in December 10,525 people received the benefit. A few hundred of the supported people left the system in August due to various reasons (in total approximately 3,300 individual left in 6 months, with a monthly average of 553); 2,377 (monthly average of 396) left because they found a job.

The expected, larger success most probably did not come because even those who were more diligent in job search were unable to find a wider choice of employment differing from traditional work (e.g. part-time employment) than before.

The increasingly urgent development of a new type, and diversified supply of jobs (which naturally exists outside the organised economy) clearly exceeds the scope of competence of the Ministry of Labour – it can only be achieved with co-ordinated activities in all areas of the government.

The employment office has tried to care for at least the unemployed since its establishment. However, although the attention focusing on registered unemployed enables some unemployed people to find work that is required by the economy, it can hardly change the durable terms and conditions of employment. Registration and cancellation from the register

of the unemployed, i.e., in- and outflows, have indicated similar tendencies for years:

Table 4.14.

**Development of the monthly average number of the registered unemployed,
1995-2003**

persons

Year	Initial stock	Entrants	Cancelled from the register					
			placement*		other reason **		total	
			no.	%	no.	%	no.	%
1995	506 495	45 659	8 569	17.9	39 064	82.1	47 633	100.0
1996	499 086	52 811	8 395	15.4	45 952	84.6	54 347	100.0
1997	468 987	56 140	7 395	12.9	49 900	87.1	57 265	100.0
1998	418 132	55 388	7 110	11.8	53 267	88.2	60 377	100.0
1999	409 493	57 213	6 933	12.1	50 246	87.9	57 179	100.0
2000	393 167	54 136	7 628	13.4	49 183	86.6	56 811	100.0
2001	366 610	56 971	6 993	11.8	52 447	88.2	59 440	100.0
2002	345 079	56 026	6 971	11.9	48 977	88.1	55 848	100.0
2003	344 901	54 788	6 630	12.4	46 905	87.6	53 535	100.0

* from among the recipients of unemployment benefits

** Persons breaking contact with the employment service, transferred to other provision systems (e.g. child-care, pension), persons doing military service etc.

Source: NEO

The majority of the unemployed needing help are unable to leave behind the registered status, because this is their only hope to change their situation. This is how they can obtain financial assistance they can learn new skills, or find supported jobs. While they study or work they are not even considered unemployed. However, when a particular programme ends, the majority of them is returned to the status of registered unemployed. An increasing proportion of the unemployed, in 2003 almost 82%, have returned into the system, i.e. they had left and then returned to registration.

Table 4.15.

Monthly average number of unemployed entrants to the register
1999-2003

Year	Entrants, total	Of which: re- entrants	Entrant unemployed					
			School-leaver			Not school-leaver		
			Total	Of which:		Total	of which:	
new entrant	re-entrant	new entrant		re-entrant				
no.								
1999	63 673	44 401	9 284	4 121	5 163	47 930	8 692	39 238
2000	54 136	42 761	8 014	3 753	4 261	46 122	7 621	38 501
2001	56 971	45 754	7 737	3 649	4 137	49 185	7 598	41 587
2002	56 029	45 717	7 751	3 633	4 118	48 275	6 686	41 599
2003	54 788	44 750	7 676	3 688	3 988	47 112	6 350	40 762
%								
1999	100.0	77.6	16.2	7.2	9.0	83.8	15.2	68.6
2000	100.0	77.0	14.8	6.9	7.9	85.2	16.1	69.1
2001	100.0	80.3	13.7	6.4	7.3	86.3	13.3	73.0
2002	100.0	81.6	13.8	6.5	7.3	86.2	11.9	74.3
2003	100.0	81.7	14.0	6.7	7.3	86.0	11.6	74.4

Source: NEO

The records of the Employment office do not indicate how many of the registered unemployed are durably unemployed, because thousands of occasional employees and participants in active programmes leave behind unemployment for a shorter or longer period, and they are registered again as an unemployed when they return. However, it can be assumed that the majority of them have been long-term customers of the labour market organisation.

4.3 Disadvantaged groups in the labour market

In most countries the labour market position and situation of certain social groups requires special attention. These categories include young people at the beginning of their career, women, older people, individuals restricted in their work, and members of ethnic minorities to a different extent in different countries. There are separate programmes helping them to overcome their disadvantages in the labour market in Hungary too, although for the time being they are only moderately successful, because in most cases surviving prejudice indifference and accepted situations have to be eliminated. Progress can hardly be felt from one year to the next. The most obvious result is that more and more groups of the society, and NGO-s support programmes that promise changes.

There is some new information about the groups concerned below.

4.3.1 Young people at the beginning of their career

In international comparisons people aged 15-24 are considered young; people in this age category, completing their studies and entering the world of employment are classified as career starters. (Note: as the studying years are extended, more and more people aged 25-29 are also classified in this

category. In Hungary, the national employment service considers career starters those who are employed for less than one year after the completion of their studies under the age of 30. The labour market programmes dedicated to career starters also extend to them.)

Naturally, there are very big differences in opportunities among „young” people too, between those aged 15 and 30, those with primary school and university as highest qualifications, and those with vocational training and no training at all.

The most general common disadvantage, that distinguishes them from all other groups of the society is the lack of working experience, which is also a result of their age. Many of them, especially the youngest ones, are also unqualified especially at the age of 15-16; but there are also better qualified career starters, while the labour market prefers more experienced workers.

Luckily, relatively few young people are forced to enter the labour market below the age of 18; the social need to obtain higher school qualifications keep the majority of students aged 15-19 (approximately 80% for years) in schools.

However, as years go by, the change from a dependent status of an income earner can no longer be postponed.

In 2003, there were slightly fewer employed in the age group of 15-24, both in number and in proportions; there was no change in the (moderate) proportion of job-seekers⁴², the proportion of economically active people has declined, and that of the inactive has increased.

Table 4. 16.

Economic activity of the 15-24 year-old, 2002-2003

Age and gender	Population count, '000		Of which: %					
			employed		unemployed		inactive	
	2002	2003	2002	2003	2002	2003	2002	2003
15-19								
men	320.0	315.5	5.6	4.8	1,9	2,2	92,5	93,0
women	314.1	310.5	4.2	3.1	1,6	1,6	94,2	95,3
all	634.1	626.0	5.0	4.0	1,8	1,9	93,2	94,1
20-24								
men	373.3	354.4	53.1	51.8	7,2	7,0	42,7	41,2
women	366.1	351.0	44.2	41.9	4,9	5,2	50,9	52,9
all	739.4	705.4	48.7	46.0	6,1	6,1	45,2	47,0
15-24								
men	693.3	669.9	31.2	29.7	4,7	4,8	64,1	65,6
women	680.2	661.5	26.0	23.7	3,4	3,5	70,8	72,8
all	1 373.5	1 331.4	28.5	26.7	4,4	4,1	67,4	69,2

Source: LFSs

⁴² The employment office registered 26,700 in 2001, 28,500 in 2002, and 31,300 in 2003 unemployed people at the beginning of their career; 7.8 and 9% of the registered unemployed in the respective years.

The opportunities of young people to find a job have deteriorated despite the various assistance programme of the government and the employment office. (The majority of the support programmes are described in Chapter III. 4.) According to the programme review (*Summary of the operation of employment policy instruments in 2003*, quoted above) 18,300 career starters participated in labour market training, which number was slightly lower than one year before, but even so, they represented 25% of the training participants. The majority preferred vocational training in 2003 too, but many people studied foreign languages as well.

The experiences in 2003 only confirmed the former years: the efforts of the employment office only are not enough to improve the situation of young people. Apart from the 60,000 registered unemployed aged 15-24 (55,000 active job-seekers) more than 210,000 non-studying young people were economically inactive. Some of them obviously had a good reason to stay away from the labour market including childcare disability, etc. However, more than 160,000 are missing from the organised economy for years without any socially recognised reasons. Most probably they would be encouraged to enter the labour market through suitable types of employment, including the preferred assistant, experience gaining, part-time, etc. employment, which would be popular not only for the registered unemployed.

In relation to its workforce survey, the Central Statistical Office analysed the labour market situation of the young people in the 4th quarter of 2002, on the fifth occasion. *{Young people in the labour market, KSH, 2003.}*

Let us quote only a few survey findings, rich in information.

- At the end of 2002 in total 22% of the employed young people were able to find a job immediately after the completion of their school, and approximately 50% found a job within 1-2 months, but 6 per cent had at least 12 months spent in job search. People with college and university degrees had the best chance to find employment smoothly, mainly with the help relatives, acquaintances and the school. Less than 4% found a job with the assistance of the employment agencies, although this ratio is to and a half times higher among the unemployed.
- More than one-third of the unemployed young people have never worked, and they have typically been searching for a job for at least 12 months.
- Almost 25% of the young people already registered at the local employment office. 67% of the employed, and 87% of the inactive have never been at the employment office, because they did not need to go. 22% of the job-seekers did not register either because they thought they would never get any support. Otherwise 5% of the asked young people considered themselves registered unemployed.

The majority of the young people approaching the employment office (83%) were primarily looking for a job; 8% intended to apply for a benefit, and the others requested information or wished to participate in retraining.

- More than 25% of the employed young people have chosen their work or workplace because that was their only opportunity to work.
- A very small percentage of young people look at self-employment, part-time, temporary, or teleworking opportunities as attractive forms of employment. Women, aged 25-29, staying at home because of childcare would prefer part-time employment in the high proportion. Only a few percentage would agree to commute or move homes in order to find a job, although more unemployed would be willing to commute in order to get a job.
- More than fifty per cent of the young people would not undertake telework, because they would not like to work at home, and another 25% cannot work with a computer. Only 7% have a computer and would be ready to work under such schemes..

The results of the CSO survey also indicate that the adult society has a lot of complex tasks, including e.g. the adjustment of the labour market expectations of young people to reality. It is very important because more than 50 per cent of the young people with experience in employment thought that they had not been prepared for employment at all at school.

4.3.2 Employment of women

Earlier we have covered the labour market situation of women, who used to be employed in a high proportion at one time, and their lower economic activity than their companions living in old and new member states.

Although the economic activity of women in Hungary increased slightly in 2003 (in all age groups above 25) still almost 50 per cent of the women aged 15-64 (46.1%) were missing from the labour market.

The reasons have been known quite well for a long time; lower employment age than in Western Europe, (which is only slightly different from the other former socialist countries), and insufficient support in the childcare activities of working women, lack of workplaces with flexible working hours, etc. This information has been extended and deepened in a Phare twinning programme having lasted for three years and was closed in 2003. The programme intended to promote the reintegration of economically inactive women into the labour market as soon as possible. The programme summarised the reasons why women kept away from the labour market and set out the tasks. These activities are reflected partly in the National Development Programme, and in other planned activities. One of the applicable programmes is the European Equal Programme, the purpose of which is to provide equal opportunities both men and women.

The measures promoting the reintegration of women in the labour market are slowly increasing. As we also described in our last year's publication, e.g. mothers raising their children at home may also participate in training financed by the employment agencies; they can obtain a second degree, learn a new profession, and upgrade their training free of charge.

It is generally known that a lot of conditions must be met simultaneously in order to enable women to enter the labour market, find employment, and have equal opportunities as men in wages, promotion and classification. These conditions include values of the society, and the daily distribution of work of the family. There are different ways in which these conditions are put in place in Europe.⁴³

2003 saw perhaps the most significant progress in recent years, with the adoption of rules aimed at promoting part-time work. These will sooner or later bring substantial changes in the employment of women, particularly if they are coupled with new types of employment possibilities and are granted conditions – based on government, taxation and support policy measures – that are broader than the Labour Market Fund.

4.3.3 Roma employment

The situation of the biggest ethnic minority, the Roma population in Hungary has been in the focus of outstanding attention for years. One of the most important reasons of this attention is the dramatic decline in the situation of such people, the majority of whom still live in poverty, under bad conditions, who are also unable to study often because of the characteristic features in the excluding school system, resulting from the massive loss of jobs.

During the many centuries of co-habitation the majority society has perhaps never been accepting, it mostly tolerated the Roma people in its environment. However, under the forced assimilation attempts of socialist regimes, Roma people could continuously work and regular income from work consolidated the financial conditions of many of them.

At the beginning of the 1990's, when the economic collapsed, Roma people were among the first who lost their jobs, and they have never been able to return to the group of regular income earners since then. Their financial conditions have deteriorated significantly; their conflicts with their wider and larger environment have also increased.

