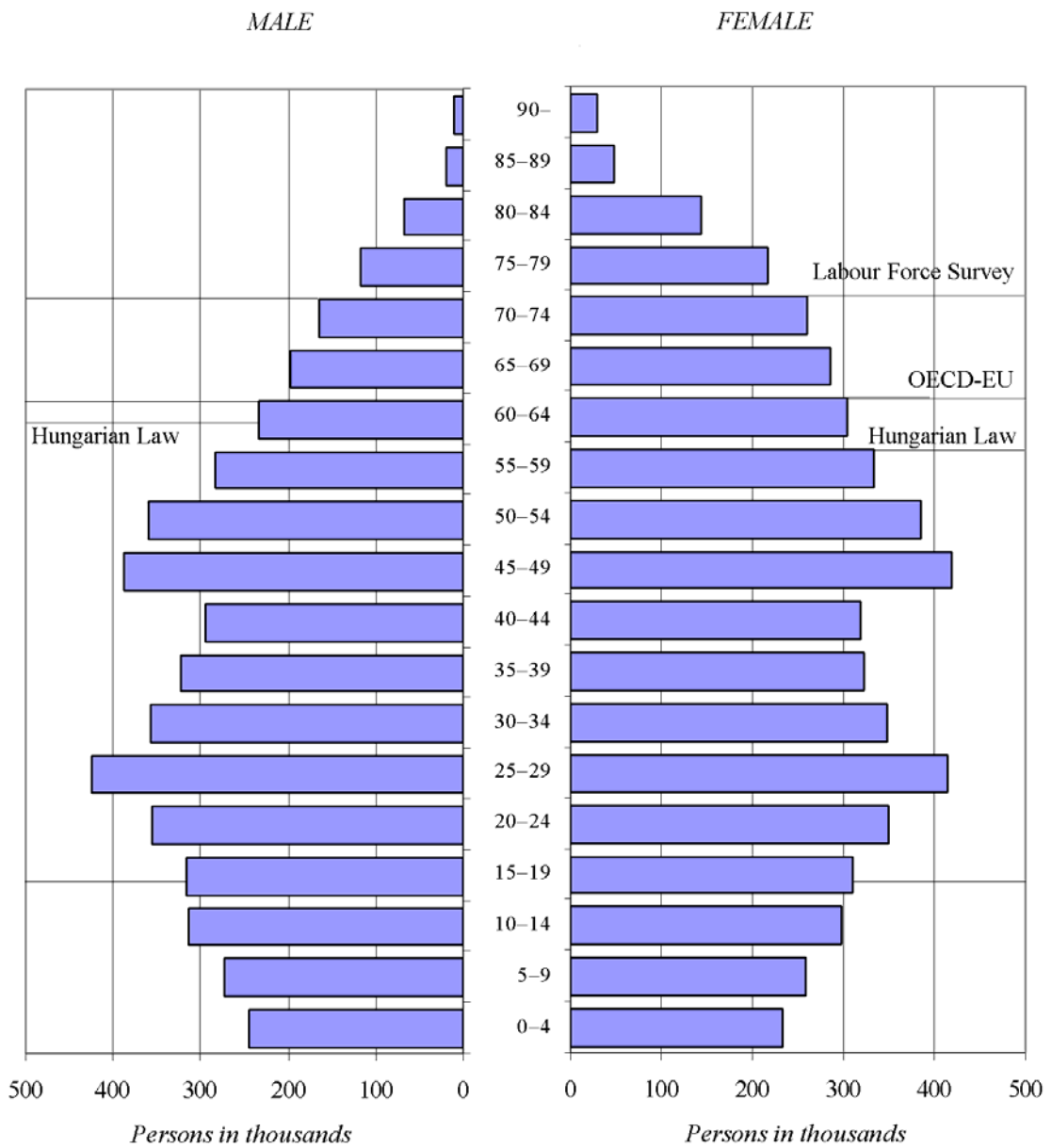


NATIONAL EMPLOYMENT OFFICE
 NATIONAL EMPLOYMENT FOUNDATION

**THE HUNGARIAN LABOUR MARKET
 2005**



**B u d a p e s t
 2005**

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INTRODUCTION

Ms Teréz Laky launched the series of annual status reports on the Hungarian labour market, the trends in labour demand and supply, on employment and unemployment, in 1993, and had been its author–editor until her death in August 2005.

As the bulk of this year’s material (the statistical tables and Chapters 1–3 and 7) had been ready by that time, her colleagues, the co-authors of the present volume, have decided to finalise the manuscript and to publish this year’s volume, albeit with a delay, in honour of Ms Teréz Laky’s professional career, fully aware that many readers await the data and analyses published in it, necessary for their work, most eagerly.

We have adhered to the usual structure and used the statistics ready by the time of Ms Laky’s death so as to match her text and retain continuity with the previous and, hopefully, prospective, volumes of the series.

The present report on the situation of the Hungarian labour market in 2004 is based on the relevant EU, OECD and ILO documents and international statistics and on the findings of research groups commissioned by the same. Moreover, in order to assess the domestic situation, we have used analyses prepared at government level and at various levels of the public administration system and in research workshops, as well as the results of the labour force surveys based on standardised principles and methodology and hence allowing comparisons between the OECD/EU countries. The evaluations published by the competent departments of the Ministry of Employment Policy and Labour and of the National Employment Office, and lessons learnt from the experience of the county labour centres, an essential input, were of outstanding importance for the discussion of our topic. Note, however, that the conclusion or statement drawn from the above sources reflect exclusively the personal opinions of the authors.

The preparation and publication of the Report on 2004 was assisted by the application-based support of the National Employment Foundation.

Budapest, November 2005.

KEY POINTS

Economic activity of the population

- The number of economically active Hungarian adults (ages 15–74) dropped by 13 thousand in 2004, as a result of the decline by 21 thousand in the number of the employed and the increase by 8 thousand in that of the unemployed.
- Within the population aged 15–64, i.e. the active-age population as defined in international statistics, 6.8 million, 60.5%, (2003: 60.6%) were present in the labour market as employed (57%) or as active job-seekers (4%). The number of the working-age population as defined in Hungary rose by 50 thousand, due to the increase in the retirement age of women from 58 to 59 years. Among them, the rate of the economically active was 58.4% (2003: 59.2%).
- As elsewhere, the activity rate is highest in Hungary among those aged 25–54, the most active being men aged 30–39 (with a rate in excess of 90%), while for women activity is highest in the age group of 40–49 (with a rate of 75–80%). At the same time, 48% only of those aged 20–24 and 55–59 is present in the labour market, and for the age group of 60–64, the corresponding rate is as low as 14%.
- In international comparison, Hungarian economic activity still ranks last among the Member States of the European Union. The backlog is due primarily to the low labour market participation of the youth and of older persons, but the economic activity rate of men aged 25–54 is also below the average.

Employment

- The number of the employed dropped slightly, by 21 thousand (9 thousand men and 12 thousand women), in 2004. The employment rate of the population aged 15–64 fell to 56.8%, lowering Hungary's ranking among the EU–25 Member States even further: in 2004, the employment rates of Poland and Malta alone were lower, all the more so as the EU average has actually improved in the past two years.
- The share of male and female earners has been unchanged at 54 and 46%, respectively.
- Employment decline and job losses hit those aged 40–49 harder than the rest. The employment rate of the youth (ages 15–24) has declined as well, due partly to the extension of the period spent in streamline education and partly to the more severe placement difficulties of school-leavers. At the same time, employment rates increased in the age groups of 25–29, 35–39 and especially 50 and above. The stable improvement of the employment situation of the last group is obviously due, among others, to the gradual elevation of retirement age, but also to the appreciation of

experienced workers in the eyes of employers who are increasingly reluctant to part with them exclusively because of their age. On the other hand, the experience is that, when it comes to hiring *new labour*, young persons with up-to-date education *and* some work experience are given preference.

➤ The number of the employed includes the 60 thousand previously unemployed persons placed in jobs subsidised from Labour Market Fund generated by the contributions of employers and employees.

➤ Although the main labour market indicators have changed but slightly in recent years (within the sampling error limit of the labour force surveys), the labour market experienced major movements, restructuring by broad sectors, branches and occupations. In 2004, the number of agricultural employees dropped by another 10 thousand. Manufacturing lost 32 thousand jobs, most of them in the manufacture of textiles, textile products, leather articles, footwear and in food processing. The number of construction workers increased again, by 9 thousand. In the services branches, in 2004, trade and transport registered losses (by 7 thousand each), while all other branches posted net gains. Consequently, the modification of the relative proportions of the broad economic sectors has continued: the employment share of agriculture and industry (5.3 and 32.8%, respectively) declined further and hence that of the tertiary sector attained 61.9% (exclusive of “other communal and personal services”).

➤ The development of the distribution of the employed by occupational clusters mirrors the changing qualification demands of the economy. Firstly, the number of non-manual workers rose by 33 thousand, while that of manual workers fell by 54 thousand, resulting in a distribution of 42% : 58%. Changes in the demand for various skills are quite obvious in the area of manual occupations, too: the number of workers in both agriculture and industry has kept declining, while that of those employed in the tertiary sector increased.

➤ The size distribution of business entities has remained unchanged: more than 96% are micro and small enterprises with a maximum of 9 staff.

Unemployment

➤ The number of the unemployed, on the rise since 2002, continued to increase in 2004, at an accelerating pace during the year. The annual average number of the unemployed was 253 thousand, corresponding to an unemployment rate of 6.1%. In 2004, the unemployment rate of women reached that of men.

➤ The proportion of the long-term (12+ months) unemployed among the unemployed rose to 40%, the majority (54%) having been out of work for two years or more. The average spell of job-search increased, from 15.8 to 16.6 months.

➤ 54% of the unemployed lost their job due to dismissal, while some 2% due to the termination/bankruptcy of their own enterprise. It is indicative of the changing labour market situation that, in the past three years, the proportion of the dismissed and of the school-leaver unemployed increased. Given the more severe circumstances, the

number of voluntary terminations fell a little, and less consider it feasible to find a job while in education, on child-care aid/fee or on pension.

- 5% of the unemployed having had a job used to work in agriculture, 41% in industry and 54% in the services. Most industrial jobs were lost in construction, in the manufacture of machinery/equipment and of textiles and in the food industry. In the services sector, trade, public administration, hotels and catering and real estate are topmost in the list.
- The distribution of the unemployed by educational attainment has changed but slowly with the passing of the years and the replacement of one generation of the unemployed by another, in favour of those with higher qualifications. A comparison with the levels of education of the employed suggests a significant mismatch between labour demand and supply: 14% of the employed and around one third of the unemployed finished 8-year primary school or less. 54,3% of the employed and 33.2% of the unemployed have at least higher secondary school qualification. The number of the degree-holder employed increased by 77 thousand since 2000 and that of unemployed degree-holders by 9 thousand (6 thousand having been added last).
- In 2004, the number of the registered unemployed was 376 thousand on annual average, up by 19 thousand (5.2%) over the previous year. As in 2003, the number of women grew faster: 13 thousand of the 19 thousand were women and hence their rate among the unemployed rose to 48.6% (2003: 47.4%).
- The placement chances of school-leavers continued to deteriorate in 2004. Over the past three years, the number of school-leavers rose from 26.8 thousand to 33.8 thousand, fastest for those with primary school qualification, whose number went up from 8 thousand to 12 thousand, and degree holders, whose number rose from 2 to 4 thousand.
- 66% of the registered unemployed received cash benefits: 110 thousand among them unemployment benefits of HUF37 107 on monthly average. Special job-seekers' allowance, a form introduced in 2003, was granted in 2004 to 14 271 unemployed, at a monthly HUF19 720. After the exhaustion of eligibility for unemployment benefits, unemployed persons of active age may be granted regular social aid and those close to retirement age pre-pension aid. The number of social aid recipients has been rising constantly: in 2004, a total of as many as 120 thousand were granted aid at a monthly HUF16 240. The number of pre-pension aid recipients was around 6000, and the monthly amount of the aid was HUF18 560.
- 34% of the unemployed, some 130 thousand persons, including 34 thousand school-leavers, received no allowance of any kind, but have nevertheless had themselves registered in the hope of easier access to reported vacancies or participation in one of the newly launched active labour market policies giving access to training improving their employment chances or to a subsidised job. These possibilities, that is, support available under the active measures, were used by a total of 217.5 thousand unemployed in 2004.

The economically inactive

- Within the population aged 15–64, the rate of the economically inactive has remained essentially unchanged in 2004 at 40%.
- Women make up 58% of the 2 298 thousand inactive calculated according to the Hungarian definition of working age.
- The absence of some 1.8 million is justified by socially acknowledged/supported reasons: 42% are regular, day-time, students; 15% are on child-care leave; 41% are pensioners, mostly disability pensioners. Some 2% receive unemployment benefits or allowance, but do not look for a job actively themselves. The personal reasons for the absence of nearly 390 thousand are unknown.
- From among the inactive, irrespective of the reason of inactivity, 373 thousand would prefer to have a regular job, although they do not look for one. Hence, job-seekers included, some 626 thousand await a placement opportunity.

Regional disparities

- Regional differences in employment and unemployment are not excessive in international comparison, but they do become significant if measured at the level of small regions or settlements. In terms of registered unemployment, the gaps have widened in recent years, the reason, however, being the aggravating situation of regions characterised by high unemployment, and not improvement in areas occupying a relatively more favourable position.
- In 2004, however, regional discrepancies have moderated. The ratio of the highest and lowest unemployment rates by region fell from 2.4 to 2.2 and by county from 3.3 to 2.9 relative to the previous year.

Earnings

- Gross earnings grew at a more modest pace than in previous years in 2004, at 9.3% in the business sector and a mere 0.7% in the public one, due partly to the transformation of the remuneration system. The consumer price index exceeded the corresponding values in the previous two years, and hence real earnings fell slightly, for the first time since 1997.
- In the wake of the central earnings measures of the past years, the average of public sector earnings exceeds significantly that in the business sector – the gap narrowed in 2004.
- In 2004, monthly gross earnings were highest in the branches of financial intermediation/business support, in the chemical industry and in the supply of electricity, gas, steam and water (at HUF320 200, 196 000 and 192 500, respectively),

while the manufacture of textiles, textile products and leather recorded the lowest average values (HUF77 740).

- In 2004, women earned HUF15 thousand less on average than men, the gender gap being due, mainly, to the different earnings characteristics of the typical male/female occupations, and the lower chances of women becoming managers.
- In 2004, the gross average earnings of persons with primary education was hardly more than one fourth of those of degree holders.

I. LABOUR MARKET, 2004

1. DECISIVE DEVELOPMENT FACTORS

1.1 The tasks of Hungarian employment policy in the year of accession to the European Union *

2004 was the year of accession to the European Union for Hungarian employment policy and, generally, for Hungary. After long years of integration preparations, following the signing of the Accession Treaty on 16 April 2003, the country had somewhat more than a year to study and master the most basic “tricks” of operation in the capacity of member state. In the period of active observer status granted to the accession candidate countries, Hungary participated in the work of EU decision-making institutions operating at diverse levels in the capacity of consultant, preparing thereby for the tasks associated with full membership as of 1 May 2004.

In the area of employment policy, the date of accession has brought about no radical change in terms of the instruments, methods and “style” of operation associated with full member status. Smooth transition was mainly due to the established practice of EU legislation. Although, according to the Treaty, the Council must adopt the employment package including the employment guidelines, the recommendations for the Member States and the Joint Employment Report with qualified majority, in practice, the tradition of consensus-based decision-making prevails. Given this culture of seeking/adopting compromise-based solutions/text versions, both the old Member States and the EU institutions had been willing to take into account the standpoints of the accession candidate countries – if expressed and presented adequately – already at the time of their participation in active observer status. The main change has actually been the revelation that Community policy is malleable – at least to some extent.

Formally, as a first approach, this “extent” is approximated by the number of council votes due to each Member State¹ – although this in itself is not sufficient for a Member State to have a draft accepted or refused. And, as indicated already, in practice, Community decisions are based on consensus and voting is seldom used. The elbow room for policy-shaping is biggest in the earlier phases of EU decision-making, that is, in the period of expert negotiations. The chances for asserting a typical modification proposal are highest when the prospective Community reception and prospects of the draft under preparation are not well-known yet. In order to bring a national proposition to success, however, potential responses to the draft must be mapped as extensively as possible, then the amendable elements of the proposition must be modified accordingly, and then the other Member States must be persuaded to embrace those elements that would be sustained.

* The author of this chapter is Dr Katalin Nagy

¹ Hungary has 12 of the 321 votes.

The governments of the Member States have an opportunity to influence Community policy at the Council and the workgroups preparing its work.² In employment policy, this means

- the Councils of Employment, Social Policy, Consumer Protection, Equal Opportunities and Health Care, having four sessions a year usually, with the participation of the competent ministers, and
- the Employment Committee, holding monthly sessions with the participation of leading officials, and the Workgroup on Social Issues having weekly discussions³.

The decision pertaining to the Employment Package including, in addition to the employment guidelines and recommendations, the Joint Employment Report of the Council and the Commission, was taken at the first session of the Employment Council following enlargement, in June 2004. The employment guidelines and recommendations adopted for Hungary for the first year after accession, with the contribution of the country, identified the decisive tasks to be realised to ensure integration in the employment policy of the Community.

In contrast with Hungary's participation in Community decision-making, in the area of Community employment policy tasks, the date of accession implied substantial changes. For, under Para (3) of Article 128 of the Treaty on the Establishment of the European Community, Member States must prepare annual reports – so-called National Employment Action Plans – on their employment policy measures based on the employment guidelines for the Council and the European Commission. As of 1 May 2004, this applies to Hungary as well. Hence the country has become a full participant and contributor of the implementation of European Employment Strategy (EES), and the mechanism based on the open method of co-ordination operated for that purpose⁴. In accordance with the co-ordination cycle, the first National Employment Action Plan (NAP) was presented by the Hungarian government in 2004. The present review focuses on the circumstances of relevance for this key development in Hungarian employment policy, the National Employment Action Plan, its details and reception by the Union.

² COREPER, the Council of Permanent Representatives meeting at weekly sessions is situated in between the political-level Council and the expert-level workgroups. It approves drafts discussed already by the workgroups at ambassador level or presents them as disputed issue to the Council session.

³ This workgroup treats almost every area of the wide-ranging employment and social issues, from labour law though equal opportunities to occupational safety, including, as part of these, the employment guidelines as well.

⁴ The open method of co-ordination essentially means that the Member States and the Community define common employment policy guidelines, to be taken into account by the Member States in the course of the development of their own national employment policies. Furthermore, the Council specifies so-called country-specific recommendations, too, for each Member State. On the basis of the guidelines and the recommendations, the Member States draw up their annual employment action plans, to be submitted to the Council and the European Commission. Under the Action Plan, each Member State must provide a survey of its economic and labour market situation, and describe measures taken to achieve the joint objectives. The Council, together with the Commission, assesses, on the basis of the jointly defined indicators, the implementation of the national employment policies of the Member States and the guidelines and recommendations applicable for the following year are then defined on the basis of this evaluation.

The context of the National Employment Action Plan (NAP)

The National Action Plan is based, decisively, on the following antecedents and documents relating to the European Employment Strategy (EES):

- I. Structure and general requirements of the new, reformed, European Employment Strategy approved in 2003.
- II. Tasks specified under the Joint Assessment of the Employment Policy Priorities of Hungary and its two Progress Reports worked out jointly by Commission and the Hungarian Government.
- III. The general recommendations and the recommendations addressed specifically to Hungary of the European Employment Taskforce headed by Wim Kok published at the end of 2003.

- I. The main reason for the reform of the European Employment Strategy in 2003 was the need to adjust to the Lisbon Strategy and to the imminent enlargement of the Union. The first resulted in a new structure of the main objectives and the second in the simplification of the system of procedures.

Under the new EES, transformed in line with the Lisbon Strategy, Member States must target their respective employment policies at the implementation of three general objectives and ten priorities or, in other words, specific guidelines.

The employment guidelines in effect as of 2003 aim at the achievement of the following three overarching objectives:

1. full employment,
2. quality and productivity at work,
3. social cohesion and inclusion.

The general objectives are equally important and should be pursued in a balanced manner, involving all relevant actors.

1. The achievement of *full employment* presumes a comprehensive employment policy approach incorporating demand and supply side measures (Member States shall pursue employment policies ensuring to realise the Lisbon employment objectives according to the Lisbon schedule):

- an overall employment rate of 67% in 2005 and 70% in 2010,
- an employment rate for women of 57% in 2005 and 60% in 2010,
- an employment rate of 50% for older workers in 2010.

2. *Improved quality at work* is closely interlinked with the move towards a competitive and knowledge-based economy, and should be pursued through the concerted

effort of all concerned. Quality at work is a multi-dimensional concept addressing both job/workplace characteristics and the wider labour market, as well as intrinsic quality at work, skills, lifelong learning and career development, gender equality, health and safety at work, flexibility and security and, inclusion and access to the labour market, work organisation and work-life balance, social dialogue and worker involvement, diversity and non-discrimination, and overall work performance. Quality at work can help increase labour productivity the synergies between both should be fully exploited.

3. Employment is a key means of *social cohesion and inclusion*. In synergy with the open method of co-ordination in the field of social inclusion, employment policies should facilitate participation in employment through promoting access to quality employment for women and men who are capable of working. Economic and social cohesion should be promoted by reducing regional employment and unemployment disparities.

The guidelines in effect as of 2003 demand that Member States take into account 10 specific guidelines or priorities for action. The number of the latter was reduced from 22 in 2002 to 10, which, however, match the Lisbon objectives better. The ten priorities serving the achievement of the three overarching objectives are the “ten commandments” of employment policy:

1. active and preventative measures for promoting the employment of the unemployed and the inactive designed to prevent inflow into long-term unemployment;
2. fostering entrepreneurship by creating a favourable business environment required for creating enterprises;
3. promotion of the adaptability of workers and firms;
4. enhancement of investments into human resources;
5. increase labour supply and promote active ageing;
6. gender equality in access to work and in pay;
7. elimination of discrimination against groups in a disadvantage;
8. make work pay through financial incentives;
9. repression of undeclared employment;
10. enhancement of professional and geographic mobility.

II. The Joint Assessment of the Employment Policy Priorities of Hungary (JAP) and its two progress reports prepared by the European Commission and the Hungarian government analyse the economic and labour market situation of the country and define the following medium-term objectives for Hungarian employment policy:

- 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 ones⁵:

- 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 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.

III. The recommendations of the European Employment Taskforce headed by Wim Kok published at the end of 2003 and addressed, specifically, to Hungary⁶ deemed the following necessary in the context of low employment, high inactivity and labour market disparities:

- Fostering the adaptability of workers and firms.
- To ensure that employment be an accessible option for all.
- Investment in human resources.

Fostering adaptability requires the cutting of high public burdens on labour wages, the enhancement of the employment-friendly nature of wage processes to reduce the hindrances to job creation and to drive back undeclared employment.

In order to ensure that employment be accessible for all, in addition to the improvement of the state of health of employees, giving serious cause for concern, the conditions of work must be improved as well. Parallel with that, the conditions of work shall be made more flexible and family-friendly, including the boosting of part-time employment, first of all among women and older workers. The labour market integration of the unemployed and the inactive demands preventive and active employment policy measures, requiring, in turn, a modern public employment service stimulating occupational and geographic mobility.

⁵ For more detail, see Hungarian Labour Market, 2004, pp. 1-9.

⁶ For more detail on the Wim Kok recommendations, see Hungarian Labour Market, 2004, pp. 1-9.

In the context of investment in human resources, in addition to the primary task of drawing up the strategy of life-long learning, the most important targets are the improvement of the efficiency of streamline education and the extension of access to the various forms of higher level training.

The Hungarian National Employment Action Plan for 2004⁷

Under Point (3) of Article 128 of the Treaty of Amsterdam establishing the European Community, each Member States shall submit to the Council and the European Commission an annual report, an action plan to use the Community terminology, on the principal measures taken to implement the national employment policy drawn up on the basis of the employment guidelines.

Hungary as a new Member State had to fulfil this obligation for the first time in the year of accession. The National Employment Action Plan worked out in 2004 contains the employment strategy of the government for the period of 2004–2006, its baseline analyses and the measures associated with each employment policy guideline.

In contrast with the documents on the evaluation/tasks of employment policy dating from the period of accession preparation, the Action Plan was drawn up by the Hungarian government independently, without the contribution of any Union institution. Independently, but not alone and not forsaken. The complex and mostly institutionalised system of community guidelines presented above was supplemented in Hungary by consultation processes, used in this form for the first time⁸, and mandatory or “expected” to some extent.

The Action Plan was drawn up under the co-ordination and management of the Ministry of Employment Policy and Labour, with the contribution of the relevant ministries and agencies. The draft Action Plan was discussed at extensive negotiations for conciliation with the social partners on several occasions, in line with the Community requirements. A major part of their comments was integrated in the Action Plan, with a summary thereof being annexed to it.⁹ The Action Plan was discussed by two competent Parliamentary Committees. The draft was put on the agenda of the county labour councils, and it was transmitted to numerous civil organisations with a request for written comments.

After the initial presentation of the Hungarian economic and labour market context, and the summary of Hungarian responses to the three overarching objectives of the

⁷ The full text of the National Employment Plan is accessible at the home-page of the Ministry of Employment Policy and Labour, at www.fmm.gov.hu

⁸ Preparation for the domestic conciliation processes was ensured, basically, by the consultations related to the Draft Joint Employment Report.

⁹ The draft Action Plan was commented upon at the National Interest Reconciliation Council (OÉT) by the employers’ and employees’ confederations represented there, the Branch Dialogue Committees gathering the social partners and it was discussed by OÉT and the tripartite labour councils operating at county level. The attachment of the results of the consultations with the social partners in the form of an annex to the Action Plan is a frequently used, but not compulsory solution in the case of the Member States.

EES, the Action Plan is structured according to the 10 EES guidelines. The baseline analyses and responses based on them specified by guideline is followed by a chapter discussing in detail the conditions ensuring the implementation of the Action Plan, the co-operating partners, the systems of procedures and the financial – domestic and Union – funding sources. We shall present the most important elements of the Action Plan in a similar structure, by grouping the main measures of the guidelines according to the specific recommendations expressed for Hungary.

Economic and labour-market context of NAP

After having decelerated in the first half of 2003, economic growth, the decisive factor of the entirety of economic interactions, picked up again. The annual real GDP growth forecast for 2004 is somewhat less than 4%, exceeding by far the corresponding EU average. Simultaneously, per capita productivity growth slowed down temporarily in 2003.

The well-known parameters defining the labour-market context of the Action Plan are the following: low employment (57%), concurrent with relatively low unemployment (5.9%) and high inactivity (39.8%). In comparison with the EU average, the employment rate of older workers and of women is especially low, although the backlog is smaller for the latter. At the same time, the employment rate of both groups has started to increase, basically owing to the gradual increase in retirement age. Simultaneously, the employment indicators of the youth deteriorated, due partly to the high number of persons in education and to the extension of the period of schooling. Uneven economic transformation has resulted in significant labour market discrepancies, especially at small-regional and local level. The Hungarian labour market is highly segmented: relatively advanced urbanised regions characterised by high employment rates co-exist with small regions showing low employment and high unemployment rates.

Hungarian employment policy strategy and the EES objectives

According to the government, the priority objective of employment policy is to raise the level of employment.