Sociologist István Kemény, focussing on understanding and studying the situation of the Roma population in Hungary for decades, analysed the employment situation of Roma people in early 2000 again. Below we describe some findings of the article written jointly with Béla Janky. *{István Kemény – Béla Janky: On the employment and income conditions of the Roma people*

⁴³ Moderate but successful initiatives contain e.g. more family friendly workplaces and working hours. Similarly to many other European countries, applications can be submitted for the title of “family friendly workplace” for five years in Hungary too. The efforts intending to coordinate the situation, family and childcare obligations of employed women with the tasks at the workplace include the organisation of flexible, mobile and part-time work, telework, professional training, maintenance of child-care facilities, etc. During the last years almost 400 workplaces applied for this title, including small enterprises employing few persons to employers with thousands of employees, production companies, hospitals, libraries, mayors’ offices and even police headquarters. *{Világgazdaság, 26 March 2003}*

(based on the national Rome research in 2003, Esély (chance), 2003/6. pp. 58-72}

The authors compare the new results to the results of their research conducted in 1971 and 1993. They estimate the number of Roma people in Hungary at 320,000 at the beginning of the 1970s, 468 thousand in 1993 and 520–650 thousand in 2003.

Although the number of employees increased similarly to an increase in the number of population (from 57,000 to 80,000 between 1993 and 2003, including an increase from 37,000 to 50,000 among men and 20,000 to 30,000 among women) but there has been no change in proportions: in 1971 85% of Roma men, aged 15-59 were employed, in 1993 28.5%, in 2003 28% of those aged 15-74 were employed. The proportions among women were 50-15-15%.

Most work opportunities are offered to them in Budapest, large cities and in industrial regions and, according to the findings of the research, they also have better chances in regions where segregation is lower.

Even the majority of the employed Roma people in a clearly disadvantaged position in terms of safety and quality of employment. Researchers have identified three categories, and classified the Roma population, aged 15-74 accordingly.

The first category contained those who had a regular and registered job, with 40 hours of work a week – containing 16% of men and 10% of women.

The second category contained those whose job was atypical in some aspect, i.e. they worked continuously, but in part-time; they worked in full time in seasonal jobs, or they worked in full time without registration, etc. 14% of men, and 6% of women were classified in this category.

The third - largest group – contained those who worked only occasionally, otherwise received some assistance of benefit, or lived on the income of the other members of their family (statistically inactive and unemployed).

In accordance with the everyday experience, the data did not only indicate that only a small proportion of the Roma population had a job, but also that very few people had a full-time job, and the workplace of the others provided only irregular, low or undeclared income.

There was no significant decrease in unemployment in the Roma population between 1993 and 2003; (57,000 individuals, 9% of the registered unemployed); there was a considerable spread between the regions. {The survey conducted by the employment office and Autonómia Foundation in 2001, published in 2003 supported the same results.}

An employment benefit, income supplement or other regular assistance is the primary source of income for 17.6% of the Roma population.

The (perhaps only) positive result of the survey is that while in 1971 the proportion of students was 0.5% in the male Roma population aged 15-59, in 2003 11% of Roma people, aged more than 15 studied in daily courses; 60%

of those aged 15-19 were students. Although it is lower than the national average, it is still promising in terms of the social and economic situation of the Roma population in future.

4.3.4 Durably hindered disabled people^{*}

According to the 2001 census data there are 577,000 disabled people in Hungary.⁴⁴ International statistics estimate the proportion of disabled people within the population at 10%.

In terms of economic activity there was a significant difference between disabled and not disabled people already in the previous census, in 1990, and there was no change in 2001 either. Only 9% of the disabled people worked. (In the member states of the European Union on average 40-50% of disabled people, and 30-40% of severely disabled people are employed).⁴⁵ It is a rather unfavourable figure that only 4% of unemployed disabled people search for a job.⁴⁶ The employment opportunities of disabled people of active age are significantly worse than those on the entire population, which is significantly due to their lower school qualification. While 70% of disabled people have completed maximum 8 classes of the primary school, in the case of non disabled people the same proportion is 50%. 5% of disabled people have higher qualifications, and 12% on non-disabled have the same.

Between 1990 and 2001 the proportion of disabled individuals in intellectual jobs and working in the service sector has increased. More than two-third of employed disabled people work 36-40 hours a week. (Those who manage to find a job, behave similarly in the labour market to the average work force.)

However, the large majority of disabled people are economically inactive. Their proportion has increased (from 57.5% to 76.7%) indicating that many of them have chosen different assistance instead of unemployment. Consequently, on 1 January 2003 nearly 500,000 individuals of active employment age received disability pension and 200,000 received annuity.⁴⁷

In 2003, in total 42,706 individuals with changed working abilities were recorded. Approximately one-third (34%) of them found a job; 80% could find employment with mediation. 55% of those who found a job were assisted by the employment office in finding an employment. Most of them are employed in community work, and employers accepted them with „Rehabilitation employment extending wage subsidy”.

^{*} **The author of this chapter is Ilona Gere**

⁴⁴ The concept of disability was defined in the 2001 census in accordance with the UN recommendation in 2000. Consequently, those individuals are considered disabled who had a final physical or mental or sensory disability that effected the rest of their lives, hindering them in conducting an ordinary usual traditionally expected lifestyle.

⁴⁵ Source: European Community Household Panel survey

⁴⁶ These data apply to the total population, not only those of active working age, i.e. it includes older people, who represent a high percentage among the disabled population.

⁴⁷ Source: National Pension Directorate 2003 statistical year book

The labour market integration of those who intend to work is mainly hindered by the lack of their vocational qualifications and skills. All European recommendations defined importance of marketable special skills as a number one priority in providing equal chances to disabled people, for which the member states provide a sufficient amount of funds. In Hungary, only 4.5% of registered people with changed working abilities participated in some sought of training.

Service-based rehabilitation

In the recent years the labour market integration of durably hindered individuals has been a strategic objective in the member states of the European Union. Re-employment is subject to accessibility of services that satisfy individual requirements and demand, improve employment, and assist to eliminate barriers in employment and work.

In 2003, Hungarian employment offices provided employment assistance service to 23% of people with changed working abilities, registered as unemployed. This proportion is extremely low. In the member states of the European Union personal services are primarily provided by civil organisations, and therefore the member states take a lot of efforts in order to develop this network. The skills of NGO-s, and their capability of managing particular problems in a complex way theoretically enables them to provide personalised help, which can only be provided by a public agency to a limited extent because of its diversified burden, and sometimes over regulated and over administered operation.

Several model programmes were launched in 2003 with the involvement and support of the Ministry of Employment and Labour (and these programmes continued too), which may represent a basis for the development of a labour market assistance service. These programmes included the following:

- Complex employment and consultation service for disabled people;
- Supported training for mentally disabled people;
- Improving the opportunities of people with changed working ability and disabled people in the labour market – British Hungarian Programme (4M program).

In order to provide the assistance services to the individuals concerned technically and ethnically reliably, a methodology manual of the labour market assistance service was published in 2003 with the support of the Ministry of Employment and Labour. This manual is one of the instruments of quality development of employment rehabilitation services.

European Year of Disabled People

The European Commission declared 2003 the “European Year of Disabled People” in the Madrid Declaration with the purpose of calling attention to the problems of disabled people. An important message of the Declaration is the *principle of equal access and participation*.

The programme, which provides information for different groups of customers with restricted communication using special techniques and methods aimed at the *development of the information services of PES*. MEL issued a tender for employment agencies, involving a procurement of special instruments (e.g. reading software, enlargement equipment, induction loops, assisting the functions of a hearing improvement appliance), and special methods (e.g. sign language interpreter, easily understandable language).

Publications describing the rights of disabled people in employment issued in 2003 (e.g. a publication containing the basic rules of the UN concerning disability and Employment Rehabilitation Guidelines of the National Employment office) contain pages in a Braille format for blind people; easily understandable translations for mentally disabled people, graphic illustrations for deaf people, assisting interpretation of documents.

In summary 2003 contained more events and better promising results in terms of the integration of durably hindered people into the labour market than the previous years. This objective was also greatly assisted with programmes supported by the structural funds, which prefer the realignment of disadvantaged people, and their employment in the open labour market.

5. THE ECONOMICALLY INACTIVE

5.1 International tendencies

The labour force survey regards as economically inactive persons who, although of working-age, are absent from the labour market: they have no earning occupation and they are not engaged in job-search. (This group includes the so-called passive unemployed, who would like to have a regular earning occupation, but do not look for one actively, on the assumption that they would not find one anyway.)

There are as many reasons of inactivity, from state of health to family obligations etc, as there are absentees from the labour market. The rate of inactivity and the typical features of the groups concerned, however, are subject to certain common economic and social factors, too, such as national working age limits, the ceiling of which is defined, as discussed already, by the age of eligibility to full old-age pension. Members of the generations concerned tend to exit the labour market, voluntarily or involuntarily, and become inactive after having reached that age. Earlier exits, according to the relevant provisions of the national legislation, also raise the number of the inactive. (The European Union strongly urges to eliminate such exceptions.)

Another common denominator is that the youth tend to enter the labour market at a later age: the great majority of those past 15 remains in education until the age of 20–22.

In several countries, mostly South European ones, tradition often keeps women away from the earning occupations. In several less developed countries, the less educated social strata still advocate the philosophy that it is the man's task to earn a living for the family, and the woman is to provide a secure home and family background.

The above may be enhanced or down-scaled by the effects of the effective employment regulations, taxes imposed on employment, and the system of allowances, more advantageous in some cases than employment.

Another well-known phenomenon is that inactivity tends to drop at times of economic upturns and increase in recession periods – in view of the deteriorating chances of employment, many give up job-search deemed hopeless.

Social and economic circumstances exert a decisive influence on individual aspirations and decisions. It is no accident that in Europe overall those aged 24–54 are characterised by almost full employment, while the inactive concentrate in the younger and older generations. It is no accident either, but the result of the assertion of a social value system, that in the Scandinavian countries, men and women participate in the economy at equal rates, and, vice versa, that female inactivity rates are highest in Italy, Greece and Spain.

Table 5.1.

Inactivity rates by gender in the EU (new member states included), 2002

Country*	% rate of the inactive to the population aged 15-64			% rate of the active population
	Men	Women	All	
Denmark	16.4	24.5	20.4	79.6
Sweden	20.6	24.2	22.4	77.6
The Netherlands	15.5	31.7	23.5	76.5
United Kingdom	17.3	31.7	24.4	75.6
Finland	23.0	27.2	25.1	74.9
Austria	19.9	34.0	27.0	73.0
Portugal	20.5	35.0	27.9	72.1
Germany	21.3	35.8	28.5	71.5
Cyprus	19.0	38.3	29.0	71.0
Czech Republic	21.3	37.2	29.3	70.7
Slovakia	23.3	36.8	30.1	69.9
Lithuania	26.4	34.2	30.4	69.6
Estonia	25.4	35.6	30.7	69.3
France	24.3	37.3	30.9	69.1
Latvia	25.9	36.1	31.2	68.8
Ireland	21.0	42.2	31.6	68.4
Slovenia	27.5	37.0	32.2	67.8
Spain	21.0	47.2	34.0	66.0
Luxembourg	22.9	46.3	34.5	65.5
Belgium	26.9	43.8	35.3	64.7
Poland	29.4	41.3	35.4	64.6
Greece	23.4	49.9	36.9	63.1
Italy	25.6	52.1	38.9	61.1
Hungary	32.3	47.1	39.9	60.1

* Not including Malta

Source: Calculation based on data in *Employment in Europe 2003*, pp. 209-237.**5.2 The economically inactive in Hungary in 2003**

The Hungarian inactivity rate dropped by a modest 0.5% relative to 2002. This was due, beside demographic reasons, to the increase of the upper working age limit for women: to date, many of the 58-year-old remain in employment.

Longer time series clearly show that the development of activity/inactivity correlates closely with changes in the economic situation: activity declined until 1997, and although it has recovered, very slowly, afterwards, more than 40% of potential earners stayed away from the labour market.

Modest growth with annual fluctuations (probably projecting the image to the other EU countries that Hungarians are adverse to working) actually means stagnation.

Table 5.2.

***Number and rate of the economically active and inactive
in the population aged 15-64***

Year	Ages 15-64 '000	Of which:							
		Economically active		Inactive					
				All		Men		Women	
		'000	%	'000	%	'000	%	'000	%
1992	6 841.3	4 407.7	64.4	2 433.6	35.6	934.0	13.7	1 499.6	21.9
1993	6 838.7	4 237.1	62.0	2 601.6	38.0	1 018.8	14.9	1 582.2	23.1
1994	6 826.5	4 097.2	60.0	2 729.3	40.0	1 065.3	15.6	1 664.0	24.4
1995	6 835.4	4 004.5	58.6	2 830.9	41.4	1 083.1	15.8	1 747.8	25.6
1996	6 834.5	3 977.3	58.2	2 857.1	41.8	1 095.8	16.0	1 761.3	25.8
1997	6 840.5	3 937.1	57.6	2 903.4	42.4	1 123.7	16.4	1 779.7	26.0
1998	6 854.5	3 986.6	58.2	2 867.9	41.8	1 136.9	16.6	1 731.0	25.3
1999	6 836.1	4 071.4	59.6	2 764.7	40.4	1 086.8	15.9	1 677.9	24.5
2000	6 840.7	4 095.2	59.9	2 745.5	40.1	1 084.2	15.8	1 661.3	24.3
2001	6 851.4	4 083.7	59.6	2 767.7	40.4	1 095.1	16.0	1 672.6	24.4
2002	6 849.7	4 088.7	59.7	2 761.0	40.3	1 099.5	16.0	1 661.5	24.3
2003	6 836.3	4 141.5	60.6	2 694.8	39.4	1 078.9	15.8	1 615.9	23.6

Formázott táblázat

Source: LFSs

The Hungarian figures pointing to hardly increasing employment and accordingly hardly decreasing inactivity are shaped, of course, by a multitude of personal reasons, but also by common social and economic factors of decisive importance: strict employment regulations, high taxes on labour, the counter-incentives to employment represented to some extent by periods spent on social allowance (such as child-care), the same as the conservative principle, often meant to justify forced decisions, that the man is the breadwinner in the family. The above act against not only employment, but also job search in the organised economy.

To date, most Hungarian inactive persons of working age in Hungary stay away from the (organised) economy with social approval and support..

Let us look first at these cases.

Our survey used data based on working age as defined in Hungary (2003: men aged 15–61, women aged 15–58), as earners may or must exit the labour market upon reaching retirement age as specified by Hungarian legislation. In this population, smaller by more than half a million than that of the 15–64 year-old, the rate of the non-active, too, is lower: 35.3% as opposed to the 39.4% calculated for those aged 15–64. This is a high rate even compared to the shorter working-age period, indicating that the various reasons of inactivity tend to keep away from the labour market members of the younger generations.⁴⁸

⁴⁸ One of the data sources is CSO's annual Labour Account, including data classified according to the Hungarian regulations (e.g., working-age, number of the registered unemployed etc.), registered on 1 January (reflecting, as a matter of fact, the developments of the previous year).

Table 5.3.

The working-age inactive, 1990, 2001-2003

thousand

Year	Working-age			of which: economically inactive			% rate of the inactive to the working-age population		
	men	women	all	men	women	all	men	women	all
1990*	3 107.2	2 849.6	5 956.8	567.9	765.5	1 333.4	18.3	26.9	22.4
2001	3 226.1	3 091.4	6 317.5	977.3	1 284.2	2 261.5	30.3	41.5	35.8
2002	3 201.3	3 145.6	6 346.9	977.2	1 321.1	2 298.3	30.5	42.0	36.2
2003	3 191.2	3 134.1	6 325.3	957.4	1 277.6	2 235.0	30.0	40.8	35.3

* Population census of 1990; working-age as defined then (men: 15-59, women: 15-54)

Source: LFSs**5.2.1 Students**

Young people in education after the age of 15 contribute around 30% of the inactive. Their annually growing number shows the appreciating value of higher-level education in the eyes of broad social strata, and also that the decisive majority of Hungarian families today do not need the earnings of those finishing primary school or at least they can do without it and they undertake the burdens implied by the prolongation of dependent status. (On the other hand, neither does the economy have a serious demand for the work of the youth having no experience.)

The steady growth in the number and proportion of those remaining in education is one of the most positive developments of the past decades. There is an enormous need for new generations surpassing the level of education of their parents: as mentioned already, according to the population census of 2001, 60% of the adult population finished primary school and occasionally vocational training at best. Obviously, knowledge acquired a longer time ago is often obsolete already.⁴⁹

⁴⁹ A few years ago, an international survey examined the writing and reading comprehension skills of the adult population. Five categories were set up on the basis of the findings. Those at Level 1 cope in everyday tasks with difficulty or not at all – 60% of women aged 55–65, 64% of men of the same age.

Those at Level 2 cope with everyday tasks, but find it difficult to acquire new knowledge – beside the oldest, this category includes almost/more than half of men and women; the rates are lowest for men and women aged 16–25 (39% and 41%, respectively).

Level 3 was considered the basic level of coping in everyday life, with knowledge corresponding to GCSE approximately. 20% of the population was assigned to this category in each age group, the rate was highest for women aged 16–25 (37%), preceding that of men of the same age (30%), and the rates were lowest for men and women aged 56–65 (3 and 8%, respectively).

Levels 4–5 represent high-level and complex skills – according to the survey, the relevant rate was highest among women aged 16–25 (7%), followed by women of 26–30 (6%) and men of 16–25 (5%), while in the other age groups, their rate was 1–2% at most.

[Second International Adult Literacy Survey, OKI Értékelési Központ, 1998., quoted in: *Nők és férfiak Magyarországon 2001.*, Men and Women in Hungary, CSO–MFSA, 2002., pp.42–43.]

It is significant achievement that, while in the school-year of 1959/60, the rate of the youth remaining in education was below 20%, that is, every fifth 15–24 year-old continued their studies, in 2002/2003, every second among them did so.

Table 5.4.

***Number and proportion of full-time students in the school-years of
1959/1960-2002/2003***

School-year	Ages 15–24 '000	Of which: students		Women	
		no.	%	no.	% rate to all students
1959/1960	1 432.5	267.1	18.6	109.9	38.2
1969/1970	1 696.4	465.6	27.4	200.2	43.0
1979/1980	1 464.4	371.8	25.4	174.9	46.5
1989/1990	1 445.5	531.6	36.8	255.1	48.0
1990/1991	1 510.3	566.2	37.5	274.3	48.4
1991/1992	1 558.1	590.2	37.9	289.2	49.0
1992/1993	1 587.0	595.0	37.5	291.2	48.9
1993/1994	1 601.5	615.9	38.5	307.9	50.0
1994/1995	1 610.1	625.5	38.8	310.8	49.7
1995/1996	1 609.7	635.9	39.5	317.2	49.9
1996/1997	1 607.2	674.8	42.0	336.6	49.9
1997/1998	1 593.0	675.9	42.4	338.6	50.1
1998/1999	1 573.2	687.1	43.7	346.2	50.4
1999/2000	1 526.5	699.7	45.8	350.0	50.0
2000/2001	1 480.1	690.4	46.6	345.3	50.0
2001/2002	1 437.6	681.0	47.4	340.6	50.0
2002/2003	1 392.5	696.8	50.0	348.4	50.0

Source: CSO Yearbooks and Labour Accounts

Those aged 15–19 generally want to acquire higher educational qualification: the members of this age group are inactive, with only a few exceptions, due to being in further education. (More precisely, with the passing of the years, the rate of inactivity due to studies diminishes among them: it is 99% for those aged 15, almost 90% for the 16–17 year-old, 78% for the 18 year-old and 62% for those aged 19.)

The rate of students in the age group of 20–24, however, is hardly more than 25%; this rate, too, declines with the growth of ages.

The fortunate rate of students in further education after the mandatory first eight years, the aspiration to acquire higher-level qualification, almost the social standard already, is the most promising development in terms of Hungary's catching up with the more developed European countries. One of the objectives along the way to knowledge-based society is the high qualification of members of the younger generations. Hungary is not very far from the common target set by the EU member states, namely that at least 85% of youth aged 22 should have upper secondary qualification by 2010. According to a work document prepared at MEL, 77% of secondary students

in daytime education studies at general secondary school providing GCSE; in 2003, their number was 426.4 thousand.

Table 5.5.

Distribution of full-time students aged 15–24 by age and school-type in school-year 2003/2004

Age	Population count, 01.01.2003 '000	Students*		Of which: % rate by school-type			
		'000	%	primary	vocational	gen. sec.	college/university
15	124.2	122.6	98.7	12.1	18.8	67.8	-
16	129.5	117.0	90.3	3.3	22.4	64.6	-
17	133.7	112.8	84.3	0.7	22.2	61.2	0.2
18	128.0	95.8	74.8	0.1	17.0	45.9	11.8
19	129.2	75.8	58.6		8.4	24.4	25.8
15-19	644.7	523.9	81.3	3.2	17.8	52.8	7.5
20	134.8	60.5	44.9	-	3.7	13.1	28.1
21	143.5	47.2	32.9	-	1.6	5.5	25.8
22	150.0	37.0	24.7	-	0.7	2.6	21.4
23	157.1	24.1	15.4	-	0.3	0.9	14.2
24	162.4	14.8	9.1	-	0.1	0.3	8.7
20-24	747.8	183.6	24.6		1.2	4.2	19.2
25 +		24.9					
Total		732.4					

* Data referring to the commencement of the school-year (15.09.)

Source: Ministry of Education

5.2.2 Persons on parental leave

In Hungary, different forms of child-care allowance withdraw an annual 300 thousand – mostly women – from the labour market. In 2003, one of the three forms was utilised by a total of 291 thousand active-age persons; their number represents almost 13% of the inactive.

The number of exits from the labour market to child care increased despite the decrease in the number of births. (Births: 1960: 146 461; 1980: 148 673; 1990: 125 679; 2000: 97 597; 2001: 97 047; 2002: 96 804; 2003: 94 650.) That is, compared to 1990, the number of births fell by more than 30 thousand, while that of persons on child-care leave increased by 46 thousand.

This phenomenon has several possible reasons, from family policy measures to stop the contraction of the population to leaving the door to the labour market open for women having lost their job, in what was considered a temporary situation then (at that time, it was guaranteed by the law that women could return to their workplace from child-care leave – but massive job losses made it impossible to enforce that).

Table 5.6.

Persons on parental leave, 1980-2003

thousand

Year 1. January	Persons on parental leave (GYES, GYED)			GYET	<u>Aggregate</u>
	men	women	all		
1980	0.1	263.9	264.0	-	264.0
1990	1.2	243.5	244.7	-	244.7
1991	1.3	250.3	251.6	-	251.6
1992	1.8	260.3	262.1	-	262.1
1993	1.7	260.4	262.1	-	262.1
1994	2.2	252.4	254.6	24.1	278.7
1995	5.2	246.8	252.0	33.0	285.0
1996	4.6	226.0	230.6	44.6	275.2
1997	2.0	245.1	247.1	48.1	295.2
1998	1.0	238.0	239.0	52.0	291.0
1999	1.0	243.0	244.0	55.9	299.9
2000	1.0	242.3	243.3	53.8	297.1
2001	1.0	245.8	246.8	52.6	299.4
2002	1.0	244.8	245.8	51.3	297.1
2002*	3.6	237.1	240.7	45.8	286.9
2003*	3.6	245.7	249.3	42.8	292.1

* LFS, annual average, including persons engaged in work/job-search while on parental leave. According to the LFS, there are 274 thousand inactive, not including them.

Source: Labour Accounts, CSO, LFS

Social support to parenting, introduced in the sixties among the first in Europe, has in recent years been available in three main forms:

- Child-care aid (Hungarian abbreviation: GYES). Available on citizen's right, until the child is 3. A monthly HUF21,800;
- Child-care fee (Hungarian abbreviation: GYED). Available to one of the --parents with an earning occupation, exclusively the mother until the child is 1, for two years, at a specified rate of the previous average earnings (70% of the daily earnings, not exceeding a monthly HUF83 thousand). In 2003, the average monthly fee was HUF48,741
- Child-raising support (Hungarian abbreviation: GYET). Available to parents raising three or more children in the household, until the youngest is 8. Monthly amount: HUF21,800.

Formázott: Felsorolás és számozás

As can be seen, the amounts concerned are very modest. Programmes to promote the re-entry of women to the labour market questioned the term of such allowances: absence for several year, occasionally more than ten, aggravates significantly the conditions of reintegration among the earners.

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The mothers concerned, on the other hand, have for long referred, according to the findings of innumerable surveys, to other obstacles: lack of child-care facilities or fees they cannot afford; in the countryside, the typical rigidity of both public transport timetables and working time etc. The two most

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important and general obstacles are, on the one hand, the aversion of employers to employing mothers with small children and, on the other, the lack of other than full-time jobs.