- The *full employment* target of 70%, set for 2010 at Union level, was defined by the Action Plan at 63% for Hungary, with sub-targets quantified by gender and age being set as well.¹⁰ In order to achieve the reduced Hungarian full employment target, the employment rate should increase by 0.8% on annual average. Special policy measures to promote employment aim at fostering job creation through the gradual trimming of labour costs, the strengthening of the employment capacity of small and medium-sized enterprises (SMEs) and support for the spread of the more flexible forms of employment. Supply-side measures include the promotion of labour market reintegration of the unemployed and efforts to improve the employability of the inactive. Let us highlight in this respect the modernisation of the Hungarian Public

¹⁰ The Action Plan sets the following targets for 2010: women:57%, men: 69%, ages 55-64: 37%.

Employment Service (PES), the improvement of the efficiency of activity-raising measures and the reform of labour market policies.

- The *improvement of quality and productivity at work* requires, among others, to reduce the high level of undeclared employment and to improve the efficiency of the education system, with special regard to the creation of a knowledge-based society. In the context of measures serving this overarching objective, the government intends to pay special attention to consultation in the framework of social dialogue.

- In order to *promote social cohesion and inclusion*, the Hungarian government intends to pay special attention in the course of the implementation of employment expansion measures to the amelioration of the situation of the Roma population, of older workers and persons with disabilities.¹¹ The labour market chances of those in need shall be improved, among others, by customised measures available at the Public Employment Service and closer contacts between the education system and the labour market.

Hungarian responses to the employment guidelines

In what follows, we shall present the actions implemented by Hungarian employment policy in response to the employment guidelines, grouped according to the specific employment policy recommendations addressed to Hungary.

Strengthening of the adaptability of workers and firms

- The plans to reduce the tax and contribution burdens on labour include a 50% cut in the social insurance contribution of employers as of 2005 in case of the employment of certain groups of employees. Moreover, in the case of the employment of some other groups, the employer will be exempted from paying the one-off health care contribution under certain conditions and, according to the plans, this item will actually be abolished after 2006. The elimination of the third personal income tax key in between the bottom and the top one as of 2005 is expected to reduce the tax burdens of workers with low earnings.
- In order to create an employment-friendly environment, the increase in minimum wages and in public sector wages will be limited, so as to keep wage growth in 2004 below the productivity growth rate. As the minimum wage growth rate and the recommendations applicable to wage growth in the competitive sector are defined at national-level tripartite wage negotiations, employment-friendly wage regulation presumes, in the longer term, the strengthening of the related social dialogues and the extension of the circle of those covered by the collective agreements.

¹¹ In the framework of Community policy to promote social inclusion based on the open method of co-ordination, similarly to employment policy, in the wake of accession, Hungary, too, had to draw up its national action plan regarding this issue, submitted to the European Commission under the title of “National action plan for social cohesion” in July 2004. This document presents every measure to be taken by the government to reduce poverty and social exclusion from 2004 to 2006. The action plan has several employment policy implications, in addition to specifying employment as the most secure way out of poverty. The two government documents were made in close co-operation. For more detail on the “National action plan for social cohesion”, see the home-page of the Ministry Youth, Family and Social Affairs at www.icsszem.hu.

To ensure that employment be an accessible option for all

- By way of preparation of the targeted reform of social provisions, the system will be reviewed under the SZOLID project. In addition, the transformation of the system of provisions for the unemployed is underway, the aims being to stimulate job search and strengthen the role of unemployment benefits in preventing withdrawal from the labour market. The measures to reduce undeclared work include the establishment of the single employment registration system, and the intensification of own interest in paying social insurance contribution.
- Reforms to establish more flexible and family-friendly forms of employment include the total exemption of employers from paying the one-off health care contribution in case of part-time employment of persons receiving child-care aid or fee and persons past 50, as well as the lifting of pension regulations acting against part-time employment, special regulations applicable to distance working and a programme implemented with ESF support to promote the labour market participation of women.
- As part of the labour market measures aiming at prevention and activation, a review of the active labour market policies is underway, and the government defined quantified targets to improve the indicators of activation and prevention. The Hungarian PES will be modernised as part of a comprehensive measure to upgrade the system of job brokerage and to enhance co-operation with the regional and local service-provider organisations in order to improve the labour market situation of the most deprived regions.
- Measures to promote occupational and geographical mobility target, in the first place, the development of the infrastructure, but include such schemes as well as the extension of the services of PES to the inactive population.
- In the framework of measures to improve the labour market prospects of the Roma population, PES launched special labour market programmes for the disadvantaged groups, including the members of the Roma population. The medium-term strategy of the government to promote the social integration of the Roma and the National Action Plan for Social Cohesion (both referring to the period of 2004–2006) are important strategic documents serving the improvement of the situation of the Roma.

Investment in human resources.

- The enhancement of the efficiency and flexibility of the education system is a priority objective. The development of the strategies of life-long learning is underway, but the implementation of the measures concerned should be speeded up. One of the objectives of the Special School Development Programme and of public education is the reduction of the rate of drop-outs. The government considers the reform of vocational training and the National Higher Education Development Strategy key means for the more adequate matching of education and the qualification demands of the labour market.

- Equal access to university education and the extension of access to training are general objectives. The relevant measures include the provision of scholarships to students at a disadvantage, tender-based support for institutions of higher education and a campaign to promote the participation in higher education of persons with disabilities.

Measures promoting the implementation of NAP

Similarly to its preparation, the implementation and monitoring of the Action Plan will be realised by inter-departmental co-operation. The most important organisations involved in implementation are the Public Employment Service and its central, county and local institutions, with social partners and civil organisations playing a major part. For more details on financial resources available for implementation from the Labour Market Fund and, to a larger extent, from the Structural Funds and the Cohesion Fund, broken down by guideline, see Annex 4 of the Action Plan.¹²

Union reception of the Hungarian National Employment Action Plan

In November 2004, the representatives of the Member States and the experts of the Commission discussed the Hungarian National Employment Action Plan, together with the corresponding documents of the other Member States, under the same procedure. The assessments unanimously declared the Action Plan a well-founded, thorough employment policy document, taking stock of the challenges in a realistic way and offering adequate responses to them. Special mention was made of its complex nature, a necessity given the targeted strategic objectives of employment promotion and the reduction of inactivity.

On the basis of the expert assessments of the national employment action plans of the Member States, the Commission draws up a so-called draft Joint Employment Report (hereinafter: JER). JER is the joint document of the European Commission and the Council, evaluating, on the one hand, the achievements of the Member States along the employment policy guidelines of the Union in a summary and comparative manner, and the individual performance of each Member State on the other. As mentioned already, JER is part of the so-called open method of co-ordination.

The section of JER treating Hungary was finalised in February 2005, in the framework of a bilateral negotiation for conciliation between the representatives of the Commission and of Hungary (MEL, ME, social partners).

JER states that, in Hungary, both the employment and the activity rate is extremely low, well below the Union average. The most serious problem of the Hungarian labour

¹² Cf.: www.fmm.gov.hu

market is high inactivity, hitting the members of the older generations, the low-skilled, and groups at a disadvantage more forcefully than the rest.

Despite the unfavourable labour market situation, JER pronounced a positive opinion on the totality of the employment policy measures of the Hungarian government, on the basis of the National Employment Action Plan, in comparison with the other Member States.

In many areas, the implementation of the proposed measures is underway or at least the drawing up/preparation of the reforms has begun. The most important among them are the following:

- to reduce the tax and contribution burdens on labour,
- to limit wage increase, in line with productivity growth,
- to prepare the reform of the social provision system,
- to review the unemployment provision system in the framework of the comprehensive amendment of the Employment Act,
- to modernise the Public Employment Service,
- to work out the strategy of life-long learning.

According to JER, limited progress has been made or further urgent measures are necessary in the following areas:

- promotion of the occupational and geographical mobility of labour,
- promotion of training participation of the low-skilled,
- reduction of undeclared work,
- enhancement of the flexibility and efficiency of the education system in line with the demands of the labour market.

1.2 Lisbon: A New Start

By the end of 2004, the implementation of the ambitious employment plans of the European Union, determined to become the most competitive knowledge-based economy of the globalising world, had met with growing uncertainties. With the exception of a few countries (Denmark, the Netherlands, Sweden, the United Kingdom), where more than 70% of the adult population (persons aged 15–64) is in employment already (70% being considered the full employment criterion), employment has increased hardly or not at all in the EU, including 25 countries already since 2000. (In 1999, 61.9% of the active-age population (ages 15–64) was in employment; in 2000, 2001, 2002 and 2003, the corresponding rates were 62.4%, 62.8%, 62.8% and 62.9%, respectively). As for the year of 2004, Eurostat, the statistical agency of the EU, published no quantitative report until spring 2005, but various EU declarations suggested that the efforts to increase employment have failed, while unemployment, the number of persons involved in active job search, increased. (The rate of 9.2% measured in 1999 fell to 8.8% in 2000 and 8.5% in 2001, but in

2002 it was up to 8.8% and in 2003 to 9.1% once again, that is, it is hardly less than it used to be in 1995.)

Neither will the results be any better – they may actually be worse – in 2004, but no indicative data are expected to be published before the end of 2005. (The usual annual report presented to the EU Council in spring 2005 (*Draft Joint Employment Report 2004/2005*) notes that the EU-15 lost no jobs, but in the new Member States, employment either grew at a very moderate rate or actually fell – *Communication from the Commission to the Council, 27.01.2005, COM (2005) 13 final.*)

In view of the standstill, the EU commissioned a special taskforce to review the situation already in 2003. The committee was headed by former Dutch Prime Minister Wim Kok. As described in detail in our previous Report, they urged to create more jobs in the European Union, formulating detailed recommendations for each Member State to eliminate the factors hindering employment growth there.

The report urging job creation (*Jobs, jobs, jobs – creating more employment in Europe*) warns that no progress has been made with respect to the realisation of the employment policy objectives confirmed by the Member States in Luxembourg, as far back as 1997. Neither have the data indicative of a standstill, signing the alarm, and obvious already a year earlier, changed in the meantime.

However, the objectives – knowledge-based, competitive economy, employment rates guaranteeing the living and social security of the citizens of Europe, including the higher rates of earners among women and older persons with much better prospects of living than ever before – reflect not only the ambitious aspirations of the EU Member States, but actually a constraint imposed on them by the globalising world. As stated in the report: the Lisbon objectives represent a major challenge, but Europe cannot afford to resign them. Firstly, for demographic reasons (due to the reduction and ageing of the population) and, secondly, due to the constraint to strengthen its competitive position (amidst the spread of globalisation, innovation and knowledge-based society). The Member States must make special efforts to keep pace with these objectives”.

The Report defined four basic requirements of successful employment promotion:

- increasing the adaptability of workers and firms to the new situation;
- attracting more people to the labour market;
- investing more and more effectively in human capital;
- ensuring effective implementation of labour market reforms (necessary in the Member States)) through better governance.

In the following months, the Report – supplemented by the country-specific recommendations – became a key document of the reforming employment policy of the EU.

In January 2005 – in line with the relevant legal regulations, the Commission submitted its annual Draft Joint Employment Report (2004/2005, JER) to the Council for discussion and approval. The Report, as usual, gives a detailed analysis of the situation of employment in Europe (and in the Member States). (We shall discuss the statements referring to Hungary specifically below.)

The Council discussed the report in March 2005. Prior to that, however, President Barroso – in agreement with Vice-President Verheugen – forwarded an extensive communication to the Spring session of the European Council entitled *Working together for growth and jobs – A new start for the Lisbon strategy* {2005. 02.02, COM (2005) 24}.

The Communication, available in Hungarian, too, states that, despite the difficulties accompanying the successes of the realisation of the Lisbon strategy (overburdened political programme, lack of co-ordination and occasionally conflicting priorities), the objectives set five years earlier must not be given up. On the contrary: their implementation has become more urgent than ever, for, unless the commitment of the Member States increases, “soon our European social model, pension system and quality of living will be put to doubt”.

The main objective, viz. to create more and better jobs, has remained unchanged. Social partners were invited to work out, prior to the Spring session of the Council of Europe, an action programme aligned with the common Lisbon Strategy, specifying their contribution to the achievement of the Lisbon objectives.

The Member States and the social partners are expected to make more serious efforts to consolidate employment, “especially by applying such employment policies as will help the employed and encourage that they remain in work, by working out such active-ageing policies as will keep the employed in the labour market for a longer time, and by modernising the social protection systems, the security of which will make it easier for the employed to accept changes”.

In order to break out from the standstill situation, the Commission proposed already in January 2005 to establish a new European partnership: “This partnership would have the single objective of facilitating and accelerating the reforms required for boosting growth and employment”. {COM (2005) 12. *Strategic objectives 2005-2009. Europe 2010: A Partnership for European Renewal – Prosperity, solidarity and security.*}

The implementation of the programme quoted in JER has become a priority issue because due to the absence or slow progress in most EU Member States of the reforms considered necessary. Although most of the countries concerned are well aware of the necessity of changes in the labour market and in the social welfare systems, and have actually started work on several of these issues. (Germany especially tried to change the social and unemployment provision regulations preserving the permanently high unemployment rate by more comprehensive measures; they introduced non-traditional forms of employment, and drew up reform plans for the transformation of health care provision, working time limits and other conditions. In France, financing difficulties have put the reform of health care provision on the agenda, and the extension of the weekly 35 hour working time was authorised once again. Austria intends to pursue the pension reform started some time ago, with special regard to keeping the older workers in employment etc.)

The governments, however, often shrink back from actual execution when faced with the demonstrations of those concerned or with strike waves provoked by their political opponents, too. (In Germany, a major series of strikes and demonstrations took place

first in April and then in August; in Italy, there were several general strikes, and street demonstrations with millions of participants etc.)

Given the imperative constraints and the difficulties associated with change, the new Lisbon start seems very difficult indeed.

1.3 Recommendations for Hungary and the National Action Plan

The Joint Employment Report evaluated Hungary's progress in the area of employment promotion essentially on the basis of data for 2003.

From among the macro-economic indicators, special attention was paid to the envisaged GDP growth rate of almost 4%, exceeding the EU average. (According to the official Hungarian figures, the fact figure was actually 4%, higher than the EU average, and two other countries (the Czech Republic and Luxembourg) produced the same rate of growth. Growth was faster in 8 countries (including 6 new Member States), and slower in 14 (including 2 new Member States.) *{CSO Reports 2005/1.,pp. 9-13. }*

According to JER, however, per capita labour productivity growth fell temporarily in 2003 in Hungary. And, although the employment rate increased, the overall rate (57%) and that of women (50.9%) were substantially lower than the corresponding EU averages, the same as that of older workers. In 2003, the unemployment level, too, remained relatively low at 5.9%, but this was accompanied, as before, by very low labour market participation. At an activity rate of 60.6%, almost 2.7 million inactive persons are absent from the labour market, more than half a million among them for some other reason than those enjoying social support, depending on their own or their family's resources. The economically inactive concentrate in the social groups of the middle-aged and the older persons, the low-skilled and those at a disadvantage in the labour market (e.g. the Roma).

One of the important events of developments in 2004, overriding the JER for 2003, was the presentation of the National Employment Action Plan, drawn up on a mandatory basis by every EU Member State, to be described in detail in the following.

The Joint Employment Report reviews this Action Plan conforming to the priorities of the European Employment Strategy, and acknowledges, essentially, the national targets. (Note that this is in conformity with the – widely acknowledged and criticized – conciliation practice of the European Union. The method known as “open co-ordination” actually acknowledges the status report of the Member State, mediated, essentially, by higher-ranking civil servants, and does not revise them.)

1.3.1 Main statements of the National Employment Action Plan

In what follows, we shall sum up some of the major commitments expressed under the Hungarian National Employment Action Plan submitted in October 2004.

The Action Plan sums up the Hungarian commitments regarding the European employment promotion targets (set already) according to the principles and priorities of the European Employment Strategy.

As for the 70% employment rate set for 2010, in effect at that time, on the basis of a thorough and realistic baseline survey, the Action Plan undertakes employment expansion by a cautious less than 1% annually. (This would probably be produced anyway, even without the reforms to be implemented, by the increase of retirement age to a uniform 62 years of age.) The commitment implies that in Hungary, the rate of employment would increase by 2010 by a mere 5–6% points, from the 57% in 2004 to 63% (considering a 5% increment) – a long way from the targeted 70% European average, and the employment rates envisaged by the other Member States. In other words: Hungary's modest commitment means that it would remain in the rearguard of the EU-25.

The employment rates of women, men and older persons aged 55–64 would be 57%, 69% and 37%, respectively, by 2010.

According to the evaluation of the EU, the above target figures presume employment growth by 0-8% on annual average. To ensure that, measures influencing both the supply and the demand side must be taken. On the *demand side*, employment promotion presumes the creation of new jobs. Given the significant number of micro enterprises, instead of creating new enterprises or providing special support for prospective entrepreneurs, the focus should be on stimulating the growth of existing enterprises. The government intends to *promote job creation in this sense by the gradual reduction of labour costs*, the boosting of the employment capacity of micro, small and medium-sized companies and the establishment of a predictable legal and financial environment that would enhance the security of minor employers. In order to bring structural transformation to success, the government will support those initiatives that foster the adaptability of firms. The revision of the current labour legislation represents a key instrument of this process. Parallel with the establishment of the conditions of *flexible employment, new forms guaranteeing employment security must also be devised*, in co-operation with the social partners.

As for the *supply side*, considering the relatively low level of unemployment, employment promotion measures should serve the *labour market re-integration of the inactive, too, in addition to the unemployed*. Measures aiming at the development of the Public Employment Service, the improvement of the efficiency of activation policies, the transformation of the system of provisions all aim at making employment a real an attractive option for all. Moreover, the Government *encourages employers to employ persons at a disadvantage in terms of labour market entry by offering them targeted subsidies*.

2. **ECONOMIC ACTIVITY OF THE POPULATION**

2.1 **International trends**

As described in the previous Reports, since the eighties, the members of the big international organisations (OECD, International Labour Organisation) and communities (European Union) have been working hard to produce comparable indicators describing the operation of their respective national economies by introducing the uniform principles and methods of the so-called labour force surveys (LFSs).

This system, differing to some extent from the definitions and measurement methods used in national employment statistics, was introduced first in the OECD countries. It was worked out and proposed by the International Labour Organisation (ILO) gathering the representatives of the national employer and employee organisations and of the governments, making recommendations agreed upon by all three parties concerned.

The surveys themselves are carried out by the national statistical offices, under the leadership of the statistical institutions of the big international organisations. (Beside the continent-size countries – such as the US, Canada, Australia -, or the OECD gathering almost every European country, or the ILO, including most countries of the developing world, Eurostat, the statistical agency of the EU, also releases its own comparative data on the EU Member States.) Given the increasing importance of identifying similarities and differences in the globalising world, the national surveys tend to be adjusted to the conceptual and measurement systems of the international ones.

The present Report will show the most important phenomena of the Hungarian economy juxtaposed to and mirrored by the relevant OECD and especially EU data.

Consolidated data originating from different sources may differ somewhat for methodological reasons (e.g., in 2003, the OECD released the data of the accession candidate countries, Hungary included, in addition to the EU-15; Eurostat data published in *Employment in Europe* are regularly based on labour force survey data based on the *second quarter* of the given year etc.) Hungarian data available for 2004 from the labour force surveys of the Hungarian Central Statistical Office (CSO) *are annual averages*. However, these deviations, in the range of a few decimals only, do not distort the discernible, permanent, tendencies.

One of the basic functions of international comparisons is to identify, within the adult population (ages 15–64) of the country, the number of the employed and of job-seekers having no earning occupation, but wishing to work for pay for others. The employed and the job seekers together are the *economically active*, that is, those who would like to participate in the economy.

It is a priority EU objective to involve the largest possible segment of the adult population in the operation of the economy, to give access to work to all who want to work, so that they be able to earn a living for themselves and their family, to let

them enjoy legal protection, health insurance, pension in old age granted to workers, contributing thereby to the operation of a competitive economy based on advanced knowledge. It is especially urgent to boost the labour market participation of women and of older persons. The majority of non-earning women cannot be insured and hence they must rely on the support of their family (if they have one) or of society for subsistence or health care in old age. Older workers should be able to remain in work as long as possible, due to the extension of life expectancy, a most positive phenomenon, and the appreciation of their marketable knowledge, but also, in many countries, the imperative need to relieve the ever less sustainable pension systems of some of their burdens.

As mentioned already, the implementation of the ambitious employment promotion goals specified by the Member States jointly at the 1997 Luxembourg Summit and supplemented in Lisbon in 2000 got stuck in 2002 already, while changes, the development of a “new Lisbon strategy”, have been urged more and more forcefully. The latter means that, given the marked changes in global economic developments, the shift in the centres of gravity of economic growth to other continents, and the deteriorating European prospects, the governments concerned should finally implement the reforms that would foster employment growth.

For, in 2003 (and as far as one can see, in 2004 as well), with certain differences by country, employment growth has either stagnated or deteriorated throughout the EU.

The activity rate of the EU-25, the countries having joined the Union in 2004 included, rose by 0.3% in 2003.

Given the fact that this rate may increase due to a rise in the number of the employed or in that of job-seekers, it is important to note that this time, as mentioned already, its growth was due to the increase in the number of the unemployed.

In the OECD countries, the rate of the economically active went up by 0.5%, but employment growth played a part in that in a few regions only (e.g. North America, Canada, Mexico, the USA, Oceania, Australia, New-Zealand). Employment fell by 0.1% on average in the European OECD countries, and unemployment went up by the same rate.

Table 2.1.

**Economic activity rates in the OECD countries, the other EU Member States
and in Hungary, 2002 and 2003**

	Population aged 15-64, million persons		<i>Of which: economically</i>			
			active,%		inactive*,%	
	2002	2003	2002	2003	2002	2003
OECD countries, together	746.0	781.5	70.0	69.8	30.0	30.2
<i>Of which:</i>						
USA	189.6	193.3	76.4	75.8	23.6	24.2
EU-15	250.9	251.3	69.7	70.1	30.3	29.9
EU 10 new Member States	50.8	50.7	65.8	65.5	34.2	34.5
<i>of which: Hungary</i>	6.8	6.8	59.7	60.6	40.3	39.4

* Figure based on activity data

Source: *OECD Employment Outlook , Employment in Europe 2004*

For more information required to interpret the OECD data, see
[www.oecd.org/dataoecd/29/23/25501352@pdf](http://www.oecd.org/dataoecd/29/23/25501352.pdf): *Sources and Methods: OECD Economic Outlook.*

Within the stagnating/slightly deteriorating employment context of the European Union, the rate of the economically active has hardly changed. However, there are significant differences by country.

In several countries, almost every member of the active-age population (ages 15–64, for the sake of comparability) is present in the labour market, with the exception of those in education. This rate is highest in Denmark where almost 80% the population concerned is economically active, and the corresponding rates of Sweden, the Netherlands and the United Kingdom are also near that level.

The activity rate is high, in excess of 70%, in a few other countries of Europe, too (Austria, Finland, Portugal and, from among the new Member States, Cyprus and the Czech Republic).

Hungary recorded the lowest activity rate: in 2003, hardly more than 60% of the adult population was employed or looking for a job. (This situation has not changed in 2004 either; the proportion of the economically active fell by 0.1 percentage point, to 60.5%.) The activity rates of Italy, Poland and Greece, respectively, were almost as low as that in 2003.

Table 2.2.

Economic activity of the population aged 15-64 in the EU, 2002-2003.

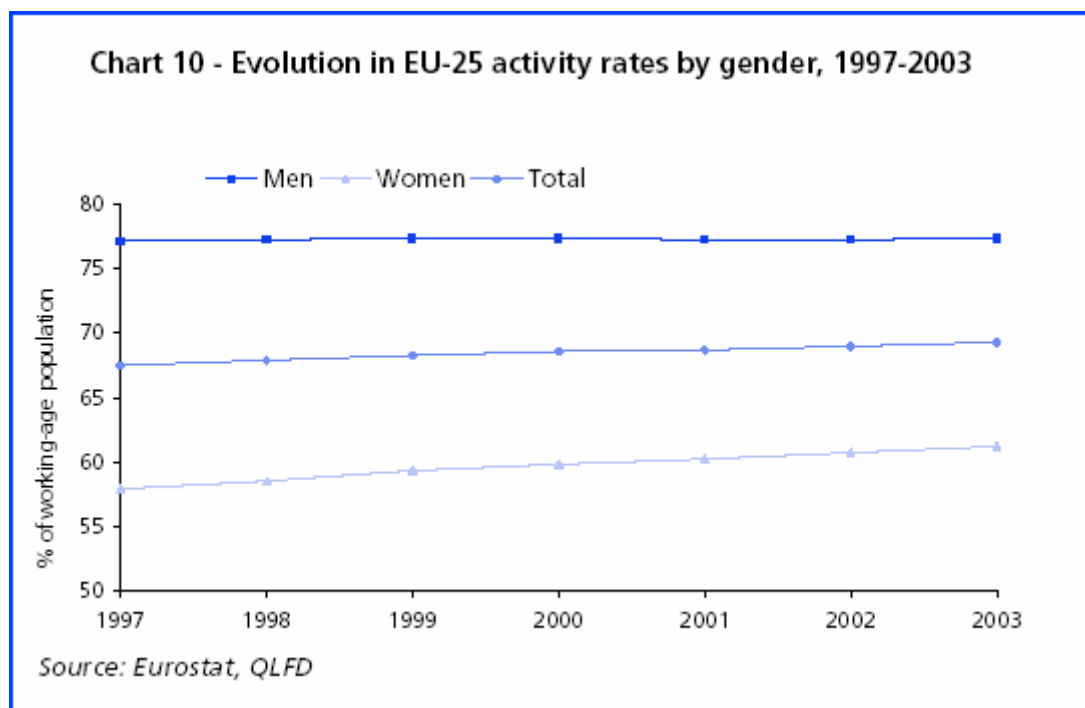
	Employed		Unemployed		Economically active		Inactive	
	% rate to the population aged 15-64							
	2002	2003	2002	2003	2002	2003	2002	2003
Belgium	59.9	59.6	4.9	5.3	64.8	64.9	35.2	35.1
Czech Republic	65.4	65.7	5.2	4.5	70.6	70.2	29.4	29.8
Denmark	75.9	75.1	3.7	4.4	79.6	79.5	20.4	20.5
Germany	65.4	65.8	6.1	5.7	71.5	71.5	28.5	28.5
Estonia	62.0	62.9	7.3	7.2	70.1	70.1	30.7	29.9
Greece	56.7	57.9	6.4	6.0	63.9	63.9	36.9	36.1
Spain	58.4	59.7	7.6	7.6	67.3	67.3	34.0	32.7
France	62.8	62.8	6.1	6.2	69.0	69.0	31.1	31.0
Ireland	65.6	65.4	3.1	3.4	68.8	68.8	31.3	31.2
Italy	55.5	56.1	5.6	5.4	61.5	61.5	38.9	38.5
Cyprus	68.6	69.2	2.6	3.2	72.4	72.4	28.8	27.6
Latvia	60.4	61.8	8.4	7.4	69.2	69.2	31.2	30.8
Lithuania	59.9	61.1	9.7	8.8	69.9	69.9	30.4	30.1
Luxembourg	63.1	n.a.	1.9	n.a.	n.a.	n.a.	35.0	n.a.
Hungary	56.2	57.0	3.5	3.6	59.7	60.6	40.3	39.4
Malta	54.5	n.a.	4.1	n.a.	n.a.	n.a.	41.4	n.a.
The Netherlands	74.4	73.5	2.1	2.8	76.3	76.3	23.5	23.7
Austria	69.2	69.2	3.4	3.5	72.7	72.7	27.4	27.3
Poland	51.5	51.2	13.1	12.7	63.9	63.9	35.4	36.1
Portugal	68.2	67.2	3.9	4.9	72.1	72.1	27.9	27.9
Slovenia	63.4	62.6	4.4	4.5	67.8	67.1	32.2	32.9
Slovakia	56.8	57.7	13.1	12.3	69.9	70.0	30.1	30.0
Finland	68.1	67.7	6.8	6.8	74.9	74.5	25.1	25.5
Sweden	73.6	72.9	4.0	4.4	77.6	77.3	22.4	22.7
United Kingdom	71.1	71.8	3.9	3.8	75.6	75.6	24.4	24.4
EU-25	62.8	62.9	6.2	6.4	69.0	69.3	31.0	30.7
EU-15	64.2	64.3	4.5	5.7	69.7	70.0	30.3	30.0

Source: *Employment in Europe 2004*

In this situation, the labour market situation of women and of older people has remained essentially unchanged.

On the average of the EU-25, in 2003, the number of male workers was almost identical to that in 1997; over these seven years, the proportion of women increased at a modest rate only (from 57.9% to 61.2%, that is, by less than 0.5% on annual average).

Activity rates by gender, EU-25, 1997-2003

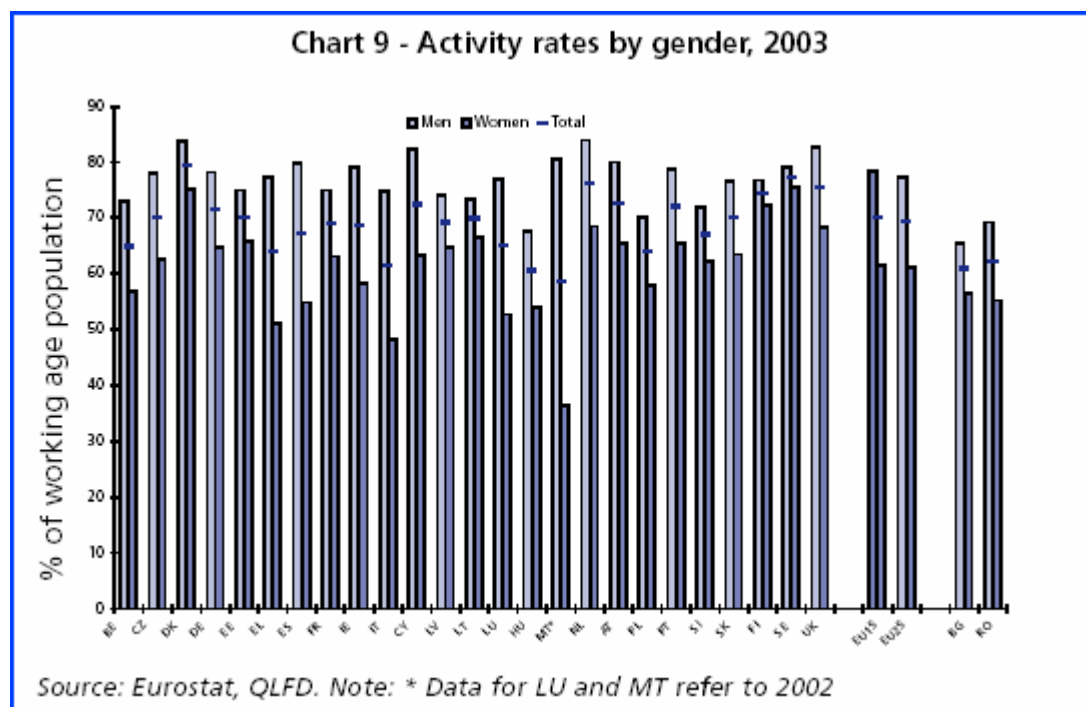


Source: *Employment in Europe 2004*, p.25.

In most EU Member States, the labour market presence of women keeps lagging behind their share within the population: they represent more than half (51.2%) of the working age population, but while the economic activity rate of men is almost 80% (77.4%), that of women is hardly more than 60% (61.2%). The traditional differences have prevailed at the two extremes: the 75% labour market participation of Swedish and Danish women contrasts with a rate of around 50% for their Greek and Spanish peers. Despite the previously high female employment rate, Hungary, too, ranks among the countries characterised by low female activity rates.

Figure 2.

Activity rates by gender in the EU Member States, 2003



Source: *Employment in Europe 2004*, p. 24.

The above is true in spite of the improvement of the average life expectancy of women well in excess of that of men. According to the relevant demographic calculations and forecasts, the life expectancy of women born around 1950 exceeds that of men by 3–4 years, and the gap has widened a little parallel with the further improvement of the prospects of living of both genders. In 2001, men in the EU–15 lived longer than 75 years on average and the life expectancy of women exceeded 80 years.

Although the situation is not as good as that in the majority of the new Member States (in Hungary, for example, the life expectancy of women born around 2000 is lower by 5.1 years and that of men by 7.2 than the EU–15 average), currently, it is a problem throughout Europe to ensure that masses of women have an income based on their own work and be provided for in old age on the basis of their own pension insurance.

The extension of the period of independent earning activity in old age and the stimulation of the demand for that have remained similarly problematic issues.

So far most EU countries have failed to raise the employment of older workers—meaning persons past 55 in the context of the European pension systems – to satisfactory.

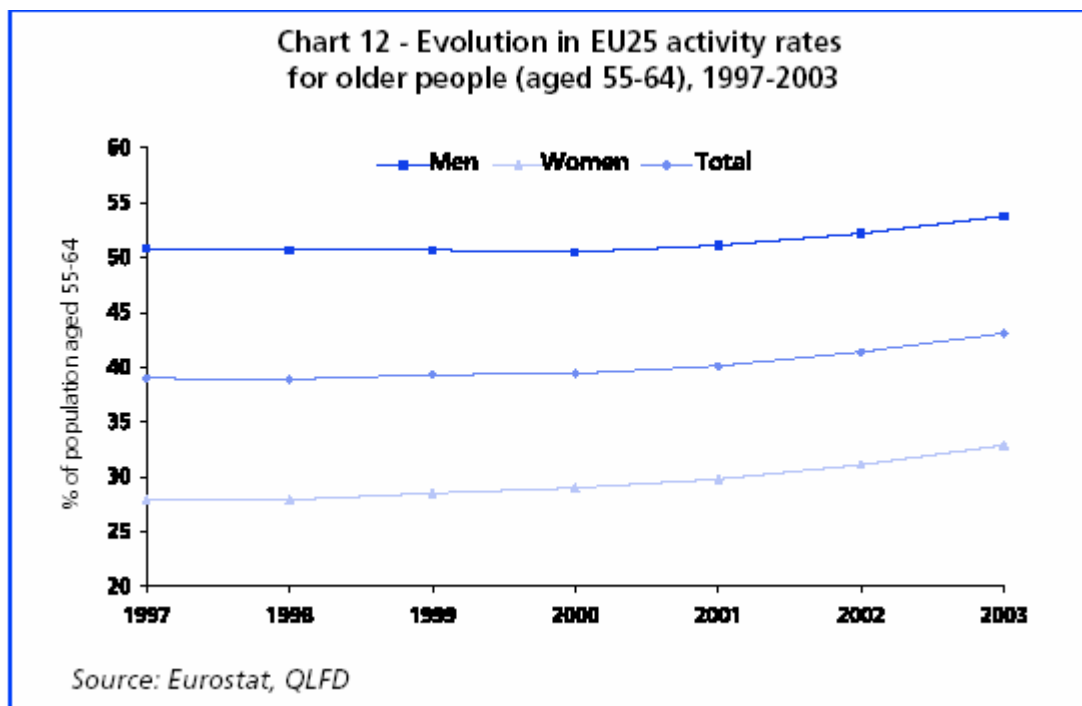
The pension systems introduced in Europe (basically after World War II) are in need of correction. One of the rules to be modified applies to the retirement age limit. Owing to the increase in life expectancy, the upper limit of 65 in effect in most European countries seems too low already. (And the female retirement age is often even lower.) In several countries, the relevant regulations allow retirement under 65 as well, in certain occupations, for example (public employees, hard physical work), or in occupations hit by severe job losses etc.

Although most European countries have tightened the regulations applicable to retirement motivated, in the final analysis, by the problems of the economy, as a rule, the provisions allowing workers reaching retirement age to be dismissed without special justification have remained part of the labour legislations.

The great variety of analyses commissioned by big international organisations in recent years have come to the following conclusions: **a.)** there is no need to alter the traditional national retirement age limits in effect in Europe (*Ageing and Income, Financial Resources in 9 OECD countries, OECD, 2001*); **b.)** retirement at an earlier age, however, should be restricted, as in many countries, people actually retire at an earlier age anyway, whereas they should be encouraged to keep working and selling their physical and intellectual skills. Many programmes and experiments have been launched in Europe for that purpose – without any success of merit. The high-skilled and the self-employed are ready to work on, but the bulk low-skilled employees prefers to exit the labour market given the current uncertainties of employment prospects, and to choose pension, of a lower but fixed amount, representing a secure income.

Although the economic activity of older persons increased slightly from 1997 to 2003 (due, among others, to the elevation of the retirement age limit, well below the general 65 years previously, in several European countries, especially the former socialist ones), the EU is nevertheless dissatisfied with this result, and with good reason.

Activity rates for older people (55–64), EU–25, 1997-2003



Source: *Employment in Europe 2004*, p.26.

JER deemed the labour market participation of older persons, and especially women, “stubbornly low” in several Member States.

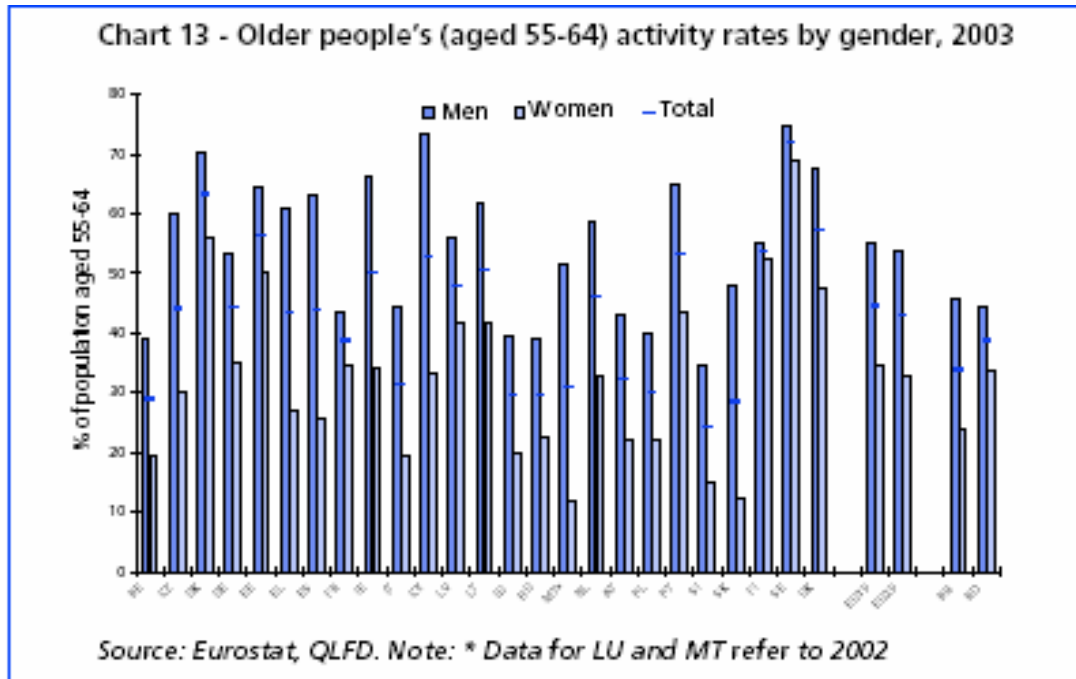
In Hungary, thanks mainly to the gradual increase in retirement age for years, the activity rate of the older generations has been increasing slightly (men: 2002: 36.9%; 2003: 39.0%; women: 2002: 18%; 2003: 22.4%). However, there are several major, permanent, obstacles to achieving an increase of merit in this respect, including the gap due to retirement age being lower by several years than the European average.

Most Member States received specific recommendations from the EU. However, instead of creating a comprehensive active ageing strategy, many have implemented minor partial measures only so far. The tax and contribution payment system and the pension reforms tend to discourage early retirement, without fostering employability and labour market activity throughout one’s life-cycle. Several Member States have explicitly imposed restrictions on initiating social dialogues. {*JER 2004/2005. p.10.*}

The gender gap in activity, rather marked in some countries, tends to intensify the differences, quite extreme in some cases, between the EU Member States.

Figure 4.

Older people's (aged 55-64) activity rates by gender, 2003



Source: *Employment in Europe 2004*, p.26.

Despite marked resistance to the pension reforms implemented so far in many countries, the EU, expecting the countries to take much more decisive steps, emphasises that it is a must to implement changes fostering activity, in the interest of the future of Europeans.

2.2 Economic activity in Hungary in 2004

In 2004, the Hungarian population aged 15–64 (the age bracket used for international comparisons) totalled 6 826.3 thousand, and the proportion of women was 51.2%. The number of men fell by less than 1 thousand and that of women by more than 9 thousand relative to the previous year. This decline, by around 10 thousand in all, was due, primarily, to the drop (by around 6 thousand over the previous year) in the number of the youth reaching working age, but the

moderate growth in mortality rates in 2003 relative to the tendency of the previous decade played a part as well.¹³

Only 60.5% of the population aged 15-64 was present in the labour market, somewhat less than in 2003.

Table 2.3.

Economic activity of the population aged 15-64 in 2003 and 2004

'000

	Population	<i>Of which:</i>		Together: economic ally active	Economic inactive	Activity rate	Employment rate	Unemployment rate
		Employed	Unemployed					
Men+women								
2003	6 8363	3 8972	2443	4 1415	2 6948	606	570	59
2004	6 8263	3 8747	2524	4 1271	2 6992	605	568	61
<i>Of which::</i>								
Men								
2003	3 3300	2 1127	1384	2 2511	1 0789	676	634	62
2004	3 3292	2 1020	1366	2 2386	1 0905	672	631	61
Women								
2003	3 5063	1 7845	1059	1 8904	1 6159	539	509	56
2004	3 4971	1 7727	1158	1 8885	1 6086	540	507	61

Source: LFSs, 2004 (CSO, 2005.)

¹³ “Over the past ten years, mortality rates have shown a clearly declining tendency. The death of more than 150 thousand in 1993 represented a record of several years, but the 132-133 thousand deaths recorded in 2001-2002 were the lowest figures for more than two decades. 2003 brought a moderate increase again: around 3000 more died than one year earlier. It was unclear whether the positive trend of a decade came to a halt or the increase had some other reason. ... Mortality rates broken down by age make it obvious that the mortality rate increased in every age group of the population past 55 in the first half of 2003. ... It is remarkable that, for woman, the increase is discernible already among those of middle age, in the age group of 45-49”. {*Mortality development, CSO Reports, 2004. 9. pp.44-48.*}

The statistics based on the Hungarian limits of working age, playing a decisive role in the labour market participation of the population, are somewhat better.

In 2004, the upper limit of working age was raised by one year for women, and hence women aged 15–59 qualify as potential economic actors. The corresponding age bracket for men was 15–61.

Retirement age, still lower than the common European limit, is being raised cautiously (taking into account the slower growth of life expectancy as well) to the target of 62 years, but although this improves the chances of older people to stay in the labour market, such chances are rather scarce as yet.

In 2004, the generations concerned included 3 186.2 thousand women and almost the same number, 3 188.6 thousand, men, that is, a total of 6 374.8 thousand persons altogether. 58.4% of women and 69.5% of men (64.0% altogether) were present in the labour market as employed or as active job seekers.

In comparison with 2003, however, the activity rate declined in this circle, too, as the number of the employed fell by more than 20 thousand and that of job-seekers grew by a mere 8 thousand.

Table 2.4.

Economic activity of the working-age population, 2003 and 2004

'000

	Population	<i>Of which:</i>		Ec. active	Ec. inactive	Activity rate	Employ- ment rate	Unemployment rate
		Employed	Unemployed					
Men+women								
2003	6 3253	3 8472	2431	4 0903	2 2350	647	608	59
2004	6 3748	3 8254	2513	4 0767	2 2981	640	600	62
<i>Of which:</i>								
Men								
2003	3 1912	2 0956	1382	2 2338	9574	700	656	62
2004	3 1886	2 0808	1365	2 2173	9713	695	653	62
Women								
2003	3 1341	1 7516	1049	1 8565	1 2776	599	559	56
2004	3 1862	1 7446	1148	1 8594	1 3268	584	548	62

Source: LFSs

Table 2.5.

Economic activity by age group and gender, 2004

Age groups, genders	<i>no./%</i>								
	Employed	Unempl.	Ec.ly active	Ec.ly inactive	<i>of which:</i> passive unemployed	15-74 year-old	Activity rate, %	Unemployment rate, %	Employment rate, %
15-19									
Men	14 176	8 247	22 423	291 165	3 910	313 588	7.2	36.8	4.5
Women	8 197	3 824	12 021	294 943	2 873	306 964	3.9	31.8	2.7
All	22 373	12 071	34 444	586 108	6 783	620 552	5.6	35.0	3.6
20-24									
Men	157 606	25 071	182 677	156 373	9 811	339 050	53.9	13.7	46.5
Women	125 810	18 777	144 587	191 885	4 715	336 472	43.0	13.0	37.4
All	283 416	43 848	327 264	348 258	14 526	675 522	48.4	13.4	42.0
25-29									
Men	351 739	22 624	374 363	50 356	9 808	424 719	88.1	6.0	82.8
Women	249 620	18 984	268 604	145 460	4 986	414 064	64.9	7.1	60.3
All	601 359	41 608	642 967	195 816	14 794	838 783	76.7	6.5	71.7
30-39									
Men	598 462	35 800	634 261	63 128	15 344	697 389	91.0	5.6	85.8
Women	446 809	30 849	477 658	211 596	9 272	689 254	69.3	6.4	64.8
All	1 045 271	66 649	1 111 919	274 724	24 616	1 386 643	80.2	6.0	75.4
40-54									
Men	775 740	38 009	813 749	208 685	21 070	1 022 434	79.6	4.7	75.9
Women	779 777	38 617	818 394	283 036	18 191	1 101 430	74.3	4.7	70.8
All	1 555 517	76 626	1 632 143	491 721	39 261	2 123 864	76.8	4.7	73.2
55-59									
Men	155 106	6 395	161 501	125 683	4 105	287 184	56.2	4.0	54.0
Women	134 411	3 788	138 199	199 848	3 186	338 047	40.9	2.7	39.8
All	289 517	10 183	299 700	325 531	7 291	625 231	47.9	3.4	46.3
60-64									
Men	49 144	513	49 657	195 138	992	244 795	20.3	1.0	20.1
Women	28 076	978	29 053	281 867	604	310 921	9.3	3.4	9.0
All	77 220	1 491	78 710	477 005	1 596	555 716	14.2	1.9	13.9
65-69									
Men	10 610	64	10 675	178 396	188	189 071	5.6	0.6	5.6
Women	7 842	316	8 158	275 918	94	284 076	2.9	3.9	2.8
All	18 452	380	18 833	454 314	282	473 147	4.0	2.0	3.9
70-74									
Men	4 741	41	4 782	158 011	106	162 792	2.9	0.9	2.9
Women	2 523		2 523	256 403		258 927	1.0		1.0
All	7 264	41	7 305	414 414	106	421 719	1.7	0.6	1.7
Total									
Men	2 117 323	136 764	2 254 087	1 426 935	65 334	3 681 022	61.2	6.1	57.5
Women	1 783 065	116 133	1 899 198	2 140 957	43 921	4 040 155	47.0	6.1	44.1
All	3 900 388	252 897	4 153 285	3 567 892	109 255	7 721 177	53.8	6.1	50.5
Ages 15-64 ('000)									
Men	2 102.0	136.6	2 238.6	1 090.5	65.0	3 329.1	67.2	6.1	63.1
Women	1 772.7	115.8	1 888.5	1 608.7	43.9	3 497.2	54.0	6.1	50.7
Aggr.	3 874.7	252.4	4 127.1	2 699.2	108.9	6 826.3	60.5	6.1	56.8
Working-age population * ('000)									
Men	2 080.8	136.5	2 217.3	971.3	64.6	3 188.6	69.5	6.2	65.3
Women	1 744.6	114.8	1 859.4	1 326.8	43.2	3 168.2	58.4	6.2	54.8
Aggr.	3 825.4	251.3	4 076.7	2 298.1	107.8	6 374.8	64.1	6.2	60.0

* Men: ages 15-61, women ages 15-59

Source: CSO, LFSs

Persistently low activity rates are a clear sign of the absence of any change of merit in the operating conditions of the labour market: no new vacancies, no new forms to promote the employment of the youngest and the older. Measures (the introduction of new non-repayable job creation subsidies, job-search incentives, telework programmes etc.), taken earlier in the hope of amelioration have essentially been ineffective. The expected outcome of these measures taken mostly at the end of 2003 failed to manifest itself in 2004, too, the main reason being, in all probability, that most targeted the placement of the registered unemployed, offering no support for the hundred thousands of inactive to enter the labour market. Anyway, despite the best intentions, employment policy measures in the strict sense are insufficient for the reintegration of the inactive – concerted government action is needed to bring about a change of merit.

2.3 New start in Hungary

EU membership has raised new hopes in this respect, too. Among various programmes to promote catching up with the more advanced countries of the EU, by autumn 2004, the National Employment Action Plan had been drawn up. (for the full text, see the home-page of MEL at www.fmm.gov.hu).

The national programme, outlining Hungary's commitments for meeting the common employment policy objectives of every Member State, was adjusted to the European Employment Strategy and the recommendations specified in the course of preparation for accession.

In addition to the modest expansion (by an annual 0.8% until 2010) of employment – and the undertakings responding to the objectives defined under the European Employment Strategy – one of the first remarkable yields of EU membership was the transformation of employment policy thinking.

From the end of the eighties on, for obvious reasons, Hungarian employment policy was dedicated to the treatment of unemployment. Its measures targeted the population of the (registered) unemployed, intending to provide them social support in the first place. (At the same time, special attention was paid to protective measures, and to imposing severe conditions of eligibility to prevent illegitimate access.)

Under the Hungarian regulations, in the beginning, only school-leavers and persons having had a job could register as unemployed and benefit from the services of the public employment service. As of 1 July 2001, the conditions of registration were eased, and currently persons “meeting the conditions required for establishing an employment relationship” can be registered. As before, persons eligible for old-age pension and day-time (regular) students of educational institutions do not qualify as unemployed, not even if they are engaged in active job search.

The various allowances and the bulk of the so-called active labour market programmes (ALMPs) were funded from the fund (operating under different names in the course of the years) generated by the contributions paid by the employers and the employees.

Hungarian employment policy, characterised by the above, has inevitably been a departmental policy over this entire period of 15 years, throughout the successive governance cycles of the alternating, rival, political parties. In the years following the change of the economic and political regime, the activity of the Ministry of Labour, an organisation restructured several times (and actually terminated for the period of one cycle), has seldom raised the interest of the government ever, whereas the reforms required for employment promotion demand concerted government-level action. (Moreover, some of the reforms concerned would be far-reaching ones. As the Wim Kok report put it, “More and better jobs can only be created by strong political will, the co-ordinated co-operation of all actors and by joint efforts”.)

Although Hungary has taken the very first steps only so far, its accession to the EU means, in all probability, that it has stepped on the way to designing an employment policy that is up to the European standards.

Several legal regulations passed in 2004 go beyond the provision of social support/assistance to the unemployed, offering new employment opportunities for various groups of the inactive.

The most promising development in this respect is the codification of Act CXXIII of 2004 (On the promotion of the employment of school-leaver youth, unemployed people past 50 and persons seeking employment after child-care leave or caring for a relative, and on employment with scholarship.)

As indicated by its title, the Act offers new conditions for employers employing the members of several social groups not present in the labour market as yet, typically in the form of contribution payment reliefs due on citizen’s right.

Several comparative international studies made in recent years suggest that the amount of mandatory taxes and contributions payable by Hungarian employers on labour wages are quite excessive in comparison with those in the other EU Member States. This has the well-known negative consequence of putting a brake on employment and of directing part of it to the undeclared (and hence untaxed) forms.

The new legislation encourages – quite appropriately – the employers to hire school-leavers under 25 and persons under 30 getting their degree within 2 years with scholarship, in order to help them get some work experience. In either case, the employer may reclaim half of one of the labour costs elements, the 29% social insurance contribution (11% health care and 18% pension insurance), in case of employment for 9 months.

Similar contribution payment reliefs are due to those employing workers returning from parental leave or the nursing of a family member, that is, exiting inactive

status, provided that they undertake to keep the person concerned in employment for another 3 months after the first 9.

In case of the employment of a (registered) unemployed past 50, the employment service shall decide whether the employer will be granted the relief or not. If the labour centre authorises the support, that may apply to several elements of the labour costs (in addition to health and pension insurance, to the 3% employer contribution payable to the labour market fund and the health care contribution payable on an itemised basis, at HUF3 450 per person and per month in 2004). The employer concerned may be exempted from paying half of these sums.

Beside the above reliefs to support the employment of members of the groups specified above, enterprises with maximum 5 staff may be granted tax base relief in case of staff expansion: an amount corresponding to minimum wage in effect on the first day of the given tax year can be deducted from the tax base for each newly hired staff.