The regulation on promoting part-time work may result in a breakthrough in the employment of mothers with small children. As discussed already, an employer employing on a part-time basis a parent raising a child under 14 may be granted significant support for 12 months, provided that he undertakes to keep the person concerned in employment thereafter.

5.2.3 *Working-age retirees*

In Hungary, on 1 January 2004, more than 3 million received pension or pension-type benefits; almost 2.5 million men and women among them old-age, disability or early retirement pension. Almost 700 thousand members of the latter group were below the average retirement age limit..

Table 5.7.

Working-age retirees

thousand

Year (01.01)	Working-age retiree *			Of which: retirement in the given year due to	
	men	women	all	employment policy	disability/accident
				reasons	
1990.	176.4	87.4	263.8	27.0	61.3
1991.	200.4	104.3	304.7	37.5	66.3
1992.	236.9	129.5	366.4	46.1	64.4
1993.	267.0	152.0	419.0	43.0	62.7
1994.	275.9	161.8	437.7	41.1	62.4
1995.	284.0	177.0	461.0	34.1	61.0
1996.	296.5	184.6	481.1	44.0	62.0
1997.	305.4	198.8	504.2	42.5	55.4
1998.	304.6	207.5	512.1	16.6	49.3
1999.	306.8	228.6	535.4	3.3	48.0
2000.	322.0	246.8	568.6	3.3	54.2
2001.	317.9	240.7	558.6	3.7	58.8
2002.	361.7	270.1	631.8	3.3	53.2
2003.	364.0	330.6	694.6	3.3	52.1

* Not including working-age retirees in employment; calculated on the basis of the retirement age in the given year

Source: Working-age retirees: Labour Account, 01.01.2003., CSO, 2004. Employment policy, disability accident data: National Pension Fund.

The stock of working-age retirees has multiplied by more than 2.5 since 1990. Over the 14 years shown here, an annual 30 thousand on average left the labour market. Annual changes, however, reflect a close correlation between the state ever of the labour market and the extent of exits: in 1991 and 1993, a much larger number retired (was allowed to retire under the regulations in effect then) than usual; in the years of economic recovery and with the tightening of the relevant regulations, their number dropped. In 2002 and 2003, the number of working-age retirees rose significantly once again.

Retirement may be due to several reasons:

Formázott: Felsorolás +
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Tabulátorhely: 0,63 cm +
Behúzás: 0,63 cm,
Tabulátorok: Nincs 2,22 cm

- | ➤ In the 1–2 years preceding the steadily but slowly increasing retirement age limit, especially if the insured worker already fulfilled the prescribed service (employment) period, many waive further eligibility offering a modest increment on pension. Instead of waiting to be sent to retirement, those having one or two years until then give up their jobs (in the organised economy) voluntarily. (The monthly average amount of old-age pensions was HUF60,962.)
- | ➤ Tens of thousands retire annually to disability or accident pension. More tolerant decisions in case of illness or labour market problems used to be more frequent in the beginning of the 90s than they are now. The stock of disability pensioners has been declining slowly since the early 90s, partly owing to continuous transfer to the group of persons having reached retirement age. (The monthly average disability pension was HUF56,657 for those above and HUF47,170 for those below retirement age.)
- | ➤ Retirement with old-age pension played an important role in Hungary, the same as in many other European countries, in the early nineties, as a way of escaping escalating unemployment. Until 1997 – the tightening of the conditions of retirement – tens of thousands of workers relatively near retirement age could select retirement instead of unemployment. Since the significant tightening of the relevant conditions, the number of those retiring for employment policy reasons has hardly changed. To date, few (mostly multinational) companies can afford to pay pension contribution for the remaining years in advance for active-age workers to be sent to retirement.
- | ➤ Those eligible to preliminary pension, miner's pension or pension with age exemption are in a special situation. On 1 January 2004, 8 777 received such pension (HUF85 485 on monthly average), in acknowledgement of their special working conditions, allowing them to retire at an earlier age than the general one.⁵⁰
In 2003, the stock of early retirees represented around 11% of the 6.3 million persons of working age as defined in Hungary and 31% of the 2.2 million inactive.

5.2.4 *Other reasons of inactivity*

Above we discussed the situation of those who are absent from the labour market, dependent on their family and society, with the approval and even support of society. However, a somewhat fluctuating annual population of around half a million men and (mostly) women is absent from the group of workers or job-seekers available to the economy, depending on family support, for no socially accepted reason. The majority belongs to those of prime working age (i.e. ages 25–54).

⁵⁰ To date, this problem concerns workers eligible to such pension. As indicated already, the central administration would reduce, the trade unions protect, jobs implying eligibility to pension with age exemption. The key issue of this debate, at a deadlock for years, is whether changes in the working conditions associated with certain occupations (e.g., bus drivers, locomotive drivers, professional soldiers etc.) warrant a reduction of the age exemption.

Table 5.8.

Age-group distribution of persons absent from the labour market for no known reason, 2003

Age group	Inactive		Of which: absent for unknown reason					
	'000	%	'000	% rate to the inactive	men		women	
					'000	%	'000	%
15-19	589.3	26.4	80.0	13.6	40.2	6.8	39.8	6.8
20-24	331.7	14.8	82.9	24.7	42.5	12.8	40.4	11.9
25-29	204.4	9.1	66.6	32.6	31.2	15.3	35.4	17.3
30-34	151.8	6.8	54.3	35.7	19.6	12.9	34.7	23.0
35-39	108.6	4.9	51.7	47.6	18.0	16.6	33.7	31.0
40-44	109.1	4.9	53.4	48.9	18.5	17.0	34.9	31.9
45-49	170.0	7.6	60.9	35.8	20.2	11.9	40.7	23.9
50-54	221.1	9.9	51.8	23.4	18.0	8.1	33.8	15.3
55-59*	277.7	12.4	28.6	10.3	12.2	7.4	16.6	5.9
60-61	71.2	3.2	0.8	11.2	0.8	11.2	-	-
EGYÜTT	2 235.0	100.0	531.4	23.4	221.1	5.9	310.2	13.5

* Women aged 55-58

Source: CSO

Their absence is due, apart from personal reasons, to diverse factors such as young or old age, distance of their place of residence from settlements offering (organised) employment, difficulties/costs of commuting, the risks implied by giving up the household economy,⁵¹ lack of child-care facilities etc. Presumably, however, the large number of inactive young men and women do not simply live as dependents, but they also work regularly or casually, if possible. Their group probably includes those older and younger members of rural households with a small farm who, as described on the basis of the findings of several surveys, work throughout the year, as dictated by the demands ever of agrarian work.⁵²

It is furthermore likely that a significant proportion of those distancing themselves for some reason from the organised economy (not trusting the redistribution policy of the state, refusing to have own pension, health, unemployment insurance, finding taxes on labour excessive) are members of this group.

Contrary to the practice in the European Union, where the experience is that mostly skilled men having a first job do undeclared work, in Hungary, the

⁵¹ As discussed already, one of the main findings of the survey carried out under the aegis of the Department of Social Labour and Social Policy of ELTE at the end of the nineties in disadvantaged labour market areas, among families with small children, the women concerned did not dare give up the household plot, animal farming, essential for the living of the family, for an uncertain (and often low-pay) job. {Ágnes Simonyi (ed.) *Tizenegy falu ötvenöt család (Eleven villages, fifty-five families)*, *Munkatudományi Tanulmányok, Közösen a jövő munkahelyeiért Alapítvány – Struktúra Munkügyi Kiadó – 2001.*}

⁵² Our previous Reports discussed separately almost every year the special employment relationships in agriculture on the basis of the most recent survey and research findings (cf. 1998: pp. 101-109; 2002: pp. 186-200).

many repair and maintenance services, gardening, household cleaning, child-care, help in small organisations, day-labour on small farms etc. are probably done by members of the inactive population.

Table 5.9.

Composition of the working-age inactive, 1992, 1998–2003

Year	Economically inactive '000	<i>Of which:</i>							
		In education**		On parental leave ***		Retiree***		Other reason	
		'000	%	'000	%	'000	%	'000	%
1992	1 677.4	652.8	38.9	240.2	14.3	383.8	22.9	400.6	23.9
1998*	2 269.3	692.4	30.5	275.1	12.1	729.0	32.1	572.8	25.3
1999*	2 179.7	675.9	31.0	268.4	12.3	679.8	31.2	555.6	25.5
2000*	2 245.0	721.5	32.1	279.2	12.4	733.0	31.7	511.3	22.8
2001	2 261.5	714.0	31.6	277.9	12.3	720.6	31.8	549.0	24.3
2002	2 298.3	735.9	32.0	280.2	12.2	739.2	32.2	543.0	23.6
2003	2 235.0	730.7	32.7	278.3	12.4	694.6	31.1	531.4	23.8
<i>of which: women</i>									
1992	955.0	320.2	33.5	237.1	24.8	151.0	15.8	246.7	25.9
1998*	1 287.4	342.7	26.6	271.5	21.1	345.3	26.8	327.9	25.5
1999*	1 240.6	336.6	27.1	264.9	21.4	313.6	25.3	325.5	26.2
2000*	1 275.6	363.5	28.5	275.1	21.6	340.1	26.6	296.9	23.3
2001	1 284.2	362.5	28.2	273.7	21.3	331.8	25.9	316.2	24.6
2002	1 321.1	366.6	27.7	275.3	20.8	360.1	27.3	319.1	24.2
2003	1 277.6	362.8	28.4	274.0	21.4	330.6	25.9	310.2	24.3

* Corrected weights based on the extrapolation of the population count of 2001

** Stock at the beginning of the school-year

*** Not including the employed and the unemployed

Note: Working-age: 1992: men 15-59, women: 15-54; 1998-1999: men 15-60, women 15-56; 2000-2001: men 15-61, women 15-57; 2002-2003: men 15-61, women 15-58

Source: LFSs

All in all, more than three-third of the inactive have a good reason to stay away from the labour market. One wonders, however, whether – apart from education – it is an advantage to the operation of the economy to keep away from the labour market an annual one million men and women approximately permanently or temporarily, in most cases on conditions acting against participation in the organised economy. According to the national action plan of employment being prepared at MEL, social provisions are rather extensive (some 70% of inactive persons not in education and of the unemployed receive a public income of some sort, more than 40% pension or pension-type allowance; 16% child-care allowance and 11% unemployment benefits, income supplement or regular social aid), but the amount of the subsidies concerned is very low. Pensions and child-care provisions do not prohibit working (under strictly limited conditions); but for provisions allocated due to lack of employment, the prohibition is an absolute one. At the same time, employers find labour very expensive indeed.

This situation demands a thorough re-evaluation. The process itself – namely, the stagnation of the number of the inactive at a high level – can only be

reversed if national employment policy focuses on the real demand of the economy, and provides the necessary conditions.

A great segment of the population of the inactive would like to re-enter the organised economy.

Students apart, an annual more than a hundred thousand (1988-99: 110, 2000: 104, 2001: 105, 2002: 116, 2003: 98 thousand) are passive unemployed, deterred from job-search deemed hopeless, although they would have preferred to work.

5.3 **Employment aspirations of the inactive**

The majority of the 2.2 million persons registered as economically inactive in 2003 used to work in the organised economy.

They lost their earning occupation for different reasons:

Table 5.10.

Reasons of inactivity

Reasons of inactivity	no.			%		
	men	women	all	men	women	all
Used to have a job, but	494 121	751 736	1.245 857	51.6	58.8	55.7
lost it	118 301	134 042	252 343	12.4	10.5	11.3
resigned	23 324	37 412	60 736	2.4	2.9	2.7
was retired	318 508	286 620	605 128	33.3	22.4	27.1
went on parental leave	3 604	242 927	246 531	0.4	19.0	11.0
did military service	1 792		1 792	0.2		0.1
fell ill	19 131	22 837	41 968	2.0	1.8	1.9
Other reason	9 461	27 898	37 359	1.0	2.2	1.7
Had had no job before	463 234	525 851	989 085	48.4	41.2	44.3
Working-age economically inactive, total	957 355	1,277 567	2,234 942	100.0	100.0	100.0

Source: LFSs

Passive unemployed included, the population of persons aspiring at returning to the (organised) labour market is estimated at half a million approximately.

Table 5.11.