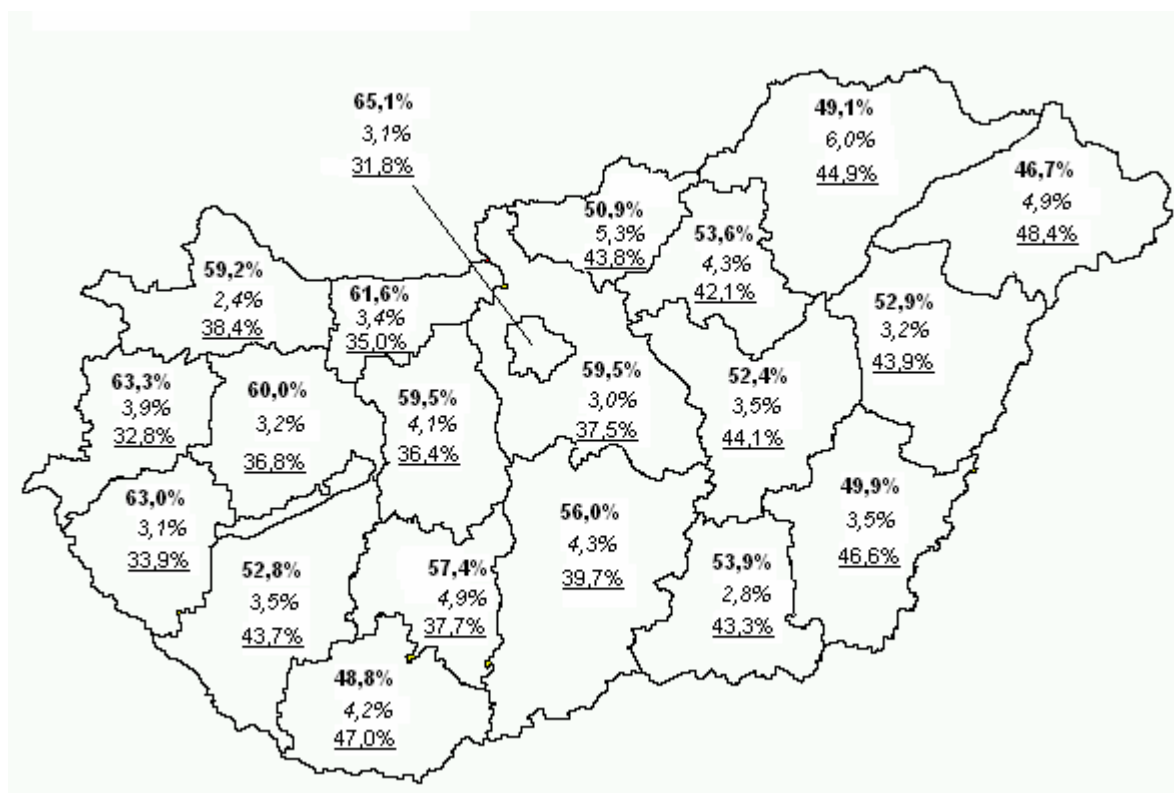
Small and medium-sized enterprises have become eligible for tax relief in case of staff expansion by a smaller number than previously in case of implementing job-creating investments – although the Act would provide support for staff expansion on a more modest scale than before (small enterprise: net gains of 30 instead of 15 persons; medium-sized enterprise: net gains of 150 instead of 75 staff), even that is a rarity.

Staff expansion without state support is also associated with plans for a new tax base relief: the entrepreneur would be eligible for business tax base exemption of HUF1 million for each extra staff member in case of increasing its average staff size.

Employment promotion measures, especially those facilitating the labour market entry of the inactive, are an important sign of a change in attitude in employment policy. Of course, major changes, major reforms will be needed in the years to come in Hungary (too) in order to boost the economic activity of the population to a perceptible extent.

Figure 5.

Economic activity of the population aged 15-64, by county, 2004.



Source: CSO, LFS

3. EMPLOYMENT

3.1 The Lisbon process

The Joint Employment Report, prepared for the Spring 2005 session of the EU Commission, reviewed– in response to the proposal adopted by the Spring 2004 session of the Commission – the status quo of the medium-term Lisbon strategy, the European Employment Guidelines and the recommendations of the Council. *{Draft Joint Employment Report 2004/2005 (SEC(2005) 67) Brussels, 27.01.2005 COM (2005) 13. final.}*

The Report, covering almost every aspect of the European Employment Strategy, states that labour market reforms implemented already in the context of economic slow-down enhanced the flexibility of employment, and in a few, relatively poorer, Member States, work productivity increased as well. Nevertheless, little progress has been made in realising the three overarching EES objectives, namely full employment, quality and efficiency at work and social cohesion and inclusion.

The overall employment rate stagnated at 63%, despite the steadily increasing participation of women and the older people. The Lisbon target of 70% set for 2010 is more and more of a challenge. The employment rate of older workers, having exceeded 40% in 2003, would have to bridge a wide gap in order to reach the 50% target for 2010. Progress towards achieving the 60% employment rate of women has also slowed down.

As for the quantified targets confirmed again in JER, it was re-iterated that Europe would have to create more than 22 million new jobs. The EU will miss the intermediary employment target of 67% set for 2005, and neither will the one set for 2010 be feasible without the assertion of a much higher number of positive trends boosting the employment of women and of older people.

Another confirmed requirement was to bridge the gap between the EU-level employment priorities and their national-level implementation. It is essential that the governments adopt the objectives of the EU as their own, and help convince public opinion of the necessity to convert the EU commitments to national and local level action. It is essential to act in partnership to realise the reforms, the national objectives and to have an adequate financial background.

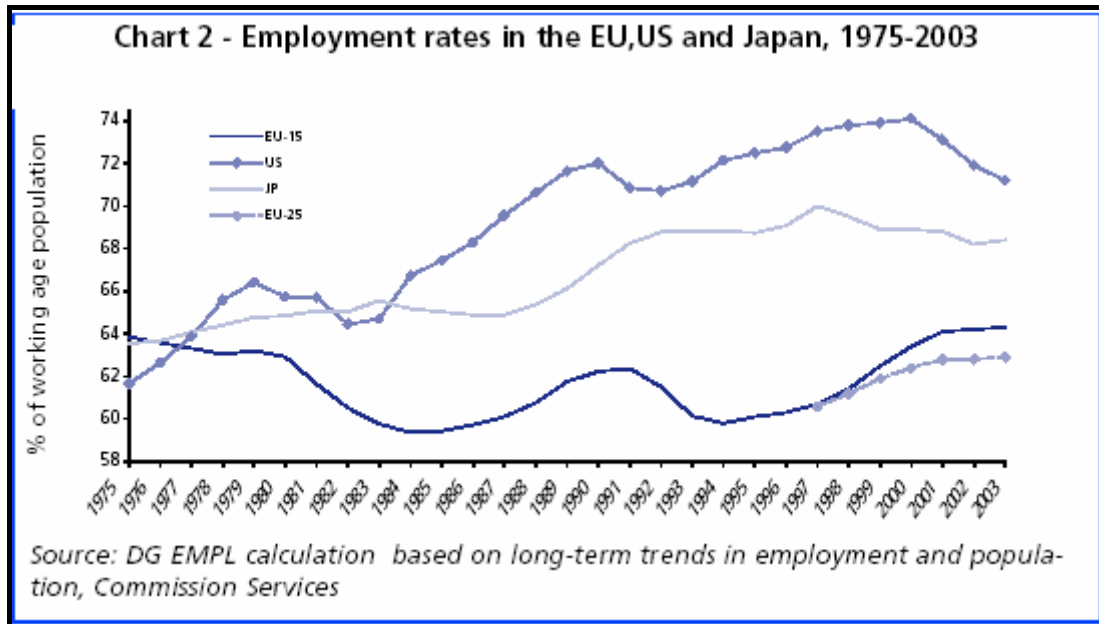
The National Employment Action Plans should receive more political legitimation and they should become integral parts of the decision-making procedures. The reactions of many new Member States are promising. In order to ensure the transparency and visibility criteria of the national action plans, Member States should engage in an even more extensive mutual learning process among themselves and with the EU.

Hence despite the standstill of the previous years, the EU did not give up its employment policy objectives in spring 2005, but actually confirmed them, declaring that they were most important pledges of the improvement of the social and economic situation of Europe.

In comparison with the big rivals, the USA and Japan, the current employment trends, going back several decades, indicate a very slight reduction of the differences.

Figure 6.

Employment rates in the EU, the US and Japan, 1975-2003



Source: *Employment in Europe 2004*, Chart 2. p.20.

3.2 Employment in the EU Member States

The employment rate calculated at EU-level, 63% in 2003, conceals major, persistent, differences by country in the enlarged EU.

The relative positions of the EU-25, in terms of employment and the capacity to change certain basic facts among others, are determined by the typical, essential, differences in the traditional value systems, economic development levels, natural endowments, income and earnings of the population, historical political decision-making systems etc. of the US, Japan and most EU countries. (The polarisation, of long standing, between the northern and the southern Member States, has acquired a new dimension with enlargement and the appearance in the system of the specific, in part shared, features of the former socialist countries having become members in 2004.)

From the point of view of employment, some EU Member States have kept pace with the USA in terms of the rate of the employed to the total working-age population – attaining and exceeding the 70% considered the limit for full employment.

According to the data of the OECD, in the USA, in 1990, 72.2% of the population aged 15–64 was in employment; in 2000, the corresponding rate was 74.1% and in

2003 71.2%. Over the same years, from among the Member States of the EU, Denmark, Sweden, the Netherlands and the United Kingdom attained (or exceeded) the high employment rates of the US.

Table 3.1.

The USA and the EU Member States with an employment/population ratio of min. 70%, 1990, 2000, 2003

	1990	2000	2003
USA	72.2	74.1	71.2
Denmark	75.4	76.4	75.1
Sweden	83.1	74.2	74.3
The Netherlands	61.1	72.9	73.6
The United Kingdom	72.5	72.4	72.9

Source: Based on *Employment Outlook*, OECD, 2004, p.294.

These countries have taken measures, of several kinds, if necessary, reinforcing one another to preserve their high employment rates or prevent their decline (Sweden). These measures – from the reforms of the pension and the unemployment assistance systems (UK) to the establishment of the conditions of part-time work, the transformation of job brokerage into a market-based service to bonuses for extra income earned by work for social allowance recipients (the Netherlands) – all aimed at accommodation to the new conditions of the economy, apparently with success.

The other extreme is represented by countries having altered their employment situation little or not at all. In 2003 (as essentially throughout the nineties) the difference between the maximum and minimum employment rates occasionally exceeded 20 percentage points.

Table 3.2.

Maximum and minimum employment rates in EU Member States, 1990, 2000, 2003

	1990	2000	2003
Denmark	75.4	76.4	75.1
Greece	54.8	55.9	58.0
Slovakia	-	56.8	57.7
Hungary	-	56.0	57.0
Italy	52.6	53.9	56.2
Poland	-	55.0	51.4

Source: Based on *Employment Outlook*, OECD, 2004, p.294.

Countries having produced little or no employment growth (including Malta, by the way, according to the EU data) should obviously implement major, comprehensive reforms, going beyond the conditions of employment strictly speaking, to the entire labour environment. The essential tasks ahead are summed up for the countries concerned by the comments/recommendations provided in response to their national action plans.

As for the majority, characterised by employment levels in between the EU maximum and minimum rates, some among them also approximate the 70% rate (Austria, Cyprus, Portugal, Finland). The majority of those near the EU average have also launched reforms to raise the level of employment, with fluctuating results so far (Czech Republic, Germany, Estonia, France, Slovenia). Two countries have made substantial progress relative to their own reference levels: Ireland, having used the economic developments to implement labour market reforms as well, and Spain, transforming the former, corporatist, rules of employment more and more decisively. (In Ireland, the employment rate rose from 51.1% in 1992 to 65.4% in 2003, and in Spain from 49% to 59.7%, indicative of the necessity/results of such labour market reforms as are partly independent of the economic cycles ever.)

It is an important lesson that those of prime working age (ages 25–54, that is, persons having exited the school system, but not eligible for retirement yet under the national pension regulations) were characterised by high employment rates throughout Europe (2003: 76.5%). Within that, the rate of male earners attained 85.1% (it has been higher than 85% constantly since 1997). That is, employment expansion – aiming partly at providing social protection for those concerned or at least, with equal weight, at ensuring the investment of the most efficient national capital, that is, men capable of work – is feasible in most countries by giving access to paid employment to women and older people, characterised by low employment rates to date.

Note that, in most countries having attained high employment rates, the employment rates of women and older persons are typically high (Sweden, Denmark).

Table 3.3.

Employment rates of the EU Member States, 2002 and 2003

%

Country	Employment rates							
	Overall		Men		Women		Older persons	
	2002	2003	2002	2003	2002	2003	2002	2003
Belgium	59.9	59.6	68.3	67.3	51.4	51.8	26.6	28.1
Czech Republic	65.4	64.7	73.9	73.1	57.0	56.3	40.8	42.3
Denmark	75.9	75.1	80.0	79.6	71.7	70.5	57.9	60.2
Germany	65.4	64.8	71.8	70.6	58.9	58.8	38.7	39.3
Estonia	62.0	62.9	66.5	67.2	57.9	59.0	51.6	52.3
Greece	56.7	57.9	71.4	72.5	42.5	43.9	39.7	42.3
Spain	58.4	59.7	72.6	73.2	44.1	46.0	39.7	40.8
France	62.8	62.8	69.1	68.9	56.5	56.7	34.7	36.8
Ireland	65.6	65.4	75.5	75.0	55.6	55.8	47.1	49.0
Italy	55.5	56.1	69.1	69.6	42.0	42.7	28.9	30.3
Cyprus	68.6	69.2	78.9	78.8	59.1	60.4	49.4	50.4
Latvia	60.4	61.8	64.3	66.1	56.8	57.9	41.7	44.1
Lithuania	59.9	61.1	62.7	64.0	57.2	58.4	41.6	44.7
Luxembourg	63.1	n.a.	75.3	n.a.	50.8	n.a.	29.5	n.a.
Hungary	56.2	57.0	62.9	63.5	49.8	50.9	26.4	29.8
Malta	54.5	n.a.	75.3	n.a.	33.6	n.a.	30.3	n.a.
The Netherlands	74.4	73.5	82.4	80.9	66.2	65.8	42.3	44.8
Austria	69.2	69.2	75.9	75.8	62.5	62.8	29.7	30.4
Poland	51.5	51.2	56.9	56.5	46.2	46.0	26.1	26.9
Portugal	68.2	67.2	75.9	74.1	60.8	60.6	50.9	51.1
Slovenia	63.4	62.6	63.4	62.6	58.6	57.6	24.5	23.5
Slovakia	56.8	57.7	62.4	63.3	51.5	52.2	22.8	24.6
Finland	68.1	67.7	70.0	69.7	66.2	65.7	47.8	49.6
Sweden	73.6	72.9	74.9	74.2	72.2	71.5	68.0	68.6
United Kingdom	71.7	71.8	78.0	78.1	65.3	65.3	53.5	55.5
EU total	62.8	62.9	71.0	70.8	54.7	55.0	37.4	36.7

Source: *Employment in Europe, 2004.*

In the course of the Lisbon process, Spain produced substantial growth in the employment of women and Finland, the Netherlands, France and Denmark in that of older persons.

Table 3.4.

Employment growth in the EU, 1998, 2003

Country	Employment rates						% change over 1998		
	1998			2003			Overall	Women	
	Overall	Women	Older		Overall	Women			
Belgium	57.4	47.6	22.9	59.6	51.8	28.1	2.2	4.2	5.2
Czech Rep.	67.3	58.7	37.1	64.7	56.3	42.3	-2.6	-2.4	5.2
Denmark	75.1	70.2	52.0	75.1	70.5	60.2	0	0.3	8.2
Germany	63.9	55.8	37.7	64.8	58.8	39.3	0.9	3.0	1.6
Estonia	64.6	60.3	50.2	62.9	59.0	52.3	-1.7	-1.3	2.1
Greece	55.5	40.2	39.0	57.9	43.9	42.3	2.4	3.7	3.3
Spain	51.2	35.8	35.1	59.7	46.0	40.8	8.5	10.2	5.7
France	60.2	53.1	28.3	62.8	56.7	36.8	2.6	3.6	8.5
Ireland	60.6	49.0	41.7	65.4	55.8	49.0	4.8	6.8	7.3
Italy	52.0	37.3	27.7	56.1	42.7	30.3	4.1	5.4	2.6
Cyprus	65.7	53.5	49.4	69.2	60.4	50.4	3.5	6.9	1.0
Latvia	59.9	55.1	36.3	61.8	57.9	44.1	1.9	2.8	7.8
Lithuania	62.3	58.6	39.5	61.1	58.4	44.7	-1.2	-0.2	5.2
Luxembourg	60.5	46.2	26.4	60.3**	50.8**	29.5**	-0.2	3.1	3.1
Hungary	53.7	47.2	17.3	57.0	50.9	23.8	3.3	3.7	6.5
Malta	54.2*	33.1*	28.5*	54.5**	33.6**	30.3**	0.3	1.8	1.8
Netherlands	70.2	60.1	33.9	73.5	65.8	44.8	3.3	5.7	10.9
Austria	67.9	58.8	28.4	69.2	62.8	30.4	1.3	4.0	2.0
Poland	59.0	51.7	32.1	51.2	46.0	26.9	-7.8	-5.7	-5.2
Portugal	66.9	58.3	50.0	67.2	60.6	51.1	0.3	2.3	1.1
Slovenia	62.9	58.6	23.9	62.6	57.6	23.5	-0.3	0.1	-0.4
Slovakia	60.6	53.5	22.8	57.7	52.2	24.6	-2.9	-1.3	1.8
Finland	64.6	61.2	36.2	67.7	65.7	49.6	3.1	4.5	13.4
Sweden	70.3	67.9	63.0	72.9	71.5	68.6	2.6	3.6	5.6
UK	70.5	63.6	49.0	71.8	65.3	55.5	1.3	1.7	6.5
EU total	61.2	51.8	37.1	62.9	55.0	36.7	1.7	3.2	-0.4
<i>Of which:</i> EU-15	61.4	51.6	36.6	64.3	56.0	41.7	2.9	4.4	5.1

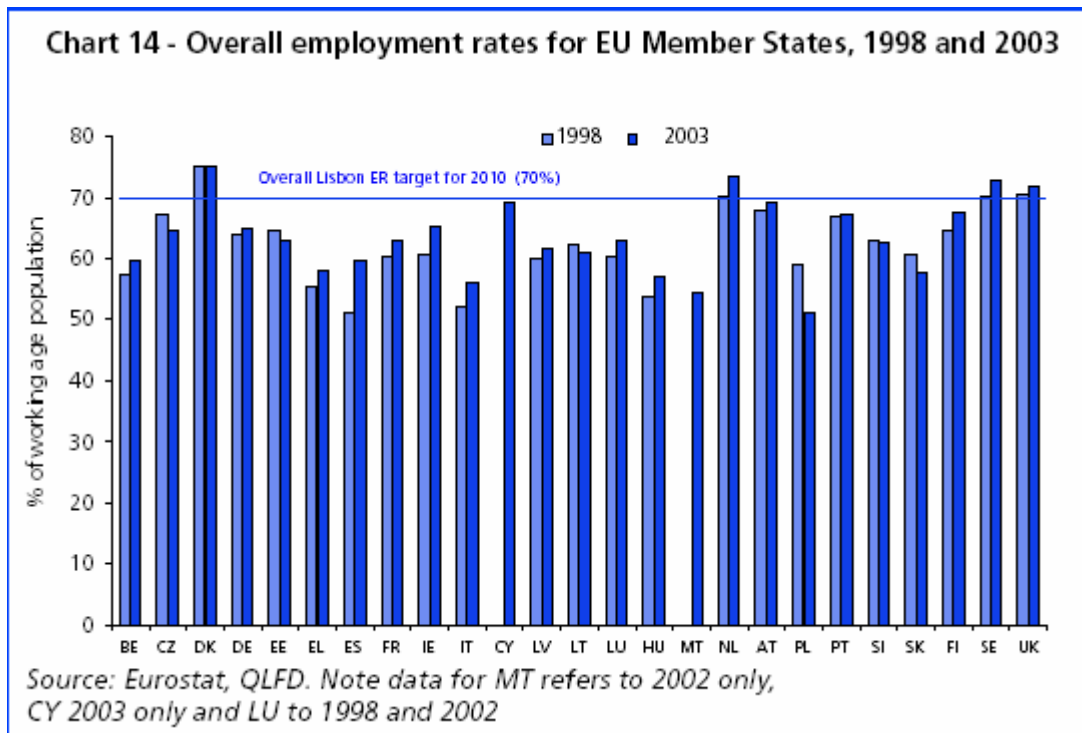
* Figure for 2000

** Figure for 2002.

Source: *Employment in Europe 2004.*

Figure 7.

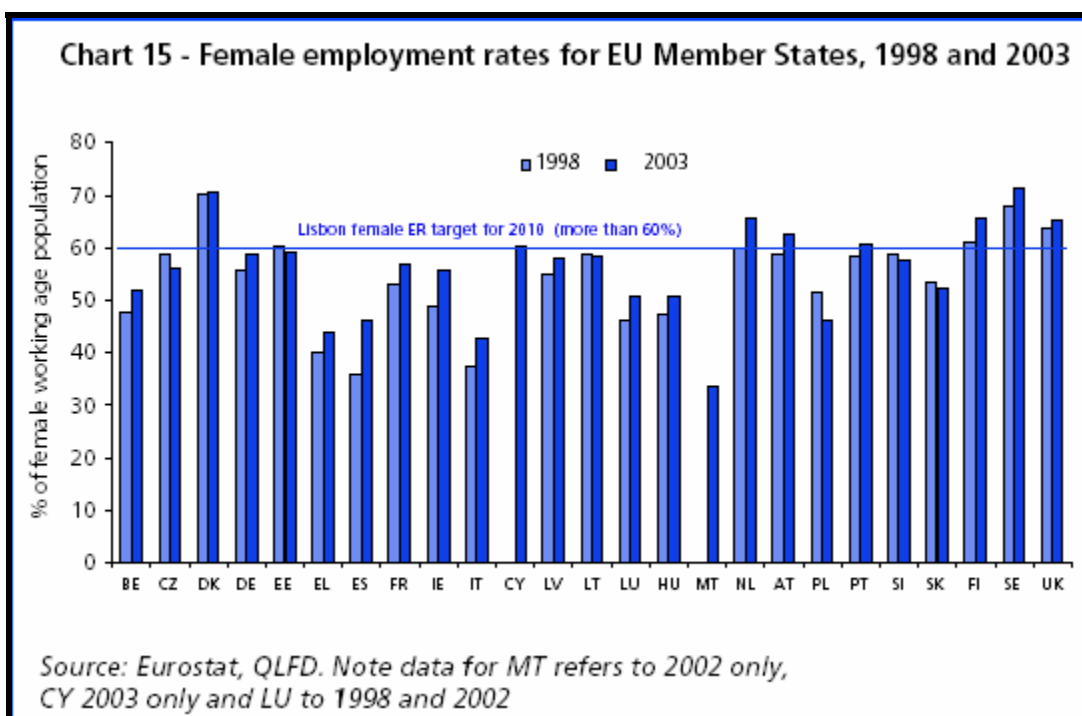
Overall employment rates for EU Member States, 1998 and 2003



Source: *Employment in Europe, 2004*, p.28.

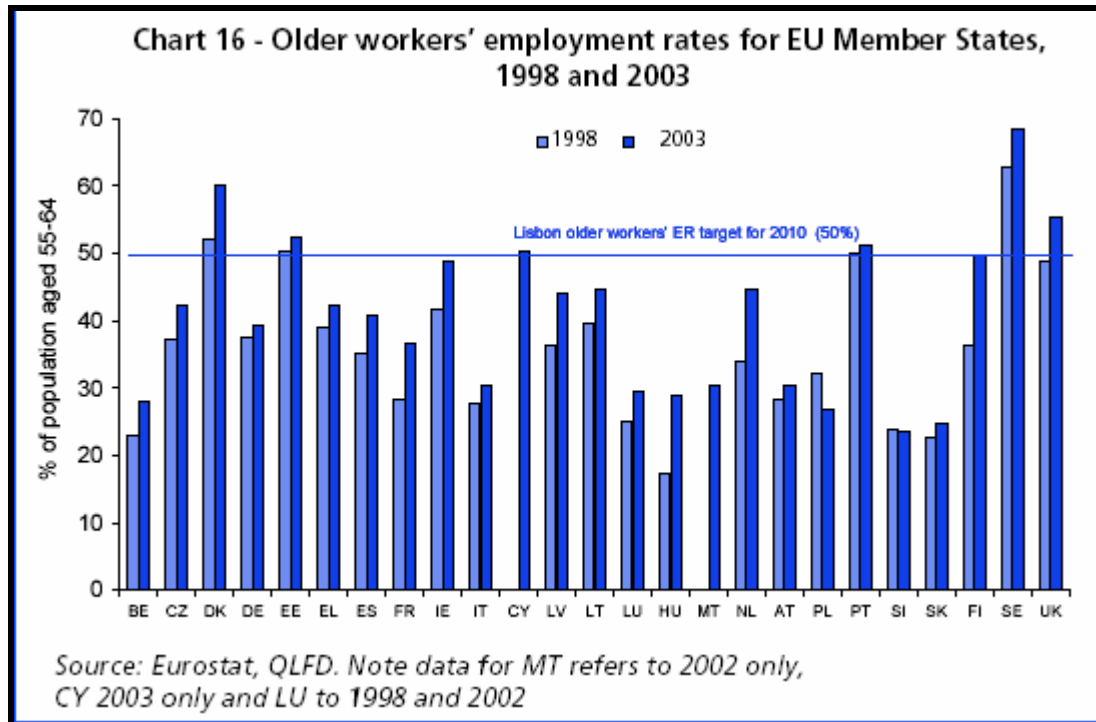
Figure 8.

Female employment rates for EU Member States, 1998 and 2003



Source: *Employment in Europe, 2004*, p.28.

Older workers' employment rates for EU Member States, 1998 and 2003



Source: *Employment in Europe, 2004*, p.28.

The expert work-paper published as the annex of JER rating the degrees of progress achieved by the Member States and proposing further recommendations to the national action plans states the following:

- The growth of the female employment rate continued in 2003, albeit at a slower pace. In order to reach at least 60%, the annual average growth rate of the period since 1997 should be maintained every year until 2010.
- Although the employment rates of older workers increased, the 50% target is very far indeed. Reaching the 70% overall Lisbon target depends crucially on significantly increasing the pace of growth of the employment of older workers. {Annex to the Draft Joint Employment Report 2004/2005, pp.7-8. old.}

3.3 Employment in Hungary in 2004

In Hungary the difference between the population aged 15–74, considered the potential labour force in international comparisons, and the population of the 15-64 year-old within it was almost 900 thousand in 2004; and the number of working-age persons as defined by the Hungarian regulations (men aged 15-61, women aged 15-59) was smaller by another almost 460 thousand (cf. the economic activity data in Table 2.1.)

From among the populations calculated according to the different age limits, only the number of those of working-age as defined in Hungary increased (by some 50 thousand), due, typically, to the increase in the retirement age of women.

Table 3.5.

Number and distribution of the employed, 2003-2004

Year	Population	Of which:		Employed					
		men	women	All		Of which:			
						Men		women	
'000	'000	% rate	'000	% rate	'000	% rate			
Ages 15-64									
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
2004	6 826.3	3 329.2	3 497.2	3 874.7	56.8	2102.0	63.1	1 772.4	50.7
Ages 15-74									
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
2004.	7 721.2	3 681.0	4 040.2	3 900.4	50.5	2 117.3	57.5	1 783.1	44.1
Working-age, Hungarian standard									
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
2004	6 374.8	3 188.6	3 186.2	3 825.4	60.0	2 080.8	65.3	1744.6	54.8

Source: CSO, LFSs

60% of the working-age population (Hungarian standard) had an earning occupation in 2004, 65.3% of men and 54.8% of women; some 15 thousand less men and 7 thousand less women than in the previous year.

Those past Hungarian working age, but younger than 65, taken into account in international comparisons, included another 49.3 thousand workers and the age group of the 65-74 year-old some 25 thousand more. That is, earning activity is typically restricted, as almost everywhere in Europe, to those of working age as defined by the national regulations.

As indicated by the figures shown already above, the backlog relative to the European average is most striking in the category of male employment: while the employment rate of men aged 15-64 in the EU–25 exceeded 70%, in Hungary, it was only 63%. As for women, as we have seen, Hungary is by and large on the same level as Europe (it is a different issue that both qualify as insufficient).

As for the distribution by age, the pattern is similar to the European one: the employment rate is highest among those aged 25–54.

Owing to the extension of the period spent in education, within the population aged 15–24 of the EU–25, for years, some 36–37% of the youth (EU–15: around 40%) have had an earning occupation (including temporary, part-time employment while studying); in Hungary – due to the shorter period of schooling and the non-existence of the double status of student/earner status, some 28% only qualify as employed (as well) in this age group.

Beside these marked differences, the employment rate of the 25–54 year-old is high at 74% in Hungary, too. Although this rate is somewhat lower than the corresponding one of the EU–25 (2003: 76.5%) due mainly to the already mentioned significant backlog in male employment, it nevertheless represents full employment in the age groups concerned. In Hungary, the employment deficit is most market in the age groups past 55.

Table 3.6.

Number of the employed by age group and gender, 2004

'000

Age group	Population	Employed, all	men	Women	% rate of employment
15-19	620.6	22.4	14.2	8.2	3.6
20-24	675.5	283.4	157.6	125.8	41.9
25-29	838.8	601.4	351.8	249.6	71.7
30-34	707.9	518.0	306.9	211.1	73.2
35-39	678.8	527.3	291.5	235.7	77.7
40-44	598.3	471.6	238.7	232.9	78.8
45-49	767.9	570.2	283.1	287.1	74.3
50-54	757.7	513.7	253.9	259.8	67.8
55-59	625.2	289.5	155.1	134.4	46.3
60-64	555.7	77.2	49.2	28.1	13.9
65-69	473.1	18.4	10.5	7.9	3.9
70-74	421.7	7.3	4.8	2.5	1.7
TOTAL	7 721.2	3 900.4	2 117.3	1 783.1	50.5

Source: CSO, LFSs

Consequently, in Hungary, the youngest generations and those past 55 represent the largest reserve pools for employment promotion – a well-known circumstance for years.

Preparation for EU accession and the first national employment action plan, as cited already, represented the first promising steps for increasing the employment of these age groups.

3.3.1. Employment by broad sector and branch

The structure of the European economies has undergone spectacular – and radical – change over the past decades, and although these developments have decelerated in the most advanced countries, they are far from having

come to an end, especially for those wishing to catch up with what they regard as the most modern economies.

Modernisation essentially means the decline in employment in the productive sector (agriculture, industry/construction) and its growth in the ever-expanding, wide-ranging branches of the tertiary sector.

Comparable data make it clear that, by the early nineties, agricultural employment had by and large disappeared in the economically most advanced countries; national agrarian production was replaced by products based on knowledge/capital accumulated over time or produced simply under more favourable climatic conditions, at a much lower price, in masses, but suitable for transportation, even in great masses and by air, if necessary, to the place of destination. In 2003, in the EU-15, agriculture employed a mere 4% of earners (UK: 0.9%, Luxembourg: 1.3% Belgium: 2.2%, Germany: 2.4% etc.). Their rate was highest at 16% in Greece. It is well known that the EU has for a long time provided special support to compensate for the forced reduction of production to former agricultural workers who could produce enormous volumes of the products for which there is a much lower solvent demand.

To date, agriculture in Europe employs mainly temporary, seasonal, extra labour at peak periods.

Industrial employment has shown similar contraction all over Europe: on the average of the EU-15, in 2003, it employed less than one quarter of all earners. Industry, based on the investment of lots of capital, knowledge and technological invention can produce more and more with less and less labour, not to mention the relocation of assembly-type work associated with less demanding products, requiring semi-skilled labour, to countries characterised by much lower wages than the home country.

In 2003, the rate of industrial employment was less than 20% in the United Kingdom and in the Netherlands, and exceeded 30% in Portugal only from among the older Member States.

More than 70% of earners in the EU-15 work in one of the services branches (in the United Kingdom, this rate exceeds 80%, in the Netherlands it is 78%) and, for years, new jobs representing net gains have been created exclusively in the expanding services branches.

Table 3.7.

Employment rates by broad economic sector

	Agriculture	Industry/construction	Services
EU-15			
1992	5.6	29.0	65.3
2003	4.0	24.6	71.4
EU-25			
1992	6.2	27.8	66.0
2003	5.2	25.5	69.2
Hungary			
1992	11.4	35.6	53.0
2003	5.5	33.3	61.2

Source: *Employment in Europe 2004.*

The modernisation of the economic structure keeps rearranging the employment shares of the three broad sectors in Hungary, too. The available time series, going back more than a hundred years, give a clear indication of the irreversible nature of this process, the shrinking of agricultural employment shrank to less than one tenth of its original volume, the natural and subsequently exaggerated development of industry and the adjustment of its employment capacity from the nineties on to the new market conditions, and the slow but promising development of the services sector.

Table 3.8.

Employment by broad sector, 1900-2004

Year	Agriculture/forestry		Industry/construction		Services		Employed '000 = 100%
	'000	%	'000	%	'000	%	
1 January							
1900*	1 734.6	61.1	422.5	15.0	684.2	23.0	2 841.3
1910*	1 684.7	50.7	558.1	18.3	810.1	26.5	3 053.0
1920*	2 127.2	50.7	562.9	15.8	875.3	24.5	3 565.4
1930	2 030.2	54.3	754.5	20.2	652.8	25.5	3 737.5
1941	2 163.9	51.5	919.3	21.8	1 118.7	26.7	4 201.0
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
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
2004	204.9	5.3	1 280.5	32.8	2 415.0	61.9	3 900.4

* Data referring to the present territory of the country

Source: 1900-1990: Population census data, 1992-2004: LFSs, annual average, from 1998 on: re-weighted data

The three broad sectors include a total of 14 (partly consolidated) branches. Two of the 14 branches (A-B) belong to the broad sector of agriculture, 4 (C-F) to industry/construction and 8 (G-Q) to the services. In 2003, the number of the employed fell in 6 of the 14 branches, by a total of 83 thousand. It increased in 8, by 128.3 thousand altogether. In 2004, employment declined in 7 branches, by a total of 65.1 thousand, it increased in 7, by a total of 42.2 thousand. The net loss amounted to 21.4 thousand jobs.

Table 3.9.

Number and distribution of the employed by branch

Economic branch *	1992		2003		2004		Change, 2003/2004 ‘000 + -
	‘000	%	‘000	%	‘000	%	
A-B	460.1	11.4	215.2	6.2	204.9	5.3	- 10.3
C	52.7	1.3	12.8	0.4	14.2	0.4	+ 1.4
D	1 053.5	26.2	925.5	24.8	893.9	22.9	- 31.6
E	108.0	2.7	68.2	1.9	63.7	1.6	- 4.5
F	216.8	5.4	299.4	7.0	308.7	7.9	+ 9.3
G	480.4	11.9	553.1	14.3	545.7	14.0	- 7.4
H	115.6	2.9	139.3	3.5	148.8	3.8	+ 9.5
I	346.4	8.6	303.2	8.0	296.1	7.6	- 7.1
J	68.7	1.7	72.9	1.9	80.1	2.1	+ 7.2
K	140.3	3.5	265.8	6.0	272.5	7.0	+ 6.7
L	236.7	5.9	295.4	7.3	298.8	7.7	+ 3.4
M	311.8	7.7	329.0	8.2	333.0	8.5	+ 4.0
N	236.3	5.9	267.2	6.2	269.4	6.9	+ 2.2
O-Q	198.4	4.9	174.8	4.2	170.6	4.3	- 4.2
TOTAL	4 025.7	100.0	3 921.8	100.0	3 900.4	100.0	- 21.4

* **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: CSO, LFSs

Shifts in the number of the employed by branch are a natural concomitant of the operation of the economy. The international economic trends – that is, the trends in global supply and demand trends – affect both the short- and the long-term national prospects of individual branches (cf. the general and marked reduction of agricultural employment in Europe).

The global development trends ever of the various branches play a rather decisive role in the small and open Hungarian economy, integrated to a growing extent in the international economy.

The scope of the present volume allows only to refer here to a few employment implications of the developments concerned, which could, of course, be studied from many other aspects as well.

1. If the current production structure demanding relatively little labour prevails, at the present output capacity of agriculture, referred to repeatedly above, agricultural employment will keep decreasing at the national level. (In 2004, both Hungary and the neighbouring countries failed to sell one of their main agricultural products, grains, and warehousing problems will intensify given the promising harvest of 2004. Unsold stocks of wine, meat, dairy products highlight the so far unresolved issues of European

agricultural employment, including the prolongation of EU subsidies designed to compensate for production cuts.)

The situation of the processing branches based previously on domestic agriculture, forestry and animal husbandry in most European countries and definitely so in Hungary.

In 2004, the decline in agricultural employment continued at the slightly fluctuating pace observed in previous years (1999–2000: –25 thousand, 2000–2001: –12 thousand, 2001–2002: –3 thousand, 2002–2003: –25 thousand, 2003–2004: –10 thousand).

2. The employment position of industry and construction, too, is heavily dependent on the relevant international trends.

The Hungarian economy, and especially certain manufacturing branches, offering more advantageous sales prospects than the home country of the investor, have remained attractive FDI targets in 2004, too. (According to the central bank, the foreign direct capital inflow amounted to EUR1 887 million in 2003 and EUR3 708 million in 2004.)

(Of course, Hungarians, too, take an active part in the international flow of capital. {“Videoton is building a plant in Ukraine. Ukraine is an attractive target due to the low wage costs of production, and also because of the lower investment costs” – *Napi Gazdaság*, 1 September 2004 – “Hungary is the largest investor in Slovakia – Last year, FDI worth SKK27 044 billion (EUR3 = SKK39 689) entered the country. ... As for the largest foreign investors, Hungary is topmost in the list with SKK6 191 million, followed by Austria” ... (*Napi Gazdaság*, 5 May 2005.)

The competition, mainly for the new jobs being created, seemed promising in 2004. According to the data of CSO released bi-annually – last in 2004 –, companies with foreign participation operated 554 986 jobs in 2002 and somewhat less, 543 535, in 2003. The largest segment (2002: 62.4%, 2003: 60.5%) related to employment in manufacturing and in trade (16.6 and 17.1%). In the other branches, the number of jobs maintained by foreign companies employing resident workers is much more modest. {*FDI In Hungary, 2002-2003.*, CSO, 2004.}

The government took measures to encourage the foreign direct capital inflow. In 2004, the biggest foreign companies investing in Hungary were granted almost HUF10 billion support by the state “trying to reduce its backlog in the international competition for large investments by leaps and bounds” {*HVG*, 19 June 2004}

The exact number of new jobs created by the incoming capital is not known yet; calculations based on press news suggest an order of magnitude of several thousands. On the other hand, it is quite obvious that investments to Hungary are the consequence, to a significant extent, of the restructuring of manufacturing in the advanced countries. Companies active in areas related to motorcar manufacture (Michelin, Eybl, Suzuki, Denso, Kusashi etc.) and

electronics (Electrolux, Elcoteg, Nokia, Sanmina, Jabil etc.) keep coming to Hungary, often planning to employ hundreds or even thousands of resident workers.

As elsewhere in Europe, parallel with the spread of new technology and a new production culture in the Hungarian economy, the most traditional manufacturing branches have been wound up. In the course of this process, going back several decades as a matter of fact and often checked by artificial means, the textiles and clothing, leather and footwear, canning and cold-storage, sugar, meat and tobacco industries etc. have kept contracting.

Manufacture lost a total of almost 32 thousand jobs in 2004; other industrial activities (mining, supply of electricity, gas, steam, hot water) included, a total of 36 thousand. That is, job losses in certain traditional industries overrides job gains in the new ones.

Construction was the only area moderating job losses in this broad sector to a noticeable extent.

Within the tertiary sector, job losses by 18.7 thousand in trade, in transport, storage, post and telecommunications (that is, at MÁV, the Hungarian Railway Company, MALÉV, the Hungarian Airlines, the post, MATÁV, a branch subject to continuous and inevitable rationalisation) and in the “other” services including the most diverse (e.g. household) service activities, were offset by job gains by 33 thousand in the other services branches.

Unfortunately, however, the modest net gains in services did not mean that “services created jobs”. Significant labour market reforms are the only way to ensure the significant expansion of employment options in the economy.

As discussed already, the rate of women to the employed fell slightly. The relative proportions of the branches have hardly changed – minor differences are cancelled, anyway, by the highly homogenous internal structure and the aggregation of the branches concerned. Nevertheless, obviously, the rate of women declined first of all in manufacture, demanding large quantities of semi-skilled work, and hence employing, typically, women, and to some extent in trade as well. The rate of women approximates 80% in education and in health care.

Table 3.10.

Branch distribution of the employed, by gender, 2003 and 2004.

Branch	Employed ('000)				Together		% rate of women	
	men		women		2003	2004	2003	2004
	2003	2004	2003	2004				
A-B	166.6	158.0	48.6	46.9	215.2	204.9	22.6	22.9
C	11.0	11.3	1.8	2.9	12.8	14.2	14.1	20.4
D	547.3	536.1	378.2	357.8	925.5	893.9	40.9	40.0
E	50.2	46.2	18.0	17.5	68.2	63.7	26.4	27.5
F	275.1	284.3	24.3	24.4	299.4	308.7	8.1	7.9
G	267.6	266.2	285.5	279.5	553.1	545.7	51.6	51.2
H	59.7	62.6	79.7	86.2	139.4	148.8	57.2	57.9
I	219.5	215.5	83.7	80.6	303.2	296.1	27.6	27.2
J	22.6	25.7	50.2	54.4	72.8	80.1	69.0	67.9
K	143.6	149.2	122.3	123.3	265.9	272.5	46.0	45.2
L	151.5	151.0	143.9	147.8	295.4	298.8	48.7	49.5
M	71.4	72.0	261.0	26.1	329.0	333.0	78.3	78.4
N	62.5	61.3	204.7	208.1	267.2	269.4	76.6	77.2
O-Q	77.9	77.9	96.9	92.7	174.8	170.6	55.4	54.3
TOTAL	2 126.5	2 117.3	1 795.4	1 783.1	3 921.9	3 900.4	45.8	45.7

* **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: CSO, LFSs

A small fraction of the employed indicated in the labour force survey that they had a second job, too. The extent of this phenomenon has been largely unchanged for years, and it is smaller by several orders of magnitude than the known number, in the range of hundreds of thousands, of certain forms of employment (private entrepreneur not in main job holder status, member of limited partnership etc.). This contradiction is presumably due to problems of interpretation and methodology.

Table 3.11.

Distribution of second job holders by branch, 2003 and 2004

Broad sector	Men		Women		All		% rate	
	2003	2004	2003	2004	2003	2004	2003	2004
A-B (agriculture)		3 808		1 694		5 502		9.3
C-F (industry)		7 753		2 170		9 923		18.7
G-Q (services)		29 791		23 160		52 951		72.0
TOTAL		41 352		27 024		68 376		100.0

Source: CSO, LFSs

3.3.2 *Employment status, occupational clusters*

In 2004, the number and proportion of persons working in employee status, implying the highest level of legal and social protection, but also the most expensive form of employment in Hungary, declined.

International labour law generally distinguishes two employment statuses: **a.) employees** put their own labour (knowledge, skills etc.) at the disposal of an employer for pay; **b.) independent** persons sell their labour (knowledge, skills etc.), on business terms.

Legally, employees are subject to the Labour Code, and independents to the Civil Code. There is a difference in the conditions of their social insurance (social security, pension contribution etc.), too: a major part of mandatory contributions payable on employees are paid in most countries, Hungary included, by the employers, while the independents must insure themselves.

In the course of the decades, many intermediary forms of employment have emerged in between these previously clearly distinguishable main types, in response to the changing demands of the transforming economy. (In Hungary, the qualification of the non-standard forms has been subject to ardent debates. The trade unions insisted on providing employee status to those employed under pseudo-entrepreneurial contracts so that they should not be deprived of the benefits due to employees under the law and the collective contracts. For some employers (and part of those working as entrepreneurs), on the other hand, work in independent status, on business terms, seemed more attractive.)

In Europe –Hungary, too – most workers prefer to be in employee status, with the employer being responsible for continuous orders, regular pay, adequate working conditions etc., and the worker doing the task assigned to him/her and receiving the corresponding remuneration, pay, paid leave, sick leave etc. due under the law.

Employee status, however, especially its traditional, full-time variant, is losing ground in many countries of Europe. In Hungary, the chances for increasing employment in employee status are poor given the taxes and contributions payable on labour by the employer, very high in international comparison, too. (Nevertheless, this will probably remain the most general form of employment for decades.)

The development of the respective weights of the other forms of employment has largely followed the trends so far. The number of co-operative members fell even further, that of members of corporate business entities has kept increasing, and the permanent decline in the number of assisting family members has continued. With the decline in employee jobs, however, the number of persons creating their own, independent, financial existence increased, and in 2004 their rate attained 10% of all employed. (Although it was highest in 1999 at 412 thousand.)

*Table 3.12.****Number and distribution of the employed* by employment status***

Employment status		1992	2003	2004
Employee	'000	3 203.4	3 399.2	3 347.8
	%	79.6	86.7	85.8
Co-op. member	'000	225.0	8.6	8.1
	%	5.6	0.2	0.2
Partnership member	'000	257.9	114.7	136.6
	%	6.4	2.9	3.5
Sole proprietor	'000	290.1	378.4	390.5
	%	7.2	9.6	10.0
Assisting family member	'000	49.3	21.0	17.4
	%	1.2	0.5	0.5
TOTAL	'000	4 025.7	3 921.9	3 900.4
	%	100.0	100.0	100.0

* Ages 15-74

Source: LFSs

Almost 40% of the 3.3 million employees actually work at micro enterprises employing a maximum of 1–9 staff; 1.5% at small enterprises (19–49 staff), 16% at medium-sized ones (50–249 staff) and some 30% at large ones (250+ staff). Local budget organisations employ more than half a million employees (15.7%).

That is, the predominance of the employment weight of large organisations is a thing of the past; the local governments and hundreds of thousands of micro enterprises together employ a larger segment of employees than they do.

CSO collects data on the activity of organisations with 5 or more staff. In the following statistics, this is supplemented by the headcount data of organisations with less than 5 staff.

Table 3.13.

Distribution of the employed by staff size category, 2004

Staff size category	Micro	Small	Medium	Large		Local budget '000	Total		
	Sized enterprise							'000	%
	'000 persons								
1-4	558.1								
5-9	206.4						764.5	22.8	
10-19		214.8							
20-49		296.7					511.5	15.3	
50-99			256.4						
100-149			131.3						
150-199			98.7						
200-249			69.8				556.2	16.6	
250-299				54.1					
300-499				197.5					
500-999				214.6					
1000 -1999				164.5					
2000-4999				145.0					
5000				212.6			988.3	29.5	
Total	764.5	511.5	556.2	988.3	2 820.50		2 820.5	84.2	
Local budget							527.3	15.8	
Grand total:	100.0		100,0		100,0		100,0	3 347.8	
								100.0	

Source: CSO. LFSs

The earners employed in different statuses are engaged in many types of manual and non-manual work. One of the distinctive features of the occupational clusters generated on the basis of the main features of their jobs is the knowledge/skills requirement associated with the given activity. Modern economies tend to rely on knowledge to a growing extent for their future development – the objectives of the European Employment Strategy, quoted repeatedly, reflect this recognition.

The most important tendency measured and analysed at the level of the national economies is probably the development of the relative weight of manual and non-manual occupations. This is a very slow process of necessity, depending on many circumstances. In Hungary, CSO has been using the current FEOR system, the Uniform Classification System of Occupations, providing a time series suitable for international comparisons since 1992. As a matter of fact, it is a significant change that, over a period of ten years, the proportion of non-manual workers has been increasing steadily, to the detriment of manual occupations.

Within the four groups of non-manual occupations taken into account, more than half a million work in jobs requiring the autonomous application of a higher educational qualification of some sort – the majority being women. Another group, also larger than 0.5 million (and consisting mostly of women) works in occupations requiring other higher or secondary level qualification. In these two categories, the number of the employed went up by almost 250 thousand since 1994, while the share of administrators/clerks, typical in the Hungarian economy previously, dropped steeply.

Changes are slower in the manual occupations. It is a permanent trend, however, that hardly more than one third of manual workers are women.

Table 3.14.

Number of the employed * by occupational cluster, 1994, 2003-2004

Occupational cluster	1994			2003			2004		
	All		% rate, women	All		% rate, women	All		% rate, women
	'000	%		'000	%		'000	%	
1. Legislators, senior officials and managers	240.8	6.5	36.8	271.2	6.9	34.3	292.2	7.5	33.9
2. Professionals	383.3	10.4	56.7	497.0	12.7	56.6	521.7	13.4	56.9
3. Technicians and associate professionals	448.6	12.1	64.5	565.1	14.4	65.7	556.9	14.3	65.3
4. Office clerks	318.9	8.6	91.2	243.9	6.2	93.4	239.0	6.1	92.8
Non-manual occupations, total	1 391,6	37,7	63,7	1 577,2	40,2	61,7	1 609,8	41,3	61,0
5. Service workers and shop and market sales workers	517.0	14.0	56.8	609.9	15.6	56.8	603.0	15.5	57.3
6. Skilled agricultural and forestry workers	132.4	3.6	31.3	120.7	3.1	25.4	116.9	3.0	25.7
7. Craft- and related workers	852.3	23.1	21.3	798.6	20.4	16.3	767.3	19.7	15.4
8. Plant and machine operators and assemblers	390.1	10.6	21.1	474.6	12.1	29.0	462.7	11.9	28.9
9. Elementary occupations	359.9	9.7	57.1	296.3	7.6	57.7	296.3	7.6	56.3
Manual occupations, total	2 251,7	61,0	35,7	2 300,1	58,7	35,5	2 246,2	57,6	35,3
0. Armed forces	49.2	1.3	12.4	44.7	1.1	13.6	44.4	1.1	17.1
National economy, total	3 692,5	100,0	45,9	3 921,9	100,0	45,8	3 900,4	100,0	45,7

* Ages 15-74

Source: CSO, LFSs

3.3.3 *Employment by legal form of the organisation*

In Hungary, frequently a distinction is made between business and public sector employees, due mainly to the differences in the relevant legal regulations. This is justified in several respects (e.g., structure of earnings analyses, see below), but less so in the area of employment.

Comparisons are simplified by the fact that in 2004 23% of all earners worked in three mainly public branches (L = Public administration, compulsory social security; M = education; N = Health care, social care) and more than three-quarter in the various branches of the business sector.

This approach, however, is rather inaccurate, given the fact that there are numerous private enterprises active in education and health care and some state-owned (large) enterprises in the competitive sector (MÁV, MALÉV, post etc.), maintained and operated, if necessary, by the central budget and subject to state decisions regarding staff restructuring among others.

In view of the above, among other things, we shall review the typical development trends of the distribution of organisations and earners by legal form and staff size, providing essential information on the situation of the employed, too.

As in the previous years, the number of registered business organisations has kept increasing in 2004, too. Simultaneously, however, the number of active organisations dropped by around 10 thousand, due primarily to the decline in the number of sole proprietorships. The number of limited liability companies, on the other hand, continued to increase – a most welcome development.

Table 3.15.

Number of active business organisations *

	1995		2002		2003		2004	
	entity	%	entity	%	entity	%	Entity	%
Corporate enterprises	188 207	28.2	385 344	40.8	409 265	42.2	415 789	42.7
<i>Of which:</i>								
Incorporated	94 948	14.2	171 867	18.2	185 606	19.1	196 926	20.5
Unincorporated	93 259	14	213 760	22.6	223 659	23.1	218 292	22.7
Sole proprietorship	417 587	62.6	474 678	50.2	473 238	48.8	456 077	47.5
Enterprises, total	605 794	90.8	860 022	91.0	882 503	91.0	871 956	90.8
Budgetary/social insurance organisation	14 992	2.2	15 401	1.4	16 026	1.7	15 259	1.6
Non-profit organisation	46 804	7.0	69 074	7.6	70 855	7.3	72 955	7.6
ESOP organisation	303		194		175		151	
TOTAL:	667 893	100.0	944 691	100.0	969 559	100.0	960 321	100.0

Year, December 31. The Inland Revenue Office (APEH) and CSO record the registered and the active organisations differently.

The figures quoted here are based on the CSO accounting system.

Source: CSO, *Monthly Statistical Bulletins*, 2004/12.

Table 3.16.

Distribution of active enterprises by branch

Branch	%	
	2000	2004
Agriculture	3.5	4.5
Industry	12.1	8.8
Construction	8.2	9.4
Trade	27.6	21.1
Catering	3.9	4.6
Transport	3.5	4.8
Financial intermediation	0.9	3.1
Real estate, business support	31.3	31.0
Education	1.5	3.0
Health care	3.1	2.8
Other services	4.3	6.9
Total	100.0	100.0

Source: MET, *Annual Report, State of Small and medium-sized businesses, 2003-2004*

Most enterprises are active in the branches of business support and trade, and in industry and construction. Over the past years, however, the share of enterprises active in trade and industry shrank significantly, while in construction and financial intermediation and other services it showed spectacular growth.

The staff size distribution of the companies showed no change of merit: the great majority, 96%, are micro enterprises – small enterprises included, their share exceeds 99%–, while 57.5% of all employed work in the SME sector (micro enterprises included).

Table 3. 17.

Distribution of active organisations by legal form and staff size category, 31 December 2004

Business organisation *	Staff size category							Altogether
	0 staff**	1-9 staff	10-19 staff	20-49 staff	50-249 staff	250-499 staff	500 +	
	Micro		Small		Medium-sized		Large	
Incorporated								
Ltd	51 120	107 521	12 799	7 850	3 521	302	173	183 286
CLS	505	967	401	553	926	199	237	3 788
Co-operative	2 607	1 462	352	454	333	7	4	5 219
Together	54 232	109 950	13 552	8 857	4 780	507	414	192 292
% rate	28.2	57.2	7.0	4.6	2.5	0.3	0.2	100.0
85.4%								
Unincorporated								
GP	1 829	4 431	150	45	5			6 460
LP	65 735	116 448	2 383	534	96	11	4	185 211
Together	67 564	120 879	2 533	579	101	11	4	191 671
% rate	35.2	63.1	1.3	0.3	0.1			100.0
98.3%								
Sole proprietorship	79 766	374 015	1 849	402	44	1		456 077
% rate	17.5	82.0	0.4	0.1				100.0
99.5								
Total	201 562	604 844	17 934	9 838	4 925	519	418	840 040
% rate	24.0	72.0	2.1	1.2	0.6	0.1		100.0
96%								

* Business forms/other enterprises subject to mandatory transformation/termination not included.

Total number: 31 916.

**Enterprises operated without employee, by the owner, alone, and enterprises of unknown staff number included.

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

Source: *CSO Fast Review*, 18.02.2005

Table 3. 18.