Inactive persons* awaiting employment, 2000-2003

thousand

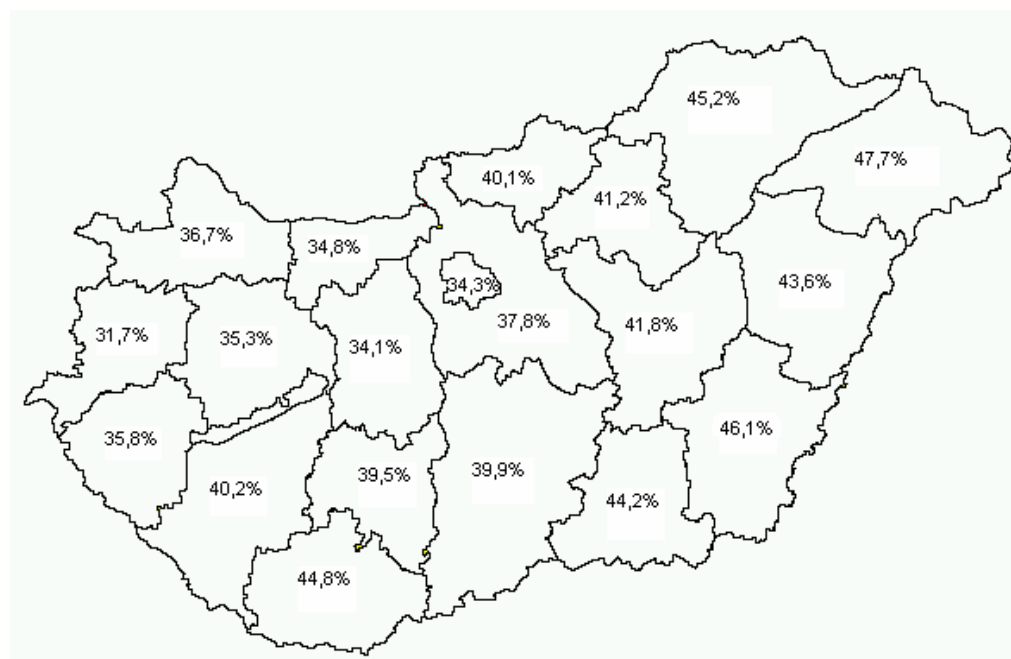
Would like to work, but ...	2000	2001	2002	2003	Of which, in 2003	
					men	women
is discouraged from active job search (passive unemployed)	106.9	105.8	117.6	99.9	58.3	41.6
did not look for a job	444.8	279.7	311.7	288.7	123.7	165.0
did not look for a job actively/was not available	8.7	10.3	9.5	11.7	5.2	6.5
Total:	560.4	395.8	438.8	400.3	187.2	213.1
% rate to the working-age inactive	20.8	17.6	15.9	17.9	19.6	16.7

* Ages 15–74

Source: LFSs

The unemployed – i.e., active job-seekers – included, this is a population of around 800 thousand. It is our common interest to help them get an independent earning occupation, employment implying legal and social protection.

Figure 17.

Rate of the economically inactive to the population aged 15-64, by county, 2003**National ratio: 39.4%****Source:** LFS, CSO

II. OTHER FEATURES OF THE HUNGARIAN LABOUR MARKET

6. REGIONAL DISCREPANCIES *

The reduction of the regional discrepancies of the labour market is one of the ten employment policy guidelines specified by the Commission of the European Union for the member states. The recommendations of the Commission include, among others, that “the member states must implement measures based on a comprehensive approach in order to narrow the differences in regional employment and unemployment. They must support the increase of the local job-creating potential, including assistance to the social economy, and stimulate the co-operation of all relevant actors.” The first version put up for debate of the Employment Action Plan prepared by the Hungarian government states that “Subsidies for the purpose of regional levelling, active regional development and employment policy measures, are not enough in themselves to reduce the regional discrepancies of the labour market. Results of merit can only be achieved by deploying an extensive arsenal of employment and other branch policies, with the attraction of European Union funds through the operational programmes of the National Development Plan as of 2004, and the establishment of the co-ordination of national and local action”.

6.1 Regional differences in employment and unemployment

6.1.1 Differences by planning-statistical region

The Central Statistical Office of Hungary publishes the regional time-series of the labour force survey at the level of the seven planning-statistical regions⁵³. As indicated by the data in Table 6.1., at this level, the differences in the employment rates have stagnated, and those in the unemployment rates decreased slightly in recent years. From 2002 to 2003, the employment rate went up by almost 2 per cent in the Northern Great Plain and Central Hungarian regions, and dropped at around the same rate in the Western Hungarian region. At present, the unemployment rates of the Western Transdanubian and Central Hungarian regions are below 4%, while in the Northern Hungarian, Northern Great Plain and Southern Transdanubian regions they are in the range of 8–9%. The unemployment rate decreased by more than 2 percentage points, while in the Western Transdanubian region, the corresponding rate grew, albeit slightly. Despite these developments, the ratio of the highest and lowest unemployment rates remained unchanged from 2002 to 2003, while the corresponding ratio of employment rates fell from 1.3 to 1.2.

Formázott: Behúzás: Bal: 0,6 cm, Függő: 1,01 cm, Többszintű + Szint: 2 + Számozás stílusa: 1, 2, 3, ... + Kezdő sorszám: 1 + Igazítás: Bal oldalt + Igazítás: 0,5 cm + Tabulátorhely: 1,51 cm + Behúzás: 1,51 cm

* Author of this chapter: Károly Fazekas, HAS, Institute of Economics, Research Centre

⁵³ There are currently seven statistical-planning regions (NUTS-2 level), 19 counties and the capital, Budapest (NUTS-3 level), 168 statistical micro-regions (NUTS-4 level) and 3,200 settlements and municipalities in Hungary. The average size of micro-regions is 553.7 km², the average population (end-2002) 60 371 persons, and the average density of inhabitants is 109 person/km². Time-series on micro-regions were drawn up on the basis of the old classification system including 150 micro-regions.

The differences in employment and unemployment rates by planning-statistical regions are not big in international comparison. The problem is that, in Hungary, regional-level analyses do not provide a realistic picture of the state of the *local labour markets*, as the national labour market is segmented into a relatively small, closed, local labour markets, corresponding in size to micro-regions. The decisive majority of regional disparities occurs *within* the large regions, at the county/small region/settlement level.

Table 6.1.

Regional differences in the employment and unemployment rates of the planning statistical regions, 1999–2003

Regions	1999	2000	2001	2002	2003	Change from 2002 to 2003
	%					% point
<i>Employment rate</i>						
Central Hungary	65.6	66.0	66.8	66.9	67.5	0.6
Central Transdanubia	65.0	65.8	66.1	65.9	67.7	1.8
Western Transdanubia	69.5	69.4	68.8	69.5	67.3	-2.2
Southern Transdanubia	58.8	59.7	58.5	57.3	59.0	1.7
Northern Hungary	54.1	55.1	55.5	55.6	56.1	0.5
Northern Great Plain	53.7	54.2	54.8	54.1	56.0	1.9
Southern Great Plain	64.3	61.7	62.0	60.1	58.7	-1.4
TOTAL:	61.5	62.0	62.3	61.9	62.3	0.4
Minimum	53.7	54.2	54.8	54.1	56.0	1.9
Maximum	69.5	69.4	68.8	69.5	67.7	-1.8
Maximum/minimum	1.3	1.3	1.3	1.3	1.2	-0.1
<i>Unemployment rate</i>						
Central Hungary	5.2	5.2	4.3	4.1	3.9	-0.2
Central Transdanubia	6.0	4.8	4.3	5.2	4.5	-0.7
Western Transdanubia	4.4	4.2	4.2	4.1	4.4	0.3
Southern Transdanubia	8.3	7.8	7.8	8.0	8.0	0.0
Northern Hungary	11.5	10.1	8.5	9.0	8.6	-0.4
Northern Great Plain	10.1	9.2	7.8	8.0	6.0	-2.0
Southern Great Plain	5.7	5.1	5.4	6.4	6.6	0.2
TOTAL:	7.0	6.4	5.7	6.0	5.9	-0.1
Minimum	4.4	4.2	4.2	4.1	3.9	-0.2
Maximum	11.5	10.1	8.5	9.0	8.6	-0.4
Maximum/minimum	2.6	2.4	2.0	2.2	2.2	0.0

Note: Men: ages 15–59, women: ages 15–54, to make the time series comparable. Table based on re-weighted demographic data based on the population census of 2001.

Source: CSO, LFS

Table 6.2.

***Development of the distribution of the employed by broad sector and region,
1st half 2002 – 1st half 2004***

Törölt: 1

Period	Agriculture	Industry	Services	Total	Agriculture	Industry	Services
	'000 persons				Total = 100 %		
Central Hungary							
1 st half 2002	24.5	314.3	842.2	1 180.90	2.1	26.6	71.3
1 st half 2004	18.6	308.9	895.6	1 223.00	1.5	25.3	73.2
Change	-5.9	-5.4	53.4	42.1	-0.6	-1.4	1.9
Central Transdanubia							
1 st half 2002	27.1	203.2	224.2	454.5	6.0	44.7	49.3
1 st half 2004	23.1	195.3	235.9	454.3	5.1	43.0	51.9
Change	-4.0	-7.9	11.7	-0.2	-0.9	-1.7	2.6
Western Transdanubia							
1 st half 2002	24.7	183.7	226.9	435.2	5.7	42.2	52.1
1 st half 2004	21.5	174.5	230.7	426.6	5.0	40.9	54.1
Change	-3.2	-9.2	3.8	-8.6	-0.6	-1.3	1.9
Southern Transdanubia							
1 st half 2002	35.0	115.1	194.3	344.3	10.2	33.4	56.4
1 st half 2004	30.1	110.7	208.7	349.4	8.6	31.7	59.7
Change	-4.9	-4.4	14.4	5.1	-1.6	-1.7	3.3
Northern Hungary							
1 st half 2002	17.8	172.2	240.4	430.3	4.1	40.0	55.9
1 st half 2004	17.7	159.9	251.3	428.9	4.1	37.3	58.6
Change	-0.1	-12.3	10.9	-1.4	0.0	-2.7	2.7
Northern Great Plain							
1 st half 2002	38.5	169.5	304.8	512.8	7.5	33.1	59.4
1 st half 2004	40.4	174.6	308.8	523.8	7.7	33.3	59.0
Change	1.9	5.1	4.0	11.0	0.2	0.3	-0.5
Southern Great Plain							
1 st half 2002	72.9	161.1	262	495.9	14.7	32.5	52.8
1 st half 2004	55.9	154.8	276.3	487	11.5	31.8	56.7
Change	-17.0	-6.3	14.3	-8.9	-3.2	-0.7	3.9
National economy, total							
1 st half 2002	240.2	1 319.00	2 294.60	3 853.80	6.2	34.2	59.5
1 st half 2004	207.1	1 278.60	2 407.20	3 892.80	5.3	32.8	61.8
Change	-33.1	-40.4	112.6	39.0	-0.9	-1.4	2.3

Source: CSO, LFS

As shown by Table 6.2., economic restructuring in favour of the growing weight of the services and the decrease of that of agriculture and industry continued over the past period in the majority of the regions, with the exception of the Northern Great Plain region. From 2nd half 2002 to 2nd half 2003, the rate of services employees went up by more than 112 thousand, corresponding to more than 2 percentage points, in the country. The relevant data suggest that growth was fastest in the Southern Great Plain and the Southern Transdanubian regions at 3.9 and 3.3%.

6.1.2 Differences by county, micro-region and settlement

Reliable data on the chronological development of regional differences in unemployment at the level of the counties and micro-regions are available exclusively from the register of the unemployed kept by the National Employment Office. Table 6.3. shows the development of the rates of the registered unemployed by county from 1992 to 2003. As can be seen, since 1993, instead of decreasing, regional gaps increased significantly while the average unemployment rate declined. From 1993 to 2003, the minimum rate fell from 6.6% to 2.4%, and the maximum rate hardly changed, dropping from 21.3% to 19.6%. The ratio of the highest and lowest rates decreased somewhat in the first transition years, to increase from three to eight-fold in the second period, from 1993 to 2002. According to the data of the latest period, the growth of regional gaps at county and micro-region level came to halt, so much so that data for the last quarter indicate a narrowing of the differences Table 6.4. shows the development of county unemployment rates by quarter. As can be seen, the ratio of minimum and maximum rates has kept decreasing steadily in the past quarters.

Table 6.3.

Development of the registered unemployment rate by county, 1992-2003

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Budapest	4.6	6.6	5.9	5.7	5.7	4.8	4.0	3.7	3.0	2.6	2.3	2.4
Baranya	11.2	13.2	11.7	11.8	12.2	13.3	11.8	11.6	11.6	11.1	11.1	11.9
Bács-Kiskun	13.4	16.0	13.1	11.0	10.9	10.7	9.7	10.0	10.0	9.3	8.8	9.4
Békés	13.3	16.3	15.1	14.0	14.0	13.5	13	13.0	13.1	11.9	10.9	11.5
Borsod-A.-Z.	16.7	20.2	17.5	16.7	18.0	19.0	17.9	19.5	20.3	19.0	18.7	19.6
Csongrád	9.8	11.7	10.8	9.9	9.3	9.2	8.1	8.5	8.6	8.3	8.1	8.5
Fejér	10.1	12.5	11.3	10.6	10.4	9.4	8.4	8.3	7.2	6.4	6.4	7.1
Győr-M.-S.	6.9	8.2	7.7	6.8	7.4	6.5	5.1	4.8	4.6	4.1	4.1	4.1
Hajdú-Bihar	11.5	16.6	15.3	14.2	15.6	15.0	14.0	15.6	14.7	13.6	12.5	13.1
Heves	12.7	15.2	13.9	12.5	13.6	12.1	11.7	12.3	12.0	10.6	10.0	10.0
Jász-N.-Sz.	14.4	17.1	15.8	14.6	14.8	14.8	13.5	13.7	13.4	11.5	10.2	10.7
Komárom E.	11.5	14.4	12.6	11.3	12.0	11.3	9.8	10.1	8.3	7.0	6.7	6.0
Nógrád	16.8	21.3	17.2	16.3	17.0	16.3	15.6	16.2	14.9	14.3	13.8	14.6
Pest	8.1	11.0	8.1	7.6	7.8	7.3	6.3	6.0	5.2	4.4	3.9	3.7
Somogy	9.2	11.6	10.9	11.2	12.5	12.7	11.3	12.2	11.9	11.6	11.6	12.2
Szabolcs-Sz.-B.	18.9	20.6	19.3	19.3	19.7	18.9	17.2	18.7	19.5	17.8	16.4	17.7
Tolna	12.1	14.7	13.4	12.2	13.4	13.5	12.3	12.9	11.8	11.0	10.0	10.7
Vas	7.3	9.1	8.3	7.2	7.2	6.7	5.6	5.6	5.2	4.9	4.6	5.0
Veszprém	9.9	11.9	10.9	10.0	9.9	9.2	7.9	8.2	7.2	6.9	6.7	7.0
Zala	7.7	10.3	9.8	9.2	9.8	9.3	8.1	7.7	7.2	6.5	6.3	7.0
TOTAL	10.3	12.9	11.3	10.6	11.0	10.5	9.5	9.7	9.3	8.5	8.1	8.3
Minimum	4.6	6.6	5.9	5.7	5.7	4.8	4.0	3.7	3.0	2.6	2.3	2.4
Maximum	18.9	21.3	19.3	19.3	19.7	19.0	17.9	19.5	20.3	19.0	18.7	19.6
Max/Min	4.1	3.2	3.3	3.4	3.5	4.0	4.5	5.3	6.8	7.3	8.1	8.2

Note: Rates for 1990–2000 calculated on the basis of data measured on 01.01. of the given year, those for 2001–2003 based on the annual average number of the employed.

Source: National Employment Office, Unemployment Register

Table 6.4.

***Development of the rate of the registered unemployed by county, by quarter
(QIV 2002 – QI–IV 2003)***

Budapest, counties	2002	2003			
	QIV	QI.	QII	QIII	QIV
	%				
Budapest	2.2	2.4	2.4	2.4	2.4
Baranya	11.2	12.5	11.6	11.6	11.9
Bács-Kiskun	8.5	9.7	9.1	9.3	9.4
Békés	10.1	13.0	11.5	10.9	10.8
Borsod-A.-Z.	18.5	20.8	19.6	19.2	18.8
Csongrád	7.9	8.8	8.4	8.3	8.5
Fejér	6.4	7.6	7.2	7.0	6.6
Győr-M.-S.	3.8	4.6	3.9	3.9	4.0
Hajdú-Bihar	12.1	14.4	13.0	12.5	12.4
Heves	9.7	10.9	10.0	9.4	9.6
Jász-N.-Sz.	9.7	11.9	10.3	10.1	10.5
Komárom-E.	6.1	6.7	5.9	5.6	5.6
Nógrád	13.2	15.5	14.4	14.0	14.5
Pest	3.6	3.7	3.7	3.6	3.5
Somogy	11.3	13.4	12.0	11.2	12.3
Szabolcs-Sz.-B.	16.1	18.9	17.5	17.1	17.4
Tolna	9.3	11.2	10.5	10.5	10.6
Vas	4.5	5.5	4.7	4.8	4.9
Veszprém	6.7	7.7	6.4	6.6	7.1
Zala	6.4	7.7	6.7	6.7	6.8
TOTAL	7.8	8.9	8.2	8.0	8.1
Maximum/minimum	8.4	8.7	8.2	8.0	7.8

Source: NEO, Unemployment Register

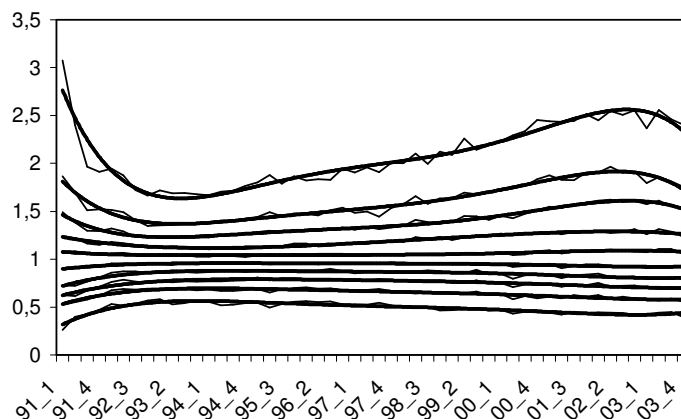
A more precise picture is obtained of the development tendencies of the differences between the local labour markets by investigating the latter at the level of the settlements or that of the small regions, closer in size and geographical location to the local labour markets. According to the effective classification – as indicated – the average size of the 168 micro-regions is 553.7 km², the average number of their population was 60,371 at the end of 2002, and the average density was 109 persons/km². Figure 18. shows the chronological development of the relative differences of the registered unemployment rates. The curves denote the ratio of the average unemployment rates of micro-regions assigned to deciles by the unemployment rates of the small regions to the median values cleared of the effects due to the change in the size of the average rate. (The time series referring to the micro-regions were prepared on the basis of the old classification system including 150 micro-regions.)

As can be seen, the differences in the unemployment rates have been increasing steadily through the past year, but this growth was due to the ever more difficult relative position of regions characterised by high unemployment (upper two deciles), and not the improving one of those in

a relatively favourable situation, characterised by lower unemployment rates. The figure also indicates that, in 2003, small regional differences in unemployment rates started to decrease due to the improvement of the relative position of small regions characterised by high unemployment rates. The rank order of the small regions in terms of unemployment rates is stable. Regions in a relatively more favourable position after the change of regime are still among the winners, and the crisis zones of that time are mostly still among the most deprived. This is indicative of stable reasons, hardly changing in the short run, underlying the regional differences in unemployment.

Figure 18.

**Relative differences in unemployment rates by small region,
1991–2003**



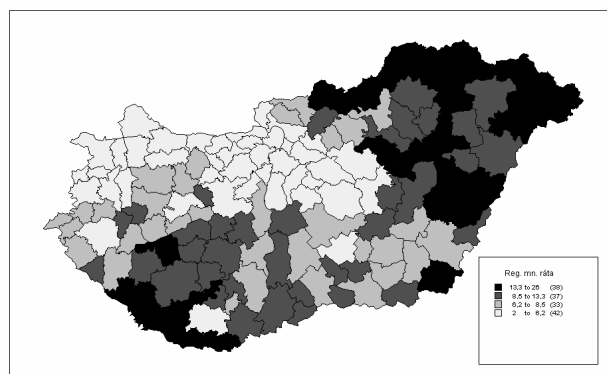
Note: Calculated from the registered unemployment rates smoothed by fourth-degree polynomial functions for the 3rd, 6th and 12th month, respectively.

Source: NEO, Unemployment Register

Figure 19. shows a marked polarisation in the geographical distribution of regions characterised by high and low unemployment rates, respectively. Micro-regions with the lowest unemployment rates are typically located in the central Hungarian and the central and western Transdanubian regions. Those with the highest rates are typically in the eastern and southern periphery of the country.

Figure 19.

Registered unemployment rates by small region, December 2003



Source: NEO, Unemployment Register

Regional differences are significant not only in terms of unemployment rates, but also of the composition of the unemployed. Table 6.5. shows that, in small regions with a high unemployment rate, the composition of the unemployed is more unfavourable than the average: the proportion of beneficiaries of social aid, of the long-term unemployed and of those having low educational qualification is higher than the respective averages.

Table 6.5.

Composition of the registered unemployed by quartiles based on the unemployment rates of the small regions, December 2003

%

Small regions	Regular social aid	Unemployment benefits	Registered unemployed for more than 12 months	8-year primary school or less
Bottom quartile	13.4	52.2	13.4	32.5
2	20.9	40.2	17.8	37.2
3	32.4	30.0	25.4	44.7
Top quartile	49.5	20.7	30.4	53.4
TOTAL	31.7	33.5	23.1	43.5

Note: Quartiles of the 150 small regions generated on the basis of the registered unemployment rates in December 2003

Source: NEO, Unemployment Register

Formázott: Behúzás: Bal: 0,6 cm, Függő: 1,01 cm, Többszintű + Szint: 2 + Számozás stílusa: 1, 2, 3, ... + Kezdő sorszám: 1 + Igazítás: Bal oldalt + Igazítás: 0,5 cm + Tabulátorhely: 1,51 cm + Behúzás: 1,51 cm

6.2 Regional differences in wages and earnings

In a market economy, regional differences in employment/unemployment rates are concurrent with wage/wage cost differences associated with them and the operation of market mechanisms to level these. In identical jobs, wages/wage costs are lower in areas with a high unemployment rate and higher in those with a lower one. On the supply side of the labour market, regional differences can be moderated in the first place by commuting/resettlement from regions characterised by high unemployment/low wages to those with lower unemployment/higher wages. On the demand side, the same requires job creation/job relocation in/to regions with high unemployment/low wages.

Table 6.6.

Regional differences in gross monthly earnings by planning region *

Regions	1989	1992	1995	1998	1999	2002	2003
Central Hungary	108.3	121	116.9	124.5	125.1	126.7	125.4
Central Transdanubia	100.5	98.7	95.8	98.4	95.8	94.0	94.2
Western Transdanubia	93.4	93.4	90.6	93.1	92.3	90.8	89.5
Southern Transdanubia	96.9	88.6	88.0	87.5	86.6	83.8	86.3
Northern Hungary	96.8	92.2	89.6	87.0	87.5	86.9	86.8
Northern Great Plain	89.4	87.1	86.4	83.9	84.8	83.3	84.9
Southern Great Plain	90.9	89.2	83.7	84.3	84.3	82.8	83.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Max	108.3	121	116.9	124.5	125.1	126.7	125.4
Min	89.4	87.1	83.7	83.9	84.3	82.8	83.6
Max/min	1.2	1.4	1.4	1.5	1.5	1.5	1.5

* Data referring to public sector employees and companies in the following size categories: 1992–94: 20+ staff; 1995–98: 10+ staff; 1999–2000: 5+ staff. Full-time employees, May earnings.

Source: NEO, Wage Tariff Survey

Regional wage differences exert a significant effect which either ease or preserve regional differences, as wage gains to be realised by moving and labour cost savings by the selection of the appropriate business site are among the most important factors influencing the inter-regional movement of capital and labour. Regional wage and earning data published regularly on the basis of the *Wage Tariff Survey* of the National Employment Office, referring to regions/counties indicate significant regional discrepancies that have been stagnating in recent years.

Table 6.7.