**Number of employees of organisations with more than 4 staff, by staff size category*,
2003,2004**

Headcount category	Active business org. (31.Dec.)				Annual average no. of employed			
	2003		2004		2003		2004	
	No.	%	No.	%	No.	%	No.	%
<u>Micro</u>								
5-9	36 742	46.2	39 734	47.8	192.3	8.7	206.4	9.1
<u>Small</u>								
10-19	19 715	24.8	20 311	24.4	200.0	9.0	214.8	9.5
20-49	13 496	17.0	13 386	16.1	265.0	11.9	296.7	13.1
<u>Medium-sized</u>								
50-99	5 513	6.9	5 481	6.6	219.7	9.9	256.4	11.3
100-149	1 555	2.0	1 690	2.0	126.1	5.7	131.3	5.8
150-199	739	0.9	754	0.9	97.3	4.4	98.7	4.4
200-249	424	0.5	420	0.5	70.4	3.2	69.8	3.1
<u>Large</u>								
250-299	256	0.3	253	0.3	54.8	2.5	54.1	2.4
300-499	508	0.6	508	0.6	277.7	12.5	197.5	8.7
500-999	393	0.5	372	0.5	226.4	10.2	214.6	9.5
1000-1999	143	0.2	145	0.2	146.7	6.6	164.5	7.3
2000-4999	54	0.1	58	0.1	132.7	6.0	145.0	6.4
5000+	20	0.0	16	0.0	213.6	9.6	212.6	9.4
TOTAL	79 558	100.0	83 128	100.0	2222.7	100.0	2 262.4	100.0

* Statistical staff no., not including the employees of local budget institutions

Source: *Main Labour Developments, January/December 2004. CSO, 2004.*

3.4 Atypical (non-standard) employment

3.4.1 Non-traditional employment

Although it is becoming increasingly obvious that the employed cannot be assigned to one of two employment statuses, as employees or independents, altering this situation in legislation and in the related practice is a very slow process for several reasons. The theoretical bases are being re-interpreted at several levels (as in the case of the Supoit Report prepared by an international group of scientists commissioned by the EU; the renewed attempts of UN committees and national and international statistical fora to introduce new definitions, or the analyses prepared at universities and various research sites).

The many forms in between the “clear” (standard) types of employment, from agency work to franchise contracts, deviating from both the traditional employee relationship and from that of self-employment in the most diverse parameters, have also been studied for a long time and from many aspects,.

For years, the EU has been monitoring exclusively the spread of employment under fixed-term contracts and/or on a part-time basis, as opposed to traditional employment, for an indefinite term, on a full-time basis. (The collective term of “atypical employment” used for the former has become somewhat uncertain; “non-standard employment” is the more generally used term now.)

EU monitoring covers, in addition to the above two major categories atypical employment in employee status, the spread of self-employment as well.

Special attention paid to these forms is explained by the fact that, in recent years, the number of earners increased in the EU-15 almost exclusively through the expansion of part-time and fixed-term employment.

In some countries boasting higher employment rates – first and foremost in the Netherlands, having shown most determination in implementing its labour market reforms – to date, around one third of all earners work in one of the **non-standard forms of employment**.

As for the new Member States, the spread of the non-traditional forms of employment is very limited as yet, due mainly to the immaturity of interest reconciliation, the capacity of the social partners to work out compromises.

The share of the *independents* has hardly changed in most EU Member States. In some cases – especially in the countries having the most significant agricultures – the share of farmer operators of small peasant farms has been permanently high; elsewhere – due mainly to the tax and other legal regulations shaping the business sector – it has been permanently low.

Table 3.19.

Atypical jobs in the EU Member States, 2002-2003

%

Country	Part-time workers		Fixed-term contracts		Self-employed	
	% rate to the population aged 15–64					
	2002	2003	2002	2003	2002	2003
Belgium	19.1	20.5	8.1	8.4	16.4	16.3
Czech Republic	4.9	5.0	8.1	9.2	16.0	17.1
Denmark	20.0	21.3	9.1	9.3	7.0	7.1
Germany	21.2	22.4	12.1	12.2	10.6	10.8
Estonia	7.7	8.5	2.7	2.5	8.1	8.9
Greece	4.5	4.3	11.2	11.0	41.8	42.3
Spain	7.9	8.0	31.0	30.6	15.8	15.3
France	16.4	16.5	13.9	12.9	8.8	8.8
Ireland	16.5	16.8	5.3	5.1	17.6	17.4
Italy	8.6	8.5	9.9	9.9	25.2	25.0
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lithuania	10.8	9.6	7.2	7.2	20.0	20.3
Luxembourg	10.3	n.a.	5.0	n.a.	6.9	n.a.
Hungary	3.6	4.4	7.3	7.5	13.8	13.2
Malta	8.3	n.a.	4.6	n.a.	10.9	n.a.
The Netherlands	43.9	45.0	14.4	14.6	13.9	14.0
Austria	19.6	20.2	7.3	7.1	n.a.	n.a.
Poland	10.8	10.5	15.4	19.4	28.1	27.3
Portugal	11.2	11.7	21.7	21.1	26.9	26.9
Slovenia	6.1	6.2	14.2	13.7	17.2	16.9
Slovakia	1.9	2.4	4.9	4.9	9.1	10.2
Finland	12.8	13.0	16.0	16.3	12.8	13.0
Sweden	21.5	22.9	15.2	15.1	4.9	4.7
United Kingdom	24.9	25.2	6.3	6.1	11.4	12.2
EU TOTAL	16.7	17.1	12.7	12.9	15.5	15.6
EU–15	18.2	18.6	13.0	12.8	14.6	14.8

Source: *Employment in Europe 2004.*

a.) Part-time work

As for the details, the most common change in employment in employee status is the spread of *part-time* employment, that is, employment for a *shorter* working time than the standard legal (daily, weekly, monthly or annual) working-time defined in the given country. This tendency was triggered, basically, by the labour demand of the various services activities, combined with the ever higher costs of employment. (Wages have been growing in almost every European countries systematically year on year, the same as the relevant taxes and mandatory insurance contributions payable by the employers to the state, and the benefits due to workers under the collective agreements.) Ever more expensive labour has forced the business

entities, subject to intensifying competition, to economise on labour by hiring it for the absolutely necessary period only.

The spread of part-time work in the EU countries depends on many circumstances (such as the structure of the economy, the employment demand of the various branches, or even the national traditions regarding the earning activity of women or job opportunities available to young people still in education). One of the factors, perhaps the most important one, is the series of agreements to be reached by the social partners, the organisations of employers and of employees – the extent to which they open new ways for letting the previously unemployed (youth, women, older people) enter the population of earners, to meet the real demands of the economy, by making the rules applicable to employment – to the right to work shorter hours, in the given case – more flexible. (As mentioned already, from among those aged 25-54, that is, of “prime working age”, in the EU-15, in 2003 77% (86.5% of men and 67.8% of women) had an earning occupation.)

Given the differences in the national conditions, there are rather marked disparities between the old EU Member States, too, in this respect: in 2003, the relevant rates ranged from 45% for the Dutch and 4.3% for the Greek.

Part-time work has an abundant literature analysing the national characteristics and the international experiences. The most general experience so far has been that women represent a decisive segment of part-time workers, and the majority choose this form of employment voluntarily. In several countries, a high proportion of young persons studying for a degree undertakes part-time employment, mainly in order to be able to finance their studies.

The organisations of European workers and employers, realising the economic demand for and rationality of the spread of part-time employment, have concluded agreements regarding the workplace rights of workers employed on a part-time basis. The essence of these agreements is to ensure part-time workers the same rights as to full-time workers, while their allowances should be proportional with their working-time. (The national regulations and the collective agreements may rule differently if that is more favourable to the workers.)

In Hungary, as a matter of fact, many women would be willing to work less than 8 hours a day, especially mothers raising young children. (According to the recurrent surveys of Mária Frey – carried out in part jointly with Ilona Gere –, many women would have been satisfied with full-time work under some more flexible work schedule, such as a distinction of core and peripheral working time, but such solutions are very rare.)

The standardised relationships of the centrally regulated socialist economy based on state ownership have not favoured the introduction of non-standard forms, and after the change of regime, parallel with the decisive, major, changes, the Hungarian legislation applicable to employment has become more rigid rather than lenient, and employment has become more expensive.

(In terms of the costs of labour, increasing year on year, part-time employment has been made highly unfavourable, especially by the introduction of the itemised health care contribution.)

Given the above, employers were reluctant to use part-time employment, and hence there were hardly any vacancies of this type available to workers.

In addition to the lack of vacancies, potential part-time workers, especially women, were deterred by the expected low level of earnings, too.

Consequently, in Hungary, as in the other former socialist countries having joined the EU, part-time work has remained insignificant.

In 2003, the Ministry of Employment Policy and Labour took measures to encourage employers to chose this form. Under Ministry Decree No. 13/2003.(X.10.) FMM, support may be granted to an employer undertaking to employ a person registered as unemployed by the labour centre for at least three months or raising at least one child under 14 in his/her own household or receiving nursing fee under the Social Welfare Act, at a working time corresponding to half or max. three-quarter of the standard (legal) working time. By way of support, it is possible to reimburse max. 75% of the total amount of the wages and benefits and/or the segment of the costs of commuting to work by local transport debited to the employer, fully or in part. This provision came into force at the end of October 2003.

Data for 2004 indicate the appearance, although with a modest number of 791, of part-time workers supported by the Labour Market Fund. In the year of the announcement, no such subsidy was granted, if only because of the regulation came into force so late in the year, but in 2004 HUF133.3 million subsidy was made available to those employing members of the groups specified under the MEL decree on a part-time basis. *{Report on the fulfilment of the 2004 budget of the Labour Market Fund, MEL, MAT Fund Management General Directorate, Bp. 2005.}*

CSO surveys those working part-time as compared with the national standard (a weekly 40 hours in Hungary) on a regular basis, in accordance with the relevant international convention. In this summary, 6.2% of earners fell into the bracket of 1 to 39 hours a week, that is, taking into consideration what was almost full employment. This is somewhat more than the corresponding rate for 2000, but less than in 2003 – that is, part-time employment has made no headway as yet.

Table 3. 20.

Regular weekly working time in main jobs

%

	1-39 hours			40 hours			40+ hours			Volatile		
	M	W	All	M	W	All	M	W	All	M	W	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
2004	3.7	9.5	6.2	69.3	78.5	73.5	14.4	6.9	11.0	12.6	5.1	9.2

M=men, W=women

Source: CSO, LFSs

The labour force survey queries the reasons for choosing shorter working time, too. As can be seen, such schedules are most frequent at those workplaces where full-time work, too, is less than 40 hours. The other reasons are rather sporadic.

Table 3.21.

Reasons for working shorter hours

Reasons	2000			2003			2004		
	M	W	All	M	W	All	M	W	All
Less than 40 hours/week in main job ('000 persons)	63.3	157.3	220.6	81.4	168.5	249.9	77.9	168.0	245.9
<i>of which.:</i> (%)									
Full-time worker with a weekly working time of less than 40 hours	41.3	45.1	44.0	36.5	37.6	37.3	30.6	37.6	35.4
Cannot find full-time work, lack of work	13.8	13.3	13.4	14.0	14.6	14.4	12.8	14.0	13.7
Does not want to work full-time	16.5	20.4	19.3	16.2	19.4	18.4	20.9	21.0	21.6
- to state of health	13.7	7.5	11.5	16.3	10.2	12.2	19.0	10.4	13.1
- education, upgrading training	2.8	2.2	2.3	1.8	1.4	1.5	3.5	1.7	2.3
- other reason	11.9	11.5	11.6	15.2	16.7	16.2	13.5	19.1	18.9
% rate to the employed	3.0	9.0	5.7	3.8	9.4	6.4	3.5	9.4	6.3

M = Men, W= women

Source: CSO, LFSs

Beyond the so far small target groups of subsidised part-time employment, more comprehensive and efficient changes are required to foster the spread of part-time employment.

b.) Fixed-term contracts

One of the distinctive features of traditional employment in employee status is that the work contract is concluded for an indefinite term. To ward off the impacts of major fluctuations, especially at the time of the rocketing growth of mass-producing big industry in the early 20th century, employers committed themselves, often in response to the demands of the trade unions, to guarantee to workers dismissed for no fault of their own a notice period and severance pay. The trade unions checked carefully compliance with the rules specified in detail under the collective and other agreements, and employers trying to evade their payment obligations associated with giving notice were subject to legal sanctions. As fixed-term contracts could represent one form of evasion, the trade unions restricted their use (e.g. to cases of sudden, major, special orders, special circumstances etc.).

Economic development and, not in the last, the growing the costs of labour, have changed the situation in the sense that – as in the case of part-time employment – employers were forced to economise on labour, that is, to limit employment to the absolutely necessary period. Despite more lenient regulations introduced in several countries, the overwhelming majority of employees work under contracts concluded for an indefinite term. In Spain and Portugal, subject to very rigid regulations previously, unemployment could be reduced (Spain) and employment kept at a relatively high level thanks to the expansion of fixed-term employment.

In Hungary, according to the data of CSO's labour force surveys, in 2004, a mere 229 thousand were employed under fixed-term contracts.

As legislative changes take a very long time, the economy produces its own solutions to meet the new demands. *Labour hiring/leasing*, a form spreading fast in the USA and more slowly in Europe, is one of these.

This service, provided mostly by private job brokerage agencies on a business basis, takes over human resources management from the client organisation. It may cover any element of it, from recruitment through training to hiring workers, that is, employing them until they are put at the disposal of the client. Hiring may mean an agreement for a fixed or an indefinite term. All obligations relating to the workers concerned are to be borne by the hiring company.

In Hungary, after the amendment of the Labour Code on 1 July 2001, several labour hiring companies were formed, and this activity line was included among the activities of existing job brokerage agencies as well. According to the relevant PES survey, at the end of 2004, there were 505 labour hiring companies in Hungary, almost 50% more than one year earlier. Altogether, they delivered services to more than 1700 companies, employing/hiring a total of nearly 53 thousand workers, 60% among them under contracts for indefinite terms.

More than 40% of companies in need of leasing labour operate in manufacturing. (The experience is that most are foreign-owned companies, capable and willing to pay an agency for assuming the HR management tasks instead of going into the details of the Hungarian labour, taxation, social insurance etc. legislation themselves. Other big client groups include sports and cultural (18%) and trade (12%) enterprises.

Men and women were represented almost equally (at 27.5 and 25.2 thousand, respectively) among hired workers; manual workers represent almost 90% and semi-skilled workers 60% of the population concerned.

Hired workers worked a total of almost 5.5 million work days in 2004; more than 2 million days more than in any of the previous two years. *{Activity of labour hiring companies in 2004 on the basis of the PES data.}*

c.) **The self-employed**

As mentioned already, beside the changes in “traditional” employment, the EU monitors the development of self-employment, too, representing the other main category of employment, of essential importance up to the present day.

As a matter of fact, beyond the simplified definition that someone will qualify as self-employed if he/she sells a product or service using his/her own production tools, executing that task individually, for an entrepreneurial fee, the actual circle of those qualifying as self-employed is different by country. National taxation systems, Civil Codes codifying the freedom of contracting and the interrelationship between vendor and buyer, the statistical accounting practice ever etc. all influence the relevant national definitions.

As described in our Report on 2004, at the end of the eighties, the ILO made tried to define 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.

Although the definition proposed by the ILO has not become generally accepted, the following can be stated:

- It is a lasting trend that, despite considerable differences by country (from 5% in Sweden to 42% in Greece), the overall rate of the self-employed is relatively stable (in the EU, it was 15.1% in 1985 and 14.6% in 2002).
- The actual, higher or lower, rate depends, to a large extent, on the structure of the given economy: self-employment is typically more significant in countries characterised by a high rate of agricultural employment, mostly on family farms.

- The rate of the self-employed declines with the growth of prosperity, as it becomes easier to accumulate the capital required for establishing an incorporated entity separated from the household. (In such cases, the working owner becomes the employee of the firm.) In the most advanced economies, the population of the self-employed consists of immigrants and members of strata with poor employment chances.

Other arrangements wedged in between the “pure” forms as defined by the UN Statistical Commission and used in international practice (employees sell labour; independents sell own products/services) have rendered the meaning of “independent” rather uncertain (these include, for example, franchise, mentioned already above, or outsourcing, a process having accelerated in the past decades, implying the separation of certain enterprise activities for the purpose of operating them independently in the future, or the labour law status of working members of limited liability companies having a property share in it, or employees working as second job holder entrepreneurs etc.).

Owing to the difficulties of tracing enterprises, most countries have their own system for taking into account the independents.

- Independence, which used to be a highly esteemed status (and still is, of course, for many), has depreciated in the eyes of many social groups, while employee status implying legal and social protection, a guaranteed salary irrespective of business fluctuations, an almost routine annual salary increase etc. became the most attractive alternative throughout Europe over the decades.

In the majority of the European countries, high employee rates are accompanied by less than 20% of independents; their rate being high, typically, in countries with a high proportion of family farms in agriculture.

- In many well-to-do countries, those trying to earn a living as independents are typically immigrants from the former colonies. (The SOPEMI Report, giving an annual detailed overview of the processes of migration in the OECD countries, demonstrated by its data that, in most OECD Member States, the proportion of former migrant independents has increased both in absolute numbers and in proportion over the past 5 years. It is ever more frequent for women, too, to start their own business. One reason for going independent is the difficulty of entering the labour market. – *Trends in International Migration, Annual Report 2004 Edition, pp.67-68.*) In Hungary the number of independent earners – calculated according to a classification system based on the ILO definition – declined in the transformation years. Their various groups showed different trends, but since 1992, essentially, the number of private entrepreneurs was the only one to have grown and then stabilised.

Table 3.22.

Number of the self-employed, 1992-2003

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	41.0	620.6
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	23.9	533.4
2003	8.6	114.7	378.4	21.0	522.7
2004	8.1	136.6	390.5	17.4	552.6

* Main job holders, pensioners, freelance intellectuals

Source: CSO, LFSs. Newly weighted data from 1998 on

In 2004, the trends dating from the transition years continued, with slight modifications.

The population of co-operative members, exceeding 200 thousand in 1992, shrank to a fraction of that size. The bulk of industrial and service co-operatives was transformed into business enterprises, typically incorporated companies limited by shares or limited liability companies, and their members became employees, and occasionally also owners, of the successor firms. Many agricultural co-operatives chose a similar form of operation. Although EU agrarian policy considers the co-operative a useful form worth encouraging, Hungarian agrarian policy is rigidly opposed to it, and, for years, this attitude has prevented that any initiatives be taken in this respect.

Unincorporated enterprises (business work panel, civil law partnership etc.), having mushroomed in the years preceding the change of regime had to be transformed after it under the provisions of the new Companies Act, and in the early nineties, a large number among them disappeared instead of choosing a new form. They were replaced by limited and general partnerships, requiring no initial capital either, based on the knowledge/work of their members. Subsequently, the staff number of these entities underwent slow but steady decline due to the essentially favourable, but more and more severe taxation regulations. This number, in excess of a hundred thousand even then, has been rising again slightly since 2003, probably due to the more favourable tax regulations once again.

However, it is common knowledge that organisations of various sizes and also institutions, mostly cultural ones, maintained by the state or the local government, also employ part of their staff, formally, as independents,

members of limited partnerships or sole proprietors, due to the notoriously high public burdens payable on employees. The independents pay these items – according to other regulations than the employers – themselves.

After stagnation for several years, the number of sole proprietors increased again slightly in 2004.

The labour administration has for years encouraged and assisted the unemployed to become independents, and the National Employment Foundation (OFA) provided application-based capital worth HUF5 million for this purpose.

Subsidies covered by the Labour Market Fund were used in 2004 by almost 8 thousand (3 225 received domestic support corresponding to the unemployment benefits to become entrepreneurs, and 4 689 were assisted in becoming self-employed.)

According to the monitoring survey cited already, investigating the efficiency of programmes terminated in the first half of 2004, the programme having supported 1 200 unemployed persons starting their own enterprises has been successful as more than 90% of the enterprises concerned were active.

The number of unpaid family workers has tended to decline, due probably to the growing public burdens associated with mandatory insurance.

In 2004, the rate of the independents to the earners was 14%, i.e. somewhat lower than the corresponding EU average. (This, however, may be due to accounting reasons, too: for example, according to the national definition, persons typically in inactive status, working on small farms as “original producers” occasionally throughout the year qualify neither as independent, nor as entrepreneurs.)

Entrepreneurs’ permits taken out by pensioners or persons having a first job, although registered by the authorities as independent enterprise, were mostly used to legalise supplementary income earning. The circle of main job holder sole proprietors, essentially stable for a decade, is less than 60% of that of sole proprietors.

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
2004	256.0	56.1	77.2	16.9	122.8	27.0	456.0

* On 31 December

Source: 1990-1995: Inland Revenue Office (APEH): number of tax-payers in the given year; 1996-2003: CSO, Monthly Statistical Bulletins; 2005: CSO Fast News (18.02.2005)

d.) Temporary employment

This collective term covers many forms of employment for a shorter or longer period of time *differing from* continuous employment for an indefinite term. The list, of different length by country, may include fixed-term employment and labour leasing, the same as seasonal work typical in several branches (agriculture, construction, travel, catering, in several European countries: shipping, fishing etc.), or even temporary work for a short time, occasionally one or a few days, such as day labour.

In Europe, various attempts have been made to satisfy the demand of the economy and the households for short-term work legally, and to allow those engaging in such work to benefit from the national insurance systems guaranteeing social and legal protection. (Belgium, France: voucher system and tax relief for households employing unemployed persons. Germany: midi and mini jobs etc.)

Temporary Employee's Booklet (TEB)

The Temporary Employee's Booklet (TEB) was introduced in Hungary in autumn 1997. Its original purpose was to make help unemployed persons no longer eligible for unemployment benefits "accumulate" the number of work-days required for eligibility for further provisions from several short-term jobs. Employers could pay the related public burdens by sticking stamps in the booklet.

Initially, the booklet was not a success, due to the notoriously high Hungarian public burdens established on the basis of the minimum wages and because it had no obvious advantage over undeclared temporary work, the routine previously. Remuneration for such work depended on several circumstances (difficult/easy tasks, day wages in the area/in the given social stratum etc.). Hence although the booklet was taken out by tens of thousands every year, approximately half was actually used, although the labour administration introduced more and more favourable conditions year on year.

The turn occurred in 2003, with the significant moderation of public burdens, and the popularity of TEB continued to increase in 2004.

Table 3.24.

Utilisation of TEB

	Issued	Used	% rate of registered unemployed to all users	average no. of workdays/cap.	% rate of the lowest payments**
	TEBs				
	'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
2004	131.6	75.9	66.3	14.5	49.1

* TEB was available from September 1997.

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

Source: NEO

The difference between reduced and standard public burdens payable by the employer is paid to the Inland Revenue Office and to Social Insurance by the Labour Market Fund. The central budget had a revenue of almost HUF1 billion from temporary employment in 2004, and around three-quarter of that was paid by the employers. (Despite the reduction, it may happen that employers actually make the worker pay the items concerned.)

TEB, available without any limit, offers both the employer and the employee the security implied by legal employment. In 2004, in addition to the registered unemployed representing two-third of TEB users, persons in employment/on child-care leave, students, and unregistered jobless persons also worked with TEB. {Summary of the data of TEBs used in 2004, NEO, 2005.}

e.) Teleworking

The steady spread of computer-based work is expected to transform the current, rigid, system of employment in terms of employment statuses and requirements applicable to contents and form (e.g. place of work, working time, rest period etc.).

To date, Europe as a whole is in the very beginning of this process. Hungary, the same as the other former socialist countries having joined the EU, is busy introducing computer culture.

In that context, after several attempts, a central programme was launched to promote the spread of teleworking. The programme implemented as part of the programme called “Give a chance to the future” launched in 2002 by government decree ended at the end of 2004.

The original objective of the programme was to create a thousand new teleworking jobs, and the target number was raised with the help of the Labour Market Fund to 1 371.

The Ministry of Information and Communication provided HUF500 million for creating the necessary ITC infrastructure and the Ministry of Employment Policy and Labour HUF502.7 million, and then another HUF190.5 million, that is, a total of HUF693.2 million, for wage subsidies to promote job creation and training to lay the foundations of teleworking.

Application-based subsidy was available for basic IT training, specific teleworker training and wages. Some two hundred employers applied for training, but they wanted to have 561 persons trained only instead of the planned almost one thousand – a circumstance indicative of the current real demand of Hungarian companies in this area.

Wage subsidy was applied for by 280 winner applicants, for 1 249 persons – and was actually used for 948 persons.

Hence HUF409 million was spent on the programme launched to promote the spread of teleworking in 2002-2004 – the economy could not absorb more.

A new tender was announced for creating teleworking jobs in July 2004, and 90 applicants were granted support for creating 782 jobs. Employment in the new jobs started on 1 October 2004. *{Report on the implementation of the 2004 Budget of the Labour Market Fund, MEL }*

3.5. Undeclared work

It is increasingly obvious that the welfare systems of several European countries are threatened by twin problems, namely **a.)** doubts regarding the sustainability of the pension system in the coming decade; **b.)** a permanent split of the labour market into insured workers, legally employed in the organised economy, enjoying legal and social protection and others, driven out/withdrawing from it.

National regulations governing the general, mandatory, pension and health insurance systems (mandatory contributions payable by employers and employees, terms of allowances, risk-sharing between public and private insurance companies etc.) have been questioned all over Europe by the welcome growth of average life expectancy and consequently of the relative proportion of older people. In many countries, under the effective labour law regulations, persons reaching retirement age limit can be sent to retirement without any justification. What had been a great achievement (“enjoy your retirement years”) once is currently, in the changed demographic context, a threat to the sustainability of the pension systems. It is no accident that the EU, as mentioned already, identified as a special objective the promotion of the employment of older people – and of women who are not earners and hence not covered by the mandatory insurance system either.

The sustainability of the pension systems may well depend on whether the circle of the insured can be expanded. Apart from women and members of the older generations, however, there are other, significant, social groups in several countries the members of which cannot enter the world of well-protected labour – due mainly to the high costs and rigid rules of employment. And this in spite of the fact that, according to the European value system, societies must not leave those “living in the streets”, engaged in temporary work, unprotected by legal regulations and guarantees, to their own resources.

It was in order to integrate these people into the organised economy that the big international organisations declared the objective of “making work pay” – that it, to make it worth working under protected conditions in the 30 OECD Member States, some of them continent-sized ones; that low wages should not retain anyone from work. Under the same sign, the EU insisted on a “better job for all” and the ILO demanded “decent work” implying at least a minimum degree of legal and social protection.

The efforts to prevent exclusion, to bring everyone under the social umbrella of society through declared, insured work is in the interest of the individual who, of course, will, in turn, support the maintenance of the social provision system by his/her own contribution. (In other words: the primary objective is not to generate higher state revenues – this can be achieved through many other elements of the national taxation systems.)

Beside the civic duties, the economic circumstances, too, make it imperative to increase employment in the organised economy. This depends, essentially, on the national tax and allowance systems – this is the reason why the EU urges their revision and, if necessary, transformation. In view of the prospects of altering the current, operational, systems and treating problems implied by the far-reaching implications of such moves, however, the governments concerned tend to adopt a wait-and-see attitude.

In Hungary, the extent of undeclared work has been approximated by estimates, of an uncertain value, for years.

As indicated repeatedly, in the past years, the Hungarian tax and benefits regulations exempted two social groups from declaring their labour activity: one

was the group of operators of small farms producing essentially for own consumption in agriculture, and the other that of students engaged in temporary work mediated by student associations.

Hundreds of thousands work on household plots while having a main job or being inactive, in non earner, pensioner status or on parental leave etc., and they occasionally sell their produce, too (an activity satisfying, theoretically, the condition of “work, product, service provided to others for pay”). Tax benefits granted to them on a permanent basis, however, have made it pointless to register them as tax-payers, and they themselves also did their best to avoid registration. After several attempts, as a matter of fact, original producers could only be registered in the course of Hungary’s accession to the EU, by a more detailed survey of landed areas under agricultural cultivation. However, those who do not pay tax do not consider themselves earners either, especially if, officially, they are in “pensioner” or “dependent” status.