Development of monthly gross average earnings in the capital and the counties

%

County	1994	1996	1998	2000	2001	2002	2003
Budapest	126.8	127.8	131.0	134.4	135.4	134.0	133.2
Baranya	91.1	92.3	91.3	84.4	86.4	85.1	87.1
Bács-Kiskun	84.6	85.0	82.6	78.8	80.5	83.0	83.3
Békés	86.3	84.9	82.7	77.0	76.9	79.6	79.8
Borsod-Abaúj-Zemplén	90.6	87.1	88.3	86.5	86.1	87.1	87.7
Csongrád	92.8	90.0	87.6	88.4	87.2	85.3	87.2
Fejér	104.1	105.2	106.0	104.9	104.5	101.7	101.4
Győr-Moson-Sopron	97.3	99.4	98.9	96.7	99.8	99.0	94.8
Hajdú-Bihar	89.8	89.3	84.9	82.9	84.3	83.4	86.8
Heves	92.7	91.7	89.6	92.4	89.6	90.3	88.0
Komárom-Esztergom	94.5	96.9	95.9	93.4	95.1	92.7	92.5
Nógrád	81.5	80.4	77.6	74.6	77.4	80.4	81.5
Pest	91.0	96.6	97.6	96.6	100.3	99.7	96.0
Somogy	83.6	86.4	82.0	76.1	77.6	77.0	82.3
Szabolcs-Sz.-B.	86.1	82.8	81.0	79.0	77.2	81.2	82.6
Jász-Nagykun-Szolnok	85.8	87.8	85.6	83.2	84.3	85.6	84.9
Tolna	94.7	92.8	88.7	86.9	87.4	90.9	90.3
Vas	85.5	87.5	87.6	91.9	89.3	86.2	85.8
Veszprém	93.0	91.5	91.4	88.4	88.0	85.0	86.6
Zala	90.7	90.9	89.1	86.6	86.1	82.7	84.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Minimum	81.5	80.4	77.6	74.6	76.9	77.0	79.8
Maximum	126.8	127.8	131	134.4	135.4	134.0	133.2
Minimum/maximum	1.6	1.6	1.7	1.8	1.8	1.7	1.7
St. difference	9.7	10.2	11.6	13.2	13.3	12.5	11.5

Source: NEO, Wage Tariff Survey

7. EARNINGS AND LABOUR INCOMES, 2003*

Earnings statistics cover a sub-segment of the employed, i.e. full-time employees of business organisations with at least 5 staff and of public institutions and non-profit organisations. Although the approximately 160 thousand persons working in the same circle on non-full-time basis are also subject to monitoring, data publications cover exclusively full-time workers. As for the earnings features of enterprises with 1–4 staff, to date, data are available every 3-4 years only under the special “September survey of earnings categories”. According to that, the earnings average of enterprises of a smaller size is below that typical of the national economy as a whole, partly owing to widespread employment at minimum wages in this circle. The earnings dynamics of small business enterprises hence correlates closely with changes in the minimum wages, raised in 2002 by another 25% (from HUF40 thousand to HUF50 thousand), following a 57% increase in 2001.

In 2003, the gross annual earnings of the approximately 2.6 million full-time employees of business organisations with at least 5 staff, public institutions and of the designated non-profit organisations rose by 12%, to HUF137,200. As central measures played an outstanding role in the development of earnings dynamic this year, too, growth in the public and the business sector differed substantially. In the first one, gross earnings increased by 17.5% (2002: 13.3%) on average.

The growth rate of business sector earnings nevertheless still exceeded significantly that of the CPI, an important earnings-shaping factor in this sector, in the previous year, but the gap narrowed relative to 2002. (In 2002, this focus had already been the 9.2% consumer price index of 2001, having dropped lower than expected at 5.3% in 2002. In comparison, the 4.7% produced in 2003 implied a slight positive shift.)

The most important factor explaining the development of gross earnings in 2003 was the roll-over effect of the increase in the earnings of public employees in QIII 2002, affecting almost 500 thousand employees, and resulting, in the first eight months of the year, in an index of 25% in the public sector. The minimum wages remained unchanged (HUF50 000) in 2003, and hence gross earnings at entities with a small staff – and hence not subject to statistical monitoring – probably increased hardly or not at all. For, in this circle, the development of earnings, at least its “visible” segment, is influenced decisively by the minimum wages ever. This is illustrated by the fact that in 2002, almost half of employees of organisations with 5–9 staff earned HUF50 thousand (equivalent to the minimum wages in effect in 2002), at least according to the official earnings statistics, but those in the 3rd quartile were also characterised by a hardly higher earnings average. The earnings-shaping effect of the minimum wages is probably even more marked at the smallest organisations with 1-4 staff, and a far-from-negligible proportion of sole proprietors also post minimum wages for their personal contribution. (In Hungary, today, there are at least 1 million persons paying pension and health care contribution only on the minimum wages, representing a

* Author of this chapter: **Judit Lakatos, CSO**

financial risk in case of illness/confinement, and projects the need for social support to great masses of pensioners with low pension.)

Table 7.1.

Development of gross, net and real earnings, 1989-2003

Year	Gross	Net	Gross	Net	CPI	Real-earnings (%)
	earnings		earnings index			
	(HUF/cap/month)		previous year = 100%			
1989	10 571	8 165	117.9	116.9	117.0	99.9
1990	13 466	10 108	128.6	121.6	128.9	94.3
1991	17 934	12 948	130.0	125.5	135.0	93.0
1992	22 294	15 628	125.1	121.3	123.0	98.6
1993	27 173	18 397	121.9	117.7	122.5	96.1
1994	33 939	23 424	124.9	127.3	118.8	107.2
1995	38 900	25 891	116.8	112.6	128.2	87.8
1996	46 837	30 544	120.4	117.4	123.6	95.0
1997	57 270	38 145	122.3	124.1	118.3	104.9
1998	67 764	45 162	118.3	118.4	114.3	103.6
1999	77 187	50 076	116.1	112.7	110.0	102.5
2000	87 645	55 785	113.5	111.4	109.8	101.5
2001	103 553	64 913	118.0	116.2	109.2	106.4
2002	122 482	77 221	118.3	119.6	105.3	113.6
2003	137 187	88 751	112.0	114.3	104.7	109.2

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The phase shift between what are two distinct segments of the economy from the point of view of earnings factors, the public and the business sector, increased substantially under the effect of intensive central intervention in the last two years, in favour of the first, and hence public sector employees earned a gross HUF34 thousand more on average than the employees of entities with 5 or more staff in the business sector, and, within that, the backlog of non-manual employees in the public sector moderated but still prevails. A comparison of the two sectors along these dimensions, however, is superficial of necessity, as in terms of employment structure, nature of jobs, labour safety etc. there are more differences than identical features between them.

Table 7.2.

Gross earnings of business and public sector employees, by basic staff categories, 2000-2003

Year	Business sector				Public sector			
	manual	non-manual	aggregate		manual	non-manual	aggregate	
	HUF/cap/month			previous year = 100.0	HUF/cap/month			previous year = 100.0
2000	63 342	142 350	88 425	114.2	54 968	99 997	86 210	112.3
2001	73 727	164 215	102 839	116.3	67 515	122 388	105 944	122.4
2002	84 152	182 667	116 555	113.3	88 589	157 016	136 891	129.2
2003	89 845	201 094	127 023	108.9	100 214	185 899	160 843	117.5

As for the employment effect of wage development in the public sector (with special regard to public employees), it is worth noting that many vacancies were filled, and, for example, in a context of decreasing student numbers and teacher training at the original quantity level, candidates for elementary/secondary-school teachers' jobs actually face keen competition.

Table 7.3.

Monthly gross average earnings of full-time employed, 2003

Economic sector/branch	Manual occupations		Non-manual occupations		Total	
	HUF/month	year earlier =100.0	HUF/month	year earlier =100.0	HUF/month	year earlier =100.0
Agriculture, forestry, fishing	75 754	105.0	135 845	108.6	89 273	106.0
Mining	125 498	107.3	240 556	108.9	149 076	107.6
Manufacture	96 120	107.0	225 610	111.0	124 076	109.0
<i>Of which:</i>						
Foodstuffs, beverages, tobacco	86 564	105.9	220 863	108.6	116 669	107.2
Textiles, textile prod., leather, footwear	64 421	104.2	134 183	105.2	72 603	104.9
Wood, paper, printing	86 643	105.8	169 481	107.8	110 320	107.0
Chemical industry	125 567	108.0	290 998	112.2	179 828	110.8
Other non-metallic mineral products	105 709	104.7	216 733	106.0	129 005	105.2
Basic and fabricated metals	98 029	106.0	197 199	113.2	117 472	108.6
Engineering	108 644	106.8	248 585	113.1	137 634	108.9
Manufacture n.e.c.	69 996	101.6	139 338	104.0	80 931	102.2
Electricity, gas, steam, water supply	134 698	110.4	239 186	111.9	174 165	112.0
Industry	98 823	107.3	227 492	111.1	128 243	109.3
Construction	74 637	106.5	153 841	111.0	93 810	108.8
Trade, repair	74 850	107.3	172 952	109.3	115 551	108.6
Accommodation, catering	67 350	105.6	148 598	114.0	87 475	107.8
Transport, storage, post, telecom.	103 238	109.1	199 041	109.5	142 546	109.1
Finance	127 135	119.5	276 108	113.2	273 784	113.7
Real estate, business support	76 597	104.5	198 365	109.4	145 085	108.4
Public admin., defence, mand. social sec.	112 642	107.4	223 466	108.1	180 037	107.7
Education	85 120	122.5	175 516	126.3	162 380	126.2
Health and social care	88 561	119.4	146 862	127.3	129 956	126.0
<i>Of which:</i>						
human health care activities	92 729	119.4	156 373	127.4	139 750	126.3
social work activities	82 169	119.8	124 604	128.2	109 783	126.3
Other communal/personal services	86 673	117.7	175 451	116.4	129 235	116.0
National economy, total	91 396	107.8	193 274	113.8	137 187	112.0
<i>Of which:</i>						
Business sector, total	89 845	106.7	201 094	110.1	127 023	108.9
Public sector, total	100 214	113.1	185 899	118.4	160 843	117.5

Central measures in recent years have influenced the rank order of earnings by branch, too, but no basic shift occurred. With respect to the gross earnings average, finance is at the top with nearly HUF273 800, having registered 13.7% wage growth in 2003, well in excess the business sector average. Public administration, defence and mandatory social security, on the other hand, now ranks second, not in the last as a result of the increase of earnings in several steps in the armed forces concentrating

manual jobs. Gross earnings were lowest in accommodation and catering, in agriculture, forestry and in construction, that is, branches where the marked presence of small-size entities offers more elbow-room for non-legal wage bargains. Areas characterised by the preponderance of the public sector, on the other hand (such as social care), were no longer among the worst payers in 2003.

The difference between gross earnings in manual and non-manual occupations was 2.2 in the business sector and much lower, 1.9, in the public one. Given the predominance of female employees in the public sector, characterised by a higher earnings dynamic, the gender gap in earnings narrowed over the past 2–3 years. According to the Individual Earnings Survey of MEL, in 2003, May earnings, considered typical of the year, showed a 12% advantage in favour of men.

Educational attainment is the most important single earnings factor. In 2003, the difference in the earnings of those with the highest (university) and the lowest (8-year primary school or less) education was 4.2 in the business and 3.0 in the public sector, i.e. 3.6 on average, i.e. 0.1 percentage point higher than in the previous year (see Table 7.4.).

The central budget influences the relationship between gross and net earnings through the tax and contribution system. As of September 2002, tax relief due to employees was modified: minimum wages were exempted from tax (while, as a result of the minimum wage increase implemented in 2002, a much higher proportion of employees earn that amount than before). Consequently, by August 2003, net earnings grew 3–5 percentage points faster on monthly average than the gross earnings index. Hence, on annual average, this produced, against a 12% gross earnings index, net earnings growth by 14.3% and real earnings growth by 9.2%. As a result, the average net monthly earnings rose in 2003 to approximately HUF89 thousand.

Owing to the difference in the Hungarian and international interpretation of the term “earnings”, in recent years, the category of “labour income” (consisting to a decisive extent, 96%, of gross earnings, and of emoluments due to workers in relation to work, such as reimbursement of meal/clothing/travel expenses) has been included as well. In 2003, the monthly labour income, i.e., earnings in the international interpretation, was HUF142 800, i.e. EUR563. (See Table 7.4)

Table 7.4

Gross average earnings of full-time employed* by educational achievement, 2003

HUF/month

Education	Men	Women	All	
	HUF/cap/month			previous year =100.0
Business sector				
Max. 8-year primary school	88 867	76 773	83 225	109.3
Vocational + spec. voc. school	98 532	77 348	93 163	108.5
Voc. secondary school	135 554	118 536	127 070	112.0
General secondary school	132 364	117 819	122 859	107.8
Technical school	156 340	136 757	151 105	105.2
College	282 597	208 770	250 974	113.3
University	371 267	304 918	349 883	109.1
Total	136 869	115 959	128 693	110.7
Public sector				
Max. 8-year primary school	96 333	84 537	86 980	130.4
Vocational + spec. voc. school	103 846	98 716	100 900	132.1
Voc. secondary school	127 248	120 017	121 237	123.7
General secondary school	130 003	119 730	121 387	119.9
Technical school	140 014	145 436	143 236	110.9
College	211 262	178 486	184 898	130.7
University	278 350	242 618	259 760	126.5
Total	178 481	142 965	152 096	126.9
National economy, total				
Max. 8-year primary school	89 788	79 732	84 224	114.0
Vocational + spec. voc. school	98 878	81 971	94 004	110.7
Voc. secondary school	134 612	119 111	125 463	114.8
General secondary school	131 879	118 615	122 333	111.4
Technical school	155 418	138 438	150 338	105.4
College	257 258	186 014	210 216	122.8
University	330 464	264 984	302 553	115.5
Total	143 050	127 836	135 536	115.6

* Gross average earnings including gross amount of earnings components in May and 1/12th of rewards, bonuses, not paid with monthly regularity of the previous year, 13th month's wages etc.