The situation is similar for student work. As students are insured anyway, employers pay no insurance contribution on their wages. (This is one of the reasons for the popularity of student work: an annual 150–200 thousand students get temporary or regular jobs through the school-based student associations.)

The above cases represent legal, but undeclared, work. If those concerned would report that under the labour force surveys, Hungary would not be among the last in terms of the official employment rate.

Of course, there are several areas of undeclared (untaxed) work in Hungary (too).

- The most general and probably most widespread is work in the seasonal branches, at peak periods. Small farms cultivated by older persons also require paid help for a few days to have certain types of work done. Neither can major farms do without temporary and seasonal workers. The many employers in construction also employ people, typically, for a single work phase – for a few days or weeks, depending on the volume of the works. The short spell of such work is in itself temptation enough to “forget” to declare it, and in Hungary this is reinforced by high taxes and contributions payable on labour wages.

The branch of accommodation and catering and occasionally trade, too, employs seasonal and/or temporary help in high season.

However, the rate of permanent employers in both agriculture and catering is relatively low, and the relevant demand for temporary work is proportional with that.

- Households and small organisations represent the primary area of undeclared work. Both generate extensive demand for paid help, from care for children/the elderly through cleaning to gardening or, at minor enterprises, from ad hoc translation, administration works to occasional help etc.

Such help is mostly required for a short period of time, and it is acquired on the basis of local social contacts.

In order to transform these activities into declared work, two major tax and allowance problems need to be solved in Hungary (the same as elsewhere):

- 1.) What should be the threshold limit for declaring short-time temporary work and how should it be done? TEB offers a solution for *daily* work – households seldom require that.
- 2.) The majority doing such work is inactive, in education, on parental leave or in pensioner status and as such insured under some other title.
- 3.) It would be senseless to reduce their (mostly modest) allowances if they work for pay – this would be unfair and also a major reason for concealing such work.

Attempts to find a solutions have included the introduction of TEB, the establishment of the conditions of part-time work and, furthermore, a new method of control through the so-called Single Labour Registration System (better known as EMMA, its Hungarian acronym).

The system realised with almost HUF213 million investment and employing more than 50 staff, handles the data of every employment relationship subject to the Labour Code as of 1 May 2004. One of its functions is to provide computerised data records to ensure access to the essential eligibility data of workers (with the cancellation of the mandatory paper-based employment records, many irreplaceable data had been lost). The other function is to ensure the immediate declaration of engagement in/termination of employment that could enhance the efficiency of the activity of the inspectors of the National Occupational Safety and Labour Administration Chief Inspectorate (Hungarian abbreviation: OMMF). *{Report on the implementation of the 2004 Budget of the Labour Market Fund, MEL, 2005.}*

3.6.Subsidised employment

One of the priority tasks of employment policy is to use its instruments to promote the labour market re-integration of jobless members of disadvantaged social groups, as well as of school-leavers and, a novelty, of inactive persons wishing to work.

3.6.1 Programmes covered by the Labour Market Fund

The manner of assistance is defined under central and county-level programmes. As in the previous years, we shall discuss the programmes for 2004 on the basis of the very extensive report on the fulfilment of the annual budget of the Labour Market Fund, referred to several times above. Our review will be limited to the employment promotion programmes.

Several central programmes were implemented in 2004, with PHARE support, mostly as follow-up projects of activities launched in previous years.

“Employability and long-term employment of members of multiply disadvantaged groups”– programme terminated in October 2004 to promote the training/employment of disadvantaged youth, the disabled, the Rom etc.; 200 studied, passed the examination and acquired vocational qualification.

The majority had hopes to find a permanent job. *Labour market re-integration of women* – Phare pilot, aimed primarily at the labour market re-integration of active women. Priority target groups included women on child-care leave and women past 40. The programme was terminated in 2004. *Combating labour market exclusion* – programme to help the long-term unemployed and persons living on regular social aid – especially the Rom among them – return to the labour market. Successful applicants of the programme started in 2004 undertook to employ/train more than 2 900, mostly long-term unemployed Roma persons.

Phare programmes have the enormous advantage of mobilising local resources by involving non-profit organisations, consortia and making them interested in achieving the targeted results.

In the framework of the programme “Degree-holder school-leavers to public administration” launched in 2003 on domestic initiative, organised jointly by the Prime Minister’s Office (PMO) and MEL, 50 degree-holder school-leavers entered public administration and took part in preparatory training for starting a civil servant’s career. In the second half of 2004, 24 among them were employed as civil servants and 13 continued to work on under a work contract.

Another programme launched on domestic initiative and subsidised from the Labour Market Fund was initiated by the Ministry of Education and PMO, in order to train and employ unemployed Roma persons at public education institutions. The programme started in 2004 promises to train and employ 60 persons.

a.) *Central employment programmes* included the following:

- *Employment promotion programme of Borsod Fine Steel Manufacturing Ltd.*, supporting the full-time employment of 1 181 until 31 January 2007,
- *Integrated Roma Employment Programme*, for the employment of at least 10 and vocational training of 20 of the 45 Roma unemployed at three settlements of the most deprived small region of Country Szolnok;
- *Employment promotion for the homeless*, Budapest;
- *Wage subsidy and contribution assumption programme to establish the conditions of the further operation of the Kisvárdá plant in connection with the liquidation of Hajdu-Bét CLS*, providing for the further employment of 200 persons.
- *The teleworking programme* reviewed above.
- *Job-creation subsidy*: MEL announced the tender for non-repayable subsidy to investments creating at least 5 jobs this time, primarily in disadvantaged regions, in 2004, too. The 104 winner applicant SMEs were granted support for creating a total of 2.2 thousand jobs,

undertaking to employ, among others, 1.2 thousand registered unemployed for at least 3 years.

- Under the *Job-creation subsidy of Regional Development Councils*, applicants committed themselves to create almost 1.1 thousand jobs.
- *Crisis management programme in the area of Körmend - Vasvár-Szentgotthárd* – in order to prevent unemployment due to staff reductions in the three small regions and to promote the re-employment of the dismissed, the Óriszentpéter plant of MSC Footwear Manufacturer Ltd. was granted support for the employment of 203 workers and for creating 41 new jobs with subsidy.

b.) County programmes

In addition to the central programmes, local ones matching the local specifics and demands are operated everywhere from the relevant decentralised budgets allocated to the counties. The principles and distribution by active measure of the budget concerned are decided upon, in accordance with the Employment Act, by the county labour councils.

In 2004, the counties operated a total of 70 “own” programmes, the bulk having been in operation in the previous years as well. In addition, they issued calls for applications to promote the employment of the disadvantaged strata debited to the budget allocated to them.

However, as before, the most extensive programmes offering employment for hundred thousands of unemployed persons for a shorter or longer time annually are communal service work and employment with wage subsidy. (We shall not cover the training programmes in this context.) From among the 157.6 thousand registered unemployed and school-leavers in 2004, having had a subsidised job for at least one day, some 10 thousand were offered an opportunity to work and earn by one of these two programmes.

Table 3.25.

Number of active programme participants*

Active measures	persons							
	1997	1998	1999	2000	2001	2002	2003	2004
Communal work	101 208	116 113	120 575	93 441	80 742	84 498	76 892	63 998
Wage subsidy	38 497	49 596	51 741	50 971	48 089	40 838	40 349	35 820
Job-creating subsidy**	23 418	17 498	17 462	12 420	9 086	6 452	4 595	4 710
Subsidy to start entrepreneur's career	4 674	4 343	4 364	4 979	5 016	4 326	4 011	3 225
Employment in reduced working time	1 375	-	-	-	-	-	-	-
Travel expense reimbursement ***	6 000	8 062	10 973	10 094	9 356	9 774	7 495	5 517
School-leavers' programmes	15 565	23 330	21 073	18 288	16 758	16 108	17 551	17 527
Job-creation: self-employment	1 209	3 027	4 450	5 325	6 025	6 138	5 493	4 689
Job preservation****	2 299	4 587	9 953	7 157	653	12 634	12 668	791
Assumption of contributions	574	1 805	2 339	3 876	3 702	10 008	11 883	10 092
Part-time work, from 2004 on								791
Other*****	-	-	-	-	-	100	824	557
ALTOGETHER	194 819	228 361	242 930	206 551	185 427	190 876	181 761	157 624
Labour-market training	75 993	79 604	84 764	88 173	91 519	82 835	82 895	59 894
Pension with age exemption	3 576	1 914	828	133	-	-	-	-
TOTAL	274 388	309 879	328 522	294 857	276 946	273 711	264 656	217 518

* 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. In 2000, the programme is assigned to the competence of the Ministry of Economy and Transport, in 2003 it was returned to MEL.

*** From 1998 on: mobility subsidy (reimbursement of local travel expenses, collective 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

Since 1998, the share of subsidised employment has always reached 50% or more of the registered unemployed; in 2004, this rate was 42% only, as programmes started in the beginning of the year could not expect that unemployment would grow.

From among the various forms of employment support, communal service work has remained the one affecting most people. In many small settlements, such work, mostly of short spell, organised to have local communal tasks done, represents one of the very scarce work and earning opportunities of the unemployed. However, although the scheme had

originally been designed to keep up the working capacity of those concerned, very few among the participants succeed in re-entering the open labour market.

On the other hand, through assistance taking the form of wage subsidy (and the assumption of related contributions), the beneficiaries get a real job. Owing to the employment commitment, for a specified period of time, of the employers concerned, their number exceeds by far that of communal service workers on annual average. According to the monitoring covering the first half of 2004, at that time, the employment of more than 7.7 thousand long-term employed had already finished, but almost 70% could stay on without subsidy after the end of the contract period.

Table 3.26.

Annual average number of active programme participants

Active measures	persons							
	1997	1998	1999	2000	2001	2002	2003	2004
Communal service work	30 780	30 877	28 867	23 705	23 185	17 751	17 534	14 235
Wage subsidy	25 762	29 313	31 369	27 524	26 547	21 693	20 136	18 909
Job-creating subsidy*	16 195	12 291	9 433	3 192	6 943	1 708	1 270	2 717
Subsidy to start entrepreneur's career	1 410	1 307	1 374	1 506	1 616	1 269	1 250	953
Employment in reduced working time	269	-	-	-	-	-	-	-
Travel expense reimbursement ***	2 618	2 926	3 765	4 091	3 483	3 294	3 088	2 112
School-leavers' programmes	6 096	10 302	8 685	7 816	7 094	6 827	7 686	7 908
New measures introduced in 1997 or after that **	2 056	4 076	7 149	8 789	8 697	10 529	12 251	10 212
Part-time work, from 2004 on	-	-	-	-	-	-	-	357
ALTOGETHER	85 186	91 092	90 642	76 623	77 565	63 071	63 215	57 403
Labour training	22 750	23 039	25 004	26 307	27 187	23 410	25 044	17 919
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	75 322

* Number of jobs filled during the year (to meet the relevant employment obligations)

** Cf.: assumption of contribution payments, job-preservation, self-employment support, job-search subsidy for the inactive, rehabilitation support introduced after 2002

Source: National Employment Office

The average number of participants of the other programmes was lower. Nevertheless, they involved, altogether (training participants included), 75 thousand unemployed, and contributed to the employment of almost 60 thousand, mostly persons who are the most difficult to place.

The above activities are essentially covered by the contributions of the employed and their employers themselves. Under the law, although at rates altered several times during the years, as of 1 January 2003, the

employed contribute 1% of their monthly gross wages and employers 3% of wages and wage-type allowances paid to workers (since 1999). Funds generated from these contributions amounted to HUF191.6 billion in 2002, HUF193.3 billion in 2003 and HUF205.6 billion in 2004. (This is the employment segment of the Labour Market Fund. The Fund includes, furthermore, vocational training and rehabilitation fund segments, generated exclusively by the contributions of employers, as well as a wage guarantee fund. These included, in 2004, the Labour Market Fund had a revenue of HUF241.6 billion.)

HUF44.4 billion was allocated from the revenues of the Labour Market Fund to the so-called active measures (programmes), training included; HUF78.3 billion went to unemployment provisions and another HUF76.8 billion to social insurance contribution payable on those concerned and to programmes implemented jointly with the central budget.

c.) Programmes covered from the central budget

Beside the direct contributions of employers and of the employed, society – tax-payers – also assists the placement of the unemployed in many other ways.

- Previously, the government offered major tax reliefs granted by ad hoc decision to attract to Hungary the most advanced technology, large international companies creating occasionally hundreds of jobs in a given area. As a member of the EU, Hungary is no longer entitled to grant tax reliefs, but it can support production investments “of outstanding importance for the national economy”, of at least HUF50 million, in other manners, as well as investments in regional service delivery centres, if the personnel type expenditures of creating new jobs attain EUR10 million.

Investments on this scale can only be realised by multinational companies – their relocation to Hungary fosters the further development and competitiveness of the domestic economy. By early 2005, the government had concluded contracts with eight of the large companies investing in Hungary from 2004 to 2008, providing HUF31 billion support for their investments worth around HUF184 billion. (Preliminary contracting negotiations are underway with the other big investors concerned.)

- As mentioned already, job creation by small and medium-sized enterprises is supported by the Labour Market Fund. The government provides funding sources for the socially necessary public works programmes, to increase employment, if only temporarily. In 2004, the Labour Market Fund contributed HUF1 600 million to HUF4,377 million. Nine public works programmes were started during the year, offering work to the long-term unemployed, especially people of Roma origin, from ragweed clearing to forestry cultivation, from cleaning the Balaton lakeside to motorway construction works.

The programmes employed 9.7 thousand unemployed at 1 200 settlements for shorter or longer periods of time, at minimum wages at least. Almost half (46%) of those concerned were members of the Roma population.

In summary, the biggest advantage of the programmes designed to assist the various target groups most in need is to offer work and hence an income to people having no chance for that otherwise. Note, however, that **a.)** despite the thousands of participants of these programmes each year, the rate of employment has not grown and **b.)** these basically socially motivated programmes encourage the long-term employment of the unemployed to a very small extent only and **c.)** in addition to the registered unemployed, others wishing to (re)enter the labour market should also be given an opportunity, through the continuation/extension of efforts to spread part-time employment.

3.7. Hungarians abroad – foreigners in Hungary

3.7.1 International trends

Trends in International Migration, the Annual Report of the OECD, provides a detailed analysis of migration, its permanent and new features, in the 30 OECD countries.

The migration experts of the OECD have also been struggling for a long time with the uncertainties of the databases behind the analyses, to be prepared in more and more detail as, apart from some common basic terms, the countries concerned use the definitions corresponding to their respective national systems. The OECD compiled a new database: people born abroad are registered according to their state of residence and their state of origin (birth). The bulk of data published in this volume refers to 2002 and 2003.

According to the OECD data, in the years under study, migration slowed down in many countries, due mainly “to the acts of terrorism, war in Iraq and the SARS virus”. Moreover, several countries have tightened measures to prevent illegal immigration. Nevertheless, the rate of migration is close to its historical peak.

The current migration trends match more or less those observed in the past years, without a change of merit: migration has stabilised in 2001–2002, albeit at a high rate.

Migration trends in the OECD countries

	Annual average inflow of foreigners		
	1997-2001	2002	2003
	years /1000 persons /		
EEA and Switzerland	1896	2616	2461
USA			
Permanent	803	1064	704
Temporary	1146	1283	1233
Austria			
Permanent	89	88	94
Temporary	197	340	359
Japan	304	344	374
Canada			
Permanent	212	229	221
Temporary	77	77	67

Source: *Trends in International Migration, Annual Report, 2004 Edition, Table 1.1.*

Other characteristics include the following:

- ⇒ Geographical proximity keeps generating migration continuously, especially between historically related and/or neighbouring countries. Furthermore, current data suggest the growth of migration from Romania to Hungary and Italy, from Poland and Turkey to Germany, from China to Austria, New Zealand and Japan, from Germany to Switzerland and Austria. A neighbouring country is the most obvious destination: Mexicans migrate to the United States, Austrians and Estonians to Finland, Koreans to Japan. (Exception: Moroccans and Turks go to the Netherlands.)
- ⇒ Family unification is subject to increasing control;
- ⇒ Despite fluctuations in the economic climate, the migration of temporary workers has grown. In the nineties, in most OECD countries, high professional qualification and/or demonstrated skills was the main condition of entry. Despite economic slowdown since 2000, this has not changed radically. Cross-border migration, employment in neighbouring countries, regions, settlements has increased significantly.
- ⇒ The growth of the number of foreign students tends to intensify;
- ⇒ Gradually, host countries have introduced regulations to control the inflow of asylum-seekers.

Anyway, foreigners to date represent a significant segment of the national labour supply. In some countries, they offset the reduction of the population due to the low birth numbers.

Note that, with the exception of cross-border migration, migration for the purpose of employment has been and remained restricted in the European countries. (In 2002, most migrants were received by the US, followed by Germany, Spain, the UK, Italy and Japan. The appearance of the two South European countries in the list is a new phenomenon.)

It was assumed that an excessive number of citizens of the new Member States seek work in the well-to-do countries characterised by high wages and good social conditions – therefore, the free flow of labour was limited in their case.

The OECD has called the attention of every country concerned by migration that the labour market integration of foreigners and immigrants is the biggest challenge.

The European Union published a Green Paper on the standpoint of the EU regarding the management of economic migration.

The Green Paper discusses a single issue: the conditions of the harmonic integration of immigrants from third countries, from outside the EU, to one of the EU–25 Member States, for the purpose of employment.

The EU expects the Member States to pursue migration policies including a fast authorisation procedure, the acquisition of work experience required for integration, the possibility of taking part in foreign language courses, and alleviated conditions for those intending to go independent relative to those applicable to residents among others.

The Green Paper was intended for extensive discussion, and this took place in 2005. “The Commission believes that the authorisation procedure of economic migrants is the cornerstone of any migration policy, that is why it is necessary to address it at the European level. The primary goal of the Green Paper is to raise attention and to discuss this issue with every major stakeholder” – including the Council of the EU, the European Parliament, the European Economic and Social Commission etc.

In Europe, the number of foreign workers has been increasing year on year, because the European economy is in need of their work. Their harmonic integration into the society and economy of the host country could hardly be postponed any longer, as indicated by the increasingly acute conflicts encountered in several countries.

3.7.2 International trends

It is a well-known fact that, in principle, the free movement of persons could be suspended for 7 years with respect to the ex-socialist East Central European countries having joined the EU, an issue put at the discretion of each Member State. Ireland and the UK opened their labour markets, with the proviso that those entering their countries would have limited access to the welfare provisions there. Switzerland, although not a member of the EU, but integrated in the European labour market by a series of bilateral agreements, also licensed free employment there.

The Netherlands and Italy defined quotas of 22 thousand and 20 thousand, respectively. Germany and Austria, having hosted thousands of guest workers from Hungary among others for years under the relevant special agreements insisted on the 7-year prohibition period.

Despite the limits imposed on free employment, there are Hungarians (too) working in the EU Member States. First of all in Germany, where they can get a labour permit under several titles. Previously, the main form was labour permits issued according to the annually defined quota based on the bilateral agreement of the two countries, whereas to date most permits are granted on the basis of the co-operation agreement between the German and the Hungarian employment services (see Table 3.28.). In addition (especially in construction), employees of Hungarian firms may go there to do works won by a Hungarian firm by tender, as sub-contractors of an independent or a German company, as private entrepreneurs (if the potential employer obtains the relevant authorisation), in the framework of the recruitment of IT specialists etc.

Given this wide range of options, the number of Hungarians working in Germany cannot be established with certainty (except for those travelling under the inter-state agreements), as no such records exist in Hungary, except, maybe, on the basis of the work permits issued in Germany. International statistics show that, in Europe, Germany is constantly in need of guest workers, but according to the OECD migration analysis quoted already, Hungarians are far from being among the top five Central and East European countries in this respect (including former Yugoslavs, that is, Serbs, Croats, Montenegrins, Bosnians, Poles, citizens of the Russian Federation).

Austria ranks second as target country for Hungarian workers. As in Germany, work permits are issued under several titles, the highest number to Hungarians, given the 1900-strong stock of borderline commuters. The employment quota, 550 in 1998 originally, limited to three counties (Vas, Zala, Győr-Sopron), was raised by a few hundreds every year – typically due to the fact that Austrian employers welcomed Hungarian workers for seasonal agrarian work, but also other, minor or bigger jobs.

The other interstate agreement with Austria is about the exchange of trainees. The quota of 1 600 has not been used to the full for years: in 2004, only some 600 young skilled workers expanded their skills in Austria.

There are probably Hungarian workers in every European country, and many are interested in such options.

Since Hungary's accession to the EU on 1 May 2004, this has been promoted by EURES, the computerised European job brokerage system, of which Hungary, too, has become a member. The system, covering 28 European countries, is operated in Hungary by the National Employment Office (in 2004, they employed 10 trained advisers for that purpose, and according to the plans, further advisers will be trained in 2005, and 6 among them will be

working in the capital and 13 at large towns in the countryside, mainly at labour centres.)

Lively interest was experienced in every county in 2004. Many were interested in the opportunities to be hosted by the UK and Ireland without requiring a labour permit, while Germany and Austria, and to a smaller extent other European states as well have remained attractive target countries. Many, however, failed to pass the screening process: EURES experts are of the opinion that the lack of foreign language skills is the biggest obstacle in the way of improving the international mobility of Hungarian labour, not restrictions prevailing in the transitory period.

The experience of Hungarian EURES advisers is that most would like to get placed in the Member States of the EEA as skilled workers, without or with very little foreign language skills. Job-seekers with higher qualification and good foreign language skills tend to seek jobs abroad on their own, using the Internet or the services of private labour exchange offices or relying on personal contacts.

Foreign vacancies displayed in the EURES system, open for application from any EU country, mostly require vocational qualification and experiences, and certainly foreign language skills.

Part of the quotas specified under the bilateral agreements also remain unused due to the same missing conditions.

Table 3.28.

Bilateral employment agreements

Decree number	Country	Quota (persons)	Requirements	Utilisation, 2004.	Changes
37/1998. (III.1.), Government Decree	Austria Traineeship	1 600	- ages 18-35 - Hungarian citizenship - clean record - vocational qualification or min. two-year certified experience in a given vocation - sufficient German for the job	Applications: 766 Permits: 598	
38/1998. (III.1.), Government Decree	Austria Commuters' Agreement	1 900		Permits: 1 900	
12/2002. (I.31.), Government Decree	France Traineeship	300	- ages 18-35 - Hungarian citizenship - clean record - vocational qualification or min. two-year certified experience in a given vocation - sufficient French for the job	Applications: 46 Permits: 45	<u>Note:</u> In 2004, 6 French citizens applied for employment in Hungary and were granted the relevant permits
216/1996. (XII.23.), Government Decree	Luxembourg Traineeship	20	- ages 18-30 - Hungarian citizenship - clean record - knowledge of one of the official languages - secondary/higher-level vocational qualification		
55/1990. (III.23.), CM Decree, amended by 106/1991. (VIII.6.), Government Decree	Germany Guest workers' agreement	2 000	- ages 18-40 - Hungarian citizenship - vocational qualification or certified experience in a given vocation - clean record - sufficient language skills to fill the job	Applications: 410 Permits: 323	
On the basis of the agreement of OMMK and the German federal Employment Office signed on 13 April 1999.	Germany Seasonal employment		- Hungarian citizenship - clean record - basic German	Work contract awarded to 3 172	Max. period of employment raised from 3 to 4 months. Home nursing requiring no qualification, only a good knowledge of German was re-launched. Max. period of employment: 3 years
245/2001., Government Decree	Romania Traineeship	700	- ages 18-40 - citizenship - clean record - vocational qualification	No application was received in 2004	
246/2001., Government Decree	Romania Seasonal employment	8 000		6 persons applied and were granted the permit	
66/1996. (V.15.)	Switzerland traineeship	100	- ages 18-30 - Hungarian citizenship - clean record - knowledge of one of the official languages - vocational qualification or min. two-year certified experience in a given vocation	Applications: 33 Permits: 26	

Note: Previous bilateral agreements with Slovakia (96/1999. (VI.25.) and the Czech Republic (73/2000. (V.24.) have become ineffective with EU accession.

3.7.3 Foreign workers in Hungary

2004, the year of enlargement, has brought about the following major changes in the employment of foreigners in Hungary:

- ⇒ As of 1 May, citizens of the EU–15 and Iceland, Lichtenstein and Norway (EEA) may, in principle, engage in work in Hungary without special authorisation. In practice, on a mutual basis, Hungary will open its labour market to the citizens of countries doing the same to Hungarians, and to the same extent. The Irish, the British, and the Swedes were exempted from every registration and authorisation obligation at once. As for the others, the usual procedure applies, with one “loophole”:
- ⇒ Green card (this is a term used exclusively in the Hungarian context, with a different meaning than the Western European or American “green card”). This is granted to those among the citizens of the old EEA members who can certify one year of continuous, legal, employment in Hungary either before or after 1 May. This special option is applicable to family members, too.
- ⇒ Citizens of countries having joined the EU together with Hungary will only be registered (under the procedure called “registration for the purpose of employment”);
- ⇒ A special permit was introduced for seasonal agricultural workers for a maximum of 120 days, to be used on several occasions, if necessary, subject to a simplified authorisation procedure.

The above has changed to some extent the previous system of statistical accounting as well.

Table 3.29.

Number of issued and valid labour permits, 2003 and 2004

	Issued from 01.01. to 31.12. 2003	Valid on 31.12.2003.	Issued from 01.05. to 31.12. 2004	Valid on 31.12. 2004
Romania	33 131	27 609	28 437	35 221
Ukraine	8 106	7 621	7 269	8 823
Russia	294	215	163	178
Serbia, Montenegro	1 121	937	813	1 082
Croatia	138	113	73	91
China	1 001	899	805	894
Vietnam	260	246	214	189
Mongolia	796	621	557	655
USA	382	323	254	285
Canada	69	68	63	64
Japan	232	252	287	431
Austria	282	234	174	288
Belgium	85	77	40	56
Denmark	26	27	30	38
Finland	92	90	48	60
France	435	371	100	112
Greece	23	21	10	19
The Netherlands	136	122	70	106
Ireland	56	57	-	13
Luxembourg	-	-	-	-
Great Britain	461	398	1	129
Germany	650	548	681	691
Italy	168	155	127	158
Portugal	19	18	16	15
Spain	24	21	27	32
Sweden	69	61	-	22
Iceland	-	-	2	2
Lichtenstein	-	-	-	2
Norway	-	-	6	15
Czech Republic	149	121	-	29
Estonia	8	8	-	3
Poland	320	344	-	92
Latvia	4	4	-	1
Lithuania	16	17	-	2
Slovakia	5 693	5 686	-	1 619
Slovenia	22	17	1	12
Malta	-	-	1	1
Cyprus	5	5	2	3
Other	3 110	1 345	1 511	1 703
TOTAL:	57 383	48 651	41 782	53 136
<i>Of which:</i> EU countries	2 526	2 200	1 336	3 520

Table 3.30.

Recorded and valid registration for the purpose of employment

	Recorded registrations, 01.05. to 31.12. 2004	Valid registrations, 31.12. 2004
Czech Republic	55	49
Estonia	101	23
Poland	866	404
Latvia	6	7
Lithuania	10	4
Slovakia	13 168	9 783
Slovenia	36	21
As family member	11	7
TOTAL	14 253	10 298

Table 3.31.