Source: National Employment Office

METHODOLOGY

Main sources and reference dates

The main source of international data is OECD's *Employment Outlook 2003*, and *Employment in Europe, 2003*, reviewing the Labour Force Survey data of European Union Member States and the accession candidate countries within a uniform structure.

OECD data usually refer to the year 2002, those of the EU are – traditionally – the results of the Labour Force Survey carried out in 2nd quarter 2002. (Hungarian data included in these two databases of course refer to the same date as those of other countries .)

The most important data describing Hungarian developments are *annual averages* calculated on the basis of CSO's quarterly Labour Force Surveys. Owing to the difference in reference dates, Hungarian data published in international comparisons may differ somewhat from those quoted by us.

Unemployment data originate from the LFS and also from the annual averages released by the National Employment Office on the unemployed registered according to the relevant Hungarian regulations.

The analysis of the situation of the employed, the unemployed and the inactive, respectively, special mention is made of differences resulting from the deviation of the Hungarian regulations from the corresponding international definitions (as in the case of "working-age", "criteria for registering as unemployed" etc.). One of the main data sources relying on the Hungarian regulations is CSO' Labour Account of the Hungarian Economy.

Conceptual framework

The most important terms are explained in detail upon their first occurrence in the main text.

In what follows, we shall provide the definitions of the main, generally used, terms.

CSO'S CONCEPTUAL SYSTEM

Concepts of the Labour Force Survey

The Central Statistical Office has examined the economic activity of persons aged 15–74 in the context of Labour Force Surveys (LFS) adhering to the uniform principles and methods of the OECD countries since 1992.

The conceptual system proposed by the ILO for the survey carried out on a representative sample of private households is identical in the OECD countries.

Accordingly:

The population subject to study is assigned, on the basis of their activity in a specific period (in the three weeks following the first Monday after the 7th day of the month, with reference to the week preceding the survey week, from Monday to Saturday), into the following two main groups:

- economically active (the available labour supply) and
- the economically inactive (the inactive).

The category of the economically active (available labour supply) includes all persons having appeared on the labour market as employed or unemployed in the week of the survey.

Employed : an employed person is someone having performed at least one hour of income-generating activity during the survey week, or having had a job from which he/she was temporarily absent (due to sickness, leave etc.) at that time.

An income-generating activity is one

- producing a financial income, or
- providing an in-kind allowance or
- performed in the interest of other income to be realised at a later date,
- performed in the capacity of helping family member in order to enhance the income of the economy/enterprise belonging to the household.

← --- **Formázott:** Behúzás: Bal: 0,95 cm, Függő: 0,95 cm, Felsorolás + Szint: 1 + Igazítás: 1,63 cm + Tabulátorhely: 2,27 cm + Behúzás: 2,27 cm, Tabulátorok: Nincs 2,27 cm

← --- **Formázott:** Behúzás: Bal: 0,95 cm, Függő: 0,95 cm, Felsorolás + Szint: 1 + Igazítás: 1,63 cm + Tabulátorhely: 2,27 cm + Behúzás: 2,27 cm, Tabulátorok: Nincs 2,27 cm

From the point of view of the survey, the following do not qualify as income-generating activity: voluntary assistance free of charge provided to another household/institution (social work, so-called team ("kaláka") work), construction, renovation, repair of own flat/house, work performed in the framework of vocational work experience related to studies (not even if it is remunerated), and work in the household/around the house, gardening included. Work on the household plot qualifies as income-generating only if its outcome is typically meant for the market instead of own consumption.

Persons receiving child-care fee (GYED), or child-care aid (GYES) are classified, according to the ILO recommendation formulated for the transition economies in November 1995 in Prague, as of 01.01.1998, on the basis of their *activity* performed on the reference week, contrarily to the previous Hungarian practice.

On the basis of the Eurostat recommendations applicable to the Labour Force Survey, *conscripts as part of the institutional population are not assigned to the scope of the survey*. Until QIII 2002, in accordance with the conceptual system of the national accounts (ESA95), the LFS data for the employed were corrected with the staff data of conscripts originating from administrative sources. From *QIV 2002 on*, the LFS does not include the number of conscripts and as of 2003 data for the previous periods shall also be modified accordingly.

An **unemployed** person is someone meeting the following criteria simultaneously:

- he/she did not work on the given week (and had no work from which he/she was temporarily absent);
- is engaged in active job-search in the four weeks preceding the survey;
- is available, that is, could take up work within two weeks if an appropriate job was found.

A special group of the unemployed consists of persons not in work on the reference week, but having found work already, to be taken up within 90 (until 2002: 30) days. The simultaneous fulfilment of the above triple criteria is not applicable to them.

The following qualify as active job-search: job queries addressed to public or private vacancy exchange agencies, direct contact with employers, monitoring/posting of adverts, queries addressed to relatives/acquaintances, tests, examinations, interviews, administration to start one's own enterprise.

Economically active: persons present on the labour market, that is, the employed and the unemployed.

Economically inactive: persons not in work in the reference week, or having had no regular, income-generating work and not engaged in job-search either, or engaged in job-search but not ready to take up work, including, among others, the passive unemployed, willing to work, but discouraged from active job search by the prospects which they deem unfavourable.

The following main indicators are used to describe the extent of unemployment and economic activity:

- **employment rate:** rate of the employed to the population of the corresponding age group;
- **unemployment rate:** rate of the unemployed to the economically active population of the corresponding age group;
- **activity rate:** rate of the economically active to the population of the corresponding age group.

The Labour Account

The Labour Account, surveying the economic activity of the population, adheres to the relevant national regulations.

This overview, reflecting the situation on 01.01. of the year (that is, summing up the developments of the previous year) differs from the Labour Force Survey in several respects:

- instead of questions addressed to the population, it is based on reports by organisations/institutions subject to mandatory data supply obligation;
- it investigates the economic activity of the working-age population as defined by Hungarian legislation, considering as active employed persons past retirement age, too;
- it considers as employed active (working-age) earners and working pensioners.

Active earner: person pursuing an earning activity, earning a salary/income, employed (at the ideal date of 31.12.) as *main job holder* by a partnership or sole proprietorship, public or social security organisation or non-profit organisation, including employed retirees (as of 01.01.1999, contrary to the previous practice, the number of the economically active population beyond working age includes, collectively, active earners beyond working age and employed pensioners). Regular soldiers subject to employment relationship also qualify as active earners, as well as working members of collective partnerships, sole proprietors and their assisting family

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members, assisting family members in agriculture and casual and day workers. An assisting family member is a person contributing to the business activity of a self-employed person on a regular basis, not for pay, without engaging in an employment-type legal relationship and without operating license.

Registered unemployed: those among the job-seekers registered by the National Employment Office who are not engaged in employment, are not pensioners, students, beneficiaries of employment promotion subsidy (e.g. re-training, public benefit work), looking for work, a job or an self-employment and is ready to accept a job if one presents itself.

The economically inactive population: persons outside the economically active population, including

- persons on any form of child-care support (based on data of recipients recorded by the National Health Insurance Fund);
- pensioners/benefit recipients pursuing no earning activity (based on data of the National Pension Disbursement Directorate);
- persons living on capital income (real estate or principal);
- persons under 15;
- students past 15 (institutional data collection);
- household dependents;
- public dependents;
- persons under social care.

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Earnings

Gross earnings: aggregate amount of basic wages including personal income tax, health insurance and pension contribution and employee contribution and components of earnings paid under other titles (wage supplement, supplementary salary, bonus, reward, 13th and further month's payments).

Net earnings: indicator based on gross average earnings after deduction of employee contribution, personal income tax, health insurance and pension contribution calculated on the basis of the contribution thresholds established for the given year.

Business organisation

Registered business organisation: unit existing in the legal sense, according to the administrative registrations, and possessing a tax identification number at the time of the survey, including units subject to bankruptcy/liquidation/final settlement procedure at that date.

Active business organisation: enterprise having filed tax returns in the given year or in the previous year (corporation tax, VAT etc.), having met its statistical data provision obligation or established in the given/previous year.

The following shall not be regarded as active:

- * enterprise liquidated but not registered as such due to administrative reasons, due to omission of the reporting obligation;
- * enterprise subject to liquidation for several years, pursuing no business activity, having suspended/not started yet its activity;
- * unit performing entrepreneurial activity occasionally only;
- * unit figuring in the pre-registration records under the "one-window" registration system until the passing of the registration decision

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APEH, the Inland Revenue Office, regards as **active** a business organisation with a tax number, not subject to liquidation/bankruptcy/final settlement procedure, and not having announced the termination of its activity.

Registered budgetary (public), social insurance, non-profit and ESOP organisations and from 1998 on registered organisations of housing co-operatives, building communities and condominiums also qualify as active.

Sole proprietorships include, in addition to those subject to the Act on Sole Proprietorships, private individuals pursuing business activity and having a tax identification number of their own (e.g., freelance intellectuals).

The number of **business partnerships** includes both incorporated and unincorporated business partnerships.

The number of **other business partnerships** includes other incorporated and unincorporated partnerships, respectively.

Staff category is a classification system designed by CSO, taking into consideration the relevant international recommendations, and regularly used for data collections and in publications. The staff number of business organisations covers persons **employed** under an employment relationship, as suppliers or under a member's relationship involving personal participation (for an indefinite period or based on agreement, in excess of 3 months). (Accordingly, owners of partnerships and entrepreneurs on other enterprises are indicated in organisational statistics as zero staff.)

CONCEPTUAL SYSTEM OF THE NATIONAL EMPLOYMENT OFFICE (NEO)

The reference date of data in NEO publications originating from administrative sources is, for the registered unemployed and the unemployed as well as for beneficiaries of social-type allowances, the end of the given month (the so-called closing stock). As for the announced labour demand, the number of vacancies available for exchange in the given month (that is, closing stock of the previous month and new announcements in the given month) is indicated. In case of active employment programmes, the number indicates participation for at least for one day in a subsidised measure in the given month.

The so-called flow-type data (entries and exits) indicate the cumulated amounts of movement between the first and last day of the reference period.

Annual averages indicated in tables showing time-series are the arithmetic mean of monthly data over 12 months.

Changes over the corresponding reported vacancy data of the previous year imply distortion due to the filtering out, as of January 2003, of multiple reporting of the same vacancy at several labour offices.

Registered unemployed: persons registered at the public job exchange office, not engaged in employment, not in education, receiving no pension, or employment promotion subsidy, looking for work of self-employment and available for work.

Registered school-leaver: registered unemployed youth, under the age of 25 – for persons with tertiary qualification, under 30 –, having acquired no eligibility to unemployment benefits after having finished their studies.

Unemployment rate: % rate of the registered unemployed on the closing day to the economically active population on 01.01. of the previous year.

Beneficiaries of unemployment benefits: those among the registered unemployed, who had met their contribution payment obligations prior to becoming unemployed, and hence became eligible, in accordance with the provisions of the Employment Act, to the disbursement of unemployment benefits.

Beneficiaries of intensive job-search allowance: registered unemployed persons having exhausted the period of eligibility to unemployment benefits, granted for at least 180 days, and having concluded a job-search agreement with the labour office.

Beneficiaries of pre-pension unemployment benefits: those among the registered unemployed, whose eligibility to unemployment benefits had expired, and are within 5 years from retirement age, and meet all other requirements specified under the Employment Act.

Beneficiaries of regular social aid: those among the registered unemployed whose eligibility to unemployment benefits had expired and for whom the local self-government established regular social aid in accordance with Act III of 1993.

Beneficiaries of active employment policy measures: persons benefiting from an employment promotion subsidy of some sort under the Employment Act. Registered unemployed are cancelled from the stock of the registered unemployed for the period of the subsidy.

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