Number of "green cards" issued from 01.05. to 31.12.2004

County	EEA, total	A	B	DK	FL	F	G	NL	UK	G	I	E	L
Budapest	57	4	14	1	1	2	1	7	3	14	7	2	1
Baranya	6	-	-	-	-	-	-	1	-	2	3	-	-
Bács-Kiskun	1	-	-	-	-	-	-	-	1	-	-	-	-
Békés	1	-	-	-	-	-	-	-	-	-	1	-	-
BAZ.	8	-	-	-	-	-	-	1	-	5	1	-	1
Csongrád	1	-	-	-	-	1	-	-	-	-	-	-	-
Fejér	14	5	-	-	-	-	-	1	-	7	1	-	-
Győr- M .S.	91	20	-	-	1	3	-	3	-	63	-	1	-
Hajdú-Bihar	4	2	-	-	-	-	-	-	-	-	2	-	-
Heves	16	2	-	-	-	2	-	-	1	11	-	-	-
Jász-N. Sz.	5	4	-	-	-	-	-	-	-	1	-	-	-
Komárom-Esztg	11	1	-	6	-	2	-	-	-	1	-	1	-
Nógrád	4	-	1	-	2	-	-	-	-	1	-	-	-
Pest	34	1	2	-	1	12	-	2	-	16	-	-	-
Somogy	2	-	-	-	-	-	-	-	-	1	1	-	-
Szabolcs- Sz. B.	10	1	-	-	-	-	-	2	-	2	5	-	-
Tolna	1	-	1	-	-	-	-	-	-	-	-	-	-
Vas	6	1	-	-	-	1	-	1	-	3	-	-	-
Veszprém	13	3	-	-	-	3	-	-	-	6	1	-	-
Zala	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	285	44	18	7	5	26	1	18	5	133	22	4	2

Table 3.32.

Seasonal agricultural permits issued from 01.05. to 31.12.2004

County	No. of permits to				Total
	Romanian	Ukrainian	Moldavian	Serb	
citizens					
Budapest	-	-	-	-	-
Baranya	44	-	4	-	48
Bács-Kiskun	163	-	-	-	163
Békés	266	-	-	-	266
Borsod-Abaúj-Zemplén	2	-	-	-	2
Csongrád	75	-	-	-	75
Fejér	-	-	-	-	-
Győr-Moson-Sopron	3	5	-	-	8
Hajdú-Bihar	13	206	-	-	219
Heves	10	-	-	3	13
Jász-Nagykun-Szolnok	-	21	-	-	21
Komárom-Esztergom	22	-	-	-	22
Nógrád	3	-	-	-	3
Pest	642	47	-	-	689
Somogy	2	-	-	-	2
Szabolcs-Szatmár-Bereg	0	1	-	-	1
Tolna	7	-	-	-	7
Vas	-	-	-	-	-
Veszprém	-	-	-	-	-
Zala	-	-	-	-	-
TOTAL	1 252	280	4	3	1 539

The main features of the employment of foreigners in Hungary, however, have not changed with accession:

- Some 80% of foreigners wishing to engage in work in Hungary come from mostly ethnic Hungarian settlements in the neighbouring countries, a decisive proportion from Romania. Most speak Hungarian, which facilitates their employment here.
- As for employment with work permit, a mere 2 500 came from the EU–15/EEA Member States, corresponding to 4.4% of alien workers. Probably a much higher number works in Hungary, but key personnel of enterprises of various sizes, independents or persons subject to special treatment under some other title need no special permit.
- The citizens of the new EU Member States have so far entered the Hungarian labour market sporadically only, with the exception of Slovakia, having supplied almost 5.7 thousand workers in 2003 to satisfy the Hungarian labour demand at that time, and in 11.4 thousand already in 2004; the decisive majority among them, however, had to be registered only. Most Slovaks work in the cross-border counties (Komárom-Esztergom: 7 083 persons, Győr-Moson-Sopron: 1 652).

The number of foreigners engaging in work in Hungary under various titles increased substantially in 2004 (2003: 48 651; 2004 63 919 already).

3.8 Registered labour demand

The number of vacancies announced to PES fell substantially in 2004, to an unprecedented low since the mid-nineties. As compared to 2003, employers demanded less skilled workers and more semi-skilled ones. The registered demand for non-manual workers fell as well.

This is in line with the stagnation of employment in 2004, but somewhat contrary to the significant movements experienced in the labour market despite this stagnation. Lost jobs were replaced by the almost the same number of new ones. According to the data of the National Employment Office, *the number of announced vacancies exceeded, by some 5000 on quarterly average, the number of announced reductions last year, too. (Far from covering all lost and newly created jobs, these data are nevertheless indicative of their proportions.)*

The above resulted in a significant re-shuffling, fluctuation and mobility of labour. CSO data suggest that in 2004 some 240 thousand changed their workplace in the course of the year (not including new entrants, and exits to unemployment/retirement, only transfer from one job to another).

That is, the newly filled jobs exceeded several times the number of the announced vacancies. It seems that, as a consequence of the relatively large number of free, experienced, workers available in the labour market in 2004 due to the dismissals, employers tended to report vacancies to the Employment Service less frequently.

The same is corroborated by what we know of the labour hiring strategies of employers. According to the long-term labour market forecast prepared for the Ministry of Employment Policy and Labour (ELTE, Institute of Sociology and Social Policy, Change Management Speciality, 3K Foundation):

Interviews with employers suggest that almost one fifth of vacancies are filled by promoting/transferring own staff. Presumably, workers put into new positions acquired the required knowledge and skills by internal training/work experience.

Employers hiring new employees try to find the most suitable professional as safely and with as many supporting information as possible. The more important it is for the employer to find a good professional for a job, the more he will rely on personal recommendations and have the vacancy announced/put up for application. These labour recruitment options offer the possibility to lure someone from another employer if no qualified free labour is available in the market. Consequently, employers adopt different approaches in function of the job groups concerned. The predominance of one or another for the given occupation depends on the small regional labour market position of the given occupation, and the size category of the enterprise.

Employers hire new employees on the basis of personal recommendation in 25.2% of the cases, by advertisement (application) in 22.7% and through the PES offices in

26.4% (the last including those hired from PES training programmes). The rate of direct hiring from training institutions is a mere 4% on average. It is higher for degree-holders than for manual workers, indicative of the fact, partly, that up-to-date knowledge, foreign language skills, IT skills are indispensable in these positions and, partly dissatisfaction with vocational training.

Employers would contact headhunters only to find persons with higher educational qualification. Labour hiring to date represents but an infinitesimal segment of labour employment.

The hiring method is greatly influenced by the staff size of the company concerned. This is most obvious in the case of certain vocations/job groups. The national aggregates show only that large and medium-sized companies use advertising and contact headhunters more frequently than the small ones, while medium-sized and small ones are more willing to rely on personal recommendation, or persons mediated/retrained by PES – often due to the associated subsidies – than larger ones. The smallest companies, first employ the highest proportion of school-leavers at low pay.

Table 3.33.

Typical methods of labour hiring by enterprise size category

Typical method	Enterprise headcount/person						National average
	0-9	10-19	19.okt	20-49	50-249	250+	
Promotion	25.4	12.7		9.6	11.8	14.3	19.3
From training institution	4.6	2.2		2.9	4.0	4.3	4.0
Training of own trainees	1.0	0.6		0.6	0.9	1.2	0.9
PES mediation	21.3	30.9		30.5	28.7	23.5	24.8
PES training course	1.4	2.8		1.1	2.0	1.1	1.6
Labour hiring		0.3		0.2	0.2	1.3	0.1
Recommendation	24.5	24.9		31.2	24.1	17.8	25.2
Advertising	20.9	23.1		22.7	26.6	33.1	22.7
Headhunter	1.0	2.5		1.2	1.7	3.4	1.4
Altogether	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Long-term national labour market forecast (Change Management Speciality, 3K Foundation)

The National Employment Office calculates aggregates based on employer demand indicated for the subsequent half (from 2004 on, the subsequent year) on the basis of the short-term labour market surveys each year as well as the list of occupations in a deteriorating position in the labour market. The list specifies demand in excess of 150 person nationally and demand between 100-150 persons.

4. UNEMPLOYMENT *

4.1 International trends

The labour force survey, adhering to standardised principles and methods to allow international comparisons, regards as unemployed men and women over the age of 15, having no income-earning occupation, but involved in active job-search and wishing to work. That is, the circle of active job-seekers includes not only school-leavers and those having lost their job, but also students who want to work while studying (often in order to be able to pursue their studies), persons in need of extra income to supplement a pension allowance or those who wish to exit inactivity. (The EU definitions in effect now set the upper age limit of the unemployed at 74.)

One of the essential aspirations of the European Union is to raise the number of the employed and, therefore, the number of those who want to work, and to make available to the latter adequate support to get a job. The employment guidelines state in very clear terms the need to improve the employment opportunities of women, of persons in minority, of the long-term unemployed and especially the youth among them, and to strengthen the labour market presence of older people.

Given the economic downtrend and the intensification of competition throughout Europe experienced after the turn of the millennium, most countries have found their existing measures to combat unemployment insufficient.

Since 2002, the number of the unemployed has been rising in most EU countries. In the EU-15, in the age group of 15–64, from 7.2% in 2001 to 7.7% in 2002 and 8.1% in 2003. Small consolation that the unemployment rates of women, of the youth and of the long-term unemployed, respectively, rose at a slower pace. Contrary to the expectations, in 2004, the situation deteriorated further, and the rate rose again, albeit to a small extent.¹⁴

In 2003, Finland, Greece, Italy and the UK were the only countries to have combated unemployment growth with success. While Finland recorded a decrease in the unemployment rate of women only, in Italy, the employment rates of women, of the youth and of the long-term unemployed all increased. Greece succeeded in moderating the female unemployment rate in addition to that of the youth. In the United Kingdom, the unemployment of both men and women moderated, but only stagnation was achieved with respect to the corresponding rates for the youth and the long-term unemployed. At the same time, the unemployment rates of Portugal, the Netherlands, Denmark and Germany rose by around one percentage point, for all the strata concerned.

From among the accession candidate countries, in 2001, the unemployment rates of Cyprus, Slovenia and Hungary were well below the EU-15 average, while the corresponding rates of the other accession candidates were not only lower than that but, with the exception of the Czech Republic, they exceeded even the highest one, that of Spain. During the accession process, the rates of the latter countries improved,

* Author of this chapter: Edit Fülöp

¹⁴ Corrected data for 2005

while those of the countries having had the lowest rates, Hungary included, deteriorated somewhat.

Table 4.1.

Unemployment in the EU Member States, 2002 and 2003

Country	Unemployment rate		<i>Of which:</i>				Ages under 25 *		Long-term unemployed **	
			men		Women		2002	2003	2002	2003
	2002	2003	2002	2003	2002	2003				
Belgium	7.3	8.1	6.7	7.8	8.2	8.5	6.4	7.5	3.5	3.7
Czech Republic	7.3	7.8	6.0	6.2	9.0	9.9	6.6	6.8	3.7	3.8
Denmark	4.6	5.6	4.4	5.3	4.7	6.0	5.3	6.8	0.9	1.1
Germany	8.7	9.6	8.8	10.0	8.4	9.2	4.9	5.0	4.1	4.6
Estonia	9.5	10.1	10.1	10.2	8.9	10.0	6.2	8.1	5.0	4.6
Greece	10.0	9.3	6.6	5.9	15	14.2	9.6	9.1	5.1	5.1
Spain	11.0	11.3	8.0	8.2	16.4	15.9	9.5	9.8	3.9	3.9
France	8.8	9.4	7.7	8.3	10	10.6	7.2	7.2	3.0	3.4
Ireland	4.3	4.6	4.6	4.9	4.0	4.2	3.9	4.1	1.3	1.5
Italy	9.0	8.6	7.0	7.1	12.2	11.6	9.7	9.3	5.3	4.9
Cyprus	3.9	4.4	3.0	4.0	4.9	5.1	3.9	4.4	0.8	1.1
Latvia	12.0	10.5	13.6	10.3	11.4	10.7	9.3	6.9	5.7	4.3
Lithuania	13.6	12.7	13.7	12.1	13.4	13.3	7.8	8.8	7.3	6.1
Luxembourg	2.8	3.7	2.1	2.7	39.9	5.1	2.8	3.7	0.7	0.8
Hungary	5.6	5.8	6.0	6.0	5.1	5.5	3.9	4.1	2.4	2.4
Malta	7.5	8.2	6.5	6.8	9.6	11.3	11.0	n.a.	3.2	n.a.
The Netherlands	2.7	3.8	2.5	3.6	3.0	4.0	3.8	5.0	0.7	1.0
Austria	4.3	4.4	4.1	4.2	4.5	5.6	3.7	4.0	0.9	1.1
Poland	19.8	19.2	19.0	18.6	20.7	20.0	15.7	14.8	10.8	10.7
Portugal	5.1	6.3	4.2	5.4	6.1	7.2	5.5	6.6	1.8	2.2
Slovenia	6.1	6.5	5.8	6.1	6.5	7.1	5.5	5.4	3.4	3.4
Slovakia	18.7	17.1	18.6	16.8	18.9	17.4	16.2	13.3	12.2	11.1
Finland	9.9	9.0	9.1	9.2	9.1	8.9	10.8	11.0	2.3	2.3
Sweden	4.9	5.6	5.3	6.0	4.6	5.2	6.5	6.9	1.0	1.0
UK	5.1	5.0	5.6	5.5	4.5	4.3	7.8	7.8	1.1	1.1
EU total	8.8	9.1	8.1	8.3	9.9	10.0	8.2	8.1	3.9	4.0
<i>Of which:</i>										
EU-15	7.7	8.1	6.9	7.4	8.7	9.0	7.2	7.3	3.1	3.3

*% rate to the population aged 15-25

**% rate to the population aged 15-64

Source: *Employment in Europe 2004*

In 2004, the unemployment rate fell significantly in both Japan and the USA, while in the EU-15 and in the EU-25 it exceeded the corresponding rate one year earlier by 0.3 percentage point, adding to the advantage of the previously mentioned two countries. From among the old Member States, the highest rate, of 11.1% (QII 2004) was reported from Spain and , from among the new Member States, the same indicator was

outstandingly high in Poland (19.4%) and Slovakia (18.6%). In 2004, the Hungarian rate of 5.9% in QII was the second most favourable indicator after Cyprus, ranking 8th among the 25 Member States.

The rate of unemployment in Hungary in 2004

Similarly to many other countries, Hungary measures its unemployment rate in two ways.

Method 1: Since 1992, when Hungary joined the labour force survey system of the OECD countries suitable for international comparisons, the Central Statistical Office (CSO), which conducts the surveys, has registered as unemployed jobless persons engaged in active job search (in the four weeks preceding the survey) and ready to take up work (i.e. capable of taking up work within two weeks, not prevented to do so by anything – e.g. illness). Active job-search means that the unemployed contacts a job centre, visits employers personally, places/answers advertisements etc. According to the definition, as mentioned before, active job-seekers may be students, pensioners, housewives, as well as – naturally – persons having lost their job and wishing 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 regarded as unemployed

The “passive unemployed”, that is, persons who would like to work, but have given up job search, discouraged by the state of the local labour market or their own unfavourable labour market parameters, figure in the labour force survey among the inactive.

Method 2: Registration as unemployed according to the Hungarian rules. The main features and differences of this method compared to Method 1 will be described below.

Owing to their different methodologies, the data of the labour force surveys and the unemployment register have always differed from one another: the number of the unemployed calculated on the basis of the second regularly exceeds the one based on the first. A major part of the discrepancy is due to the fact that, a significant proportion of the registered unemployed do not look for a job on their own, but transfer this duty, through their registration, to the labour offices.

In both 2003 and 2004, unemployment increased in Hungary according to both calculation systems, breaking thereby the declining trend since 1994.

4.1.1. Labour force survey data

According to the data of the labour force surveys (LFSs) conducted by CSO, in 2002, the number of the unemployed rose by 4.7 thousand, in 2003 by 5.7 thousand and in 2004 by 8.4 thousand. Although the annual changes do not exceed the sampling error margin, the development of the quarterly data for 2004, their gradual increase, already

indicates a reversal of the trend of unemployment development that year. (In QIV 2004, the number of the unemployed totalled 263 thousand, representing growth by 13.4%, in excess of the error margin, over the same period of the previous year.)

The number of the unemployed was 253 thousand on annual average in 2004, corresponding to an unemployment rate of 6.1%.

In 2004, the female unemployment rate attained the corresponding rate for men. While the number of unemployed men dropped by 1.7 thousand, that of unemployed women rose again, by 10 thousand over the year. The male unemployment rate stagnated relative to 2003, while the female one went up by 0.5 percentage point. The steady increase of the female unemployment rate for years is related, among others, to the fact that, over the past three years, the textiles, leather and food processing industries, employing mostly women, were the biggest job losers.

As before, in 2004, three-quarter of the unemployed looked for a job due to the termination of a previous earning occupation, the decisive majority (54%) by dismissal, and a minority by voluntary termination, the termination of temporary/seasonal employment or the termination/bankruptcy of an independent enterprise. 7.8% of the unemployed re-entered the labour market as job-seeker after a shorter or longer spell of absence (child-care leave, regular military service, change in family circumstances), and the rate of the school-leaver unemployed was 11%. Almost 5 thousand (1.9%) looked for a job while in education, on child-care leave with aid or fee or on pension. Some 12 thousand (4.8%) indicated another reason of job search than those listed above.

Table 4.2.

Distribution of the unemployed * by the primary reason of job-search

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	71.7	34.5	10.6	9.5	85.3	492.0
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	57.1	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	49.3	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
2004	134.9	53.9	26.7	5.6	20.0	65.5	250.4

* Not including persons taking up work within 90 days.

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

Source: CSO, LFSs

It is indicative of the general labour market development trend that, over the past three years, the number of dismissals and also of school-leavers increased among the unemployed. Given the decreasing placement chances, the number of voluntary terminations fell slightly, and less consider it possible to find a job while receiving child-care aid/fee or pension.

Table 4.3.

Number of the unemployed by age group and gender

Age group	1999	2000	2001	2002	2003	2004	Unemployment rate, 2004
	'000						
Ages 15-19							
Male	12.7	10.7	7.5	6.1	6.8	8.2	36.9
Female	8.9	7.7	5.7	5.6	5.0	3.8	31.7
All	21.6	18.4	13.2	11.7	11.8	12.0	34.9
Ages 20-24							
Male	34.0	31.8	26.6	26.8	24.9	25.1	13.7
Female	20.4	18.5	15.3	18.0	18.2	18.8	13.0
All	54.4	50.3	41.9	44.8	43.1	43.9	13.4
Ages 25-29							
Male	25.9	25.7	25.7	26.1	25.8	22.6	6.0
Female	15.3	15.9	15.9	17.1	17.8	19.0	7.1
All	41.2	41.6	41.6	43.2	43.6	41.6	6.5
Ages 30-39							
Male	43.1	35.9	33.8	33.8	34.1	35.8	
Female	30.0	25.2	22.9	25.1	28.5	30.8	
All	73.1	61.1	56.7	58.9	62.6	66.6	6.0
Ages 40-54							
Male	49.1	48.3	42.1	38.0	41.0	38.0	
Female	39.7	35.9	30.4	32.5	32.5	38.0	
All	88.8	84.2	72.5	70.5	73.5	76.6	4.7
Ages 55-59							
Male	4.8	5.8	5.8	6.5	5.0	6.4	4.0
Female	0.8	1.2	1	2.2	3.2	3.8	2.7
All	5.6	7.0	6.8	8.7	8.2	10.2	3.4
Ages 60-64							
Male	0.3	0.5	0.9	0.6	0.8	0.5	
Female	0.1	0.1	0.3		0.7	1.0	
All	0.4	0.6	1.2	0.6	1.5	1.5	1.9
Ages 65-74							
Male	0.1	0.2		0.1	0.1	0.1	
Female	0.1	0.3	0.2	0.3	0.1	0.3	
All	0.2	0.5	0.2	0.4	0.2	0.4	1.5
Ages 15-74							
Male	170.0	158.9	142.4	138.0	138.5	136.8	6.1
Female	115.3	104.8	91.7	100.8	106.0	116.1	6.1
All	285.3	263.7	234.1	238.8	244.5	252.9	6.1
Ages 15-64							
Male	169.9	158.7	142.4	137.9	138.4	136.7	6.1
Female	115.2	104.5	91.5	100.5	105.7	115.8	6.1
All	285.1	263.2	233.9	238.4	244.1	252.5	5.9
Of Hungarian working-age							
Male	169.6	158.4	141.8	137.9	138.2	136.5	6.2
Female	114.9	104.2	90.9	100.1	104.9	114.8	6.2
All	284.5	262.6	232.7	238	243.1	251.3	6.2
Passive unemployed	110.0	108.2	109.3	117.6	99.9	109.3	

Source: CSO, LFSs

An examination by age group shows that unemployment fell exclusively among men aged 25–29, while the number of job-seekers increased in every other age group.

Among those aged 15–24, the number of job seekers increased by 1000 only. Given the still low number of the youth among the employed (306 thousand), and also among the unemployed (56 thousand) – 70% being inactive, due to the high number of students in the first place – this produced a serious deterioration, i.e. increase by 2.1% points, in the unemployment rate (15.5%).

In Hungary, economic activity decreases steeply above the age limit of 54 – as indicated already –, and very few members of the generations concerned engage in job search. In 2004, a total of 12 thousand looked for a job, 2 thousand more than in the previous year.

Every sign suggests the strengthening of structural unemployment. According to the economic analysts, after 2000, the Hungarian economy entered a second phase of marked restructuring, driven this time by international competition instead of transition to market economy. The gradual replacement of foreign employers attracted by cheap labour by employers producing higher value added, relying on the knowledge/skills of Hungarian professionals, parallel with the transformation and modernisation of the activities of resident employers, seems to have become the dominant trend. This propels major movements in the labour market and the a reshuffling of the employed between the various branches, occupations, professions. The process entails major dismissals concurrent with job creation on a similar scale, producing an essentially constant level of employment. Labour surplus and shortage phenomena co-exist, and while employers compete for employees having up-to-date vocational skills and sufficient experience, other groups are being driven out from employment, and their placement is becoming slower and more difficult.

Table 4.4.

Rate of the unemployed by job-search spell

Year	Job-search spell (month)								Total '000 *	Average job- search spell (month)
	> 1	1-3	4-12	>12	13-18	19-24	<25	long- term UE		
1992	10.1	21.0	50.4	81.5	9.6	8.9		18.5	432.6	n.a.
1993	7.3	15.2	45.3	67.8	15.2	17.0		32.2	492.9	n.a.
1994	7.1	13.2	38.4	58.7	14.7	17.2	9.4	41.3	429.5	n.a.
1995	5.7	12.6	36.1	54.4	14.1	8.5	23.0	45.6	404.8	n.a.
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	36.8	59.9	13.8	8.4	17.9	40.1	237.0	15.9
2003	6.6	17.4	39.5	63.5	11.4	7.3	17.8	36.5	241.6	15.8
2004	5.2	16.8	38.0	60.0	13.3	7.8	18.9	40.0	250.4	16.6

*Until 2002/from 2003: Exclusive of persons starting employment within 30/90 days, respectively.

Source: CSO, LFSs

Among the unemployed, the rate of the long-term (12+ months) unemployed increased (40%) – and the majority have actually been out of work for more than 24 months.

Contrary to the previous, diminishing, tendency, the average job-search spell rose in 2004 from 15.8 to 16.6 months. This is in keeping with the aggravating placement conditions, but it is also due to the fact that employment policy strengthened the role of provisions acting in favour of preserving labour market activity. (Such as the job-search stimulating allowance introduced in 2003).

Table 4.5.

Number of the unemployed * by emitting industry

Economic branch	1997	1998	1999	2000	2001	2002	2003	2004
A-B	26.9	21.7	18.6	13.4	14.0	12.2	10.7	9.6
C	3.8	2.9	2.7	2.8	1.7	1.2	0.8	0.6
D	87.7	72.8	69.3	63.4	55.6	56.9	59.3	57.3
E	5.6	4.7	4.4	3.4	2.6	2.3	2.1	1.7
F	30.3	26.9	23.4	21.9	20.0	20.3	19.1	18.4
G	35.2	35.2	30.6	29.3	25.4	27.1	27.1	31.8
H	14.5	11.6	10.7	11.1	10.9	10.9	9.5	11.7
I	16.5	13.3	13.9	10.7	9.8	7.9	8.2	8.1
J	2.7	3.8	3.2	3.7	3.1	2.1	1.7	1.9
K	6.5	8.9	9.0	7.7	7.5	9.0	9.5	10.6
L	20.2	18.3	19.3	18.0	17.1	17.9	18.2	19.4
M	9.2	7.6	8.2	5.0	4.0	6.9	6.8	6.2
N	7.4	9.5	7.0	6.9	5.9	5.1	5.8	6.5
O-Q	16.5	10.3	8.6	9.5	9.4	9.5	6.8	6.5
Total	283.0	247.5	228.9	206.8	187.0	189.3	185.6	190.3

* Job lost within 8 years

Some 85% of the unemployed had had a job before, while the remaining 15% have never worked. In 2004, 190.3 thousand (75%) unemployed had lost their job within 8 years. 5% among them used to work in agriculture, 41% in industry and 54% in the tertiary sector. Within industry, construction is the topmost “emitting” branch, followed by the manufacture of machinery and equipment, the textile industry and food processing. In the services sectors, most had been employed in trade, public administration, hotels and catering and real estate and renting.

However, a comparison of the above facts with the relevant employment data shows that, major dismissals were offset in construction, trade and real estate and renting by the hiring of new staff, so much so that these branches produced net gains in this respect over the period under study.

Four-fifth of the previously employed unemployed used to have manual jobs and the rest non-manual ones. Over the 8-year period under scrutiny, most unemployed (23.6%) had had an industrial/construction industrial occupation, the second largest group being that of unskilled workers (20.2%), but the proportion of persons employed previously in the services branches also increased somewhat (19.3%), while among machine operators and assembly workers, the proportion of dismissals declined (14.5%).

Dismissals in the category on non-manual workers affected first and foremost those employed in “other occupations requiring higher educational qualification”, and, as before, office clerks. Note that, in this case, too, employment in the first group increased despite dismissals (persons with secondary level qualification being replaced in these jobs by degree-holders), while the category of office clerks recorded net losses.

The overwhelming majority (95%) of the unemployed used to work in employee status and almost 5% as entrepreneurs or members of corporate business entities. The rate of former co-operative members and assisting family members is infinitesimal, due to their low absolute numbers.

Table 4.6.

Highest educational attainment of the unemployed

Attainment level	1998	1999	2000	2001	2002	2003	2004
Incomplete primary education	4.4	3.4	2.5	2.8	3.0	3.1	2.4
Primary education	34.4	32.1	30.0	32.6	32.2	30.4	28.8
Vocational school	34.3	37.6	38.8	37.3	36	37.6	35.6
General secondary school	9.9	7.3	7.7	6.5	6.5	7.1	8.4
Vocational secondary school	13.1	16.5	17.0	16.8	16.8	16.5	17.3
College	2.7	2.2	2.7	3.0	3.5	3.9	5.1
University	1.2	0.9	1.3	1.1	2.0	1.4	2.4
Total no. = 100%	314.0	285.3	263.7	234.1	238.8	244.5	252.9

Source: CSO, LFSs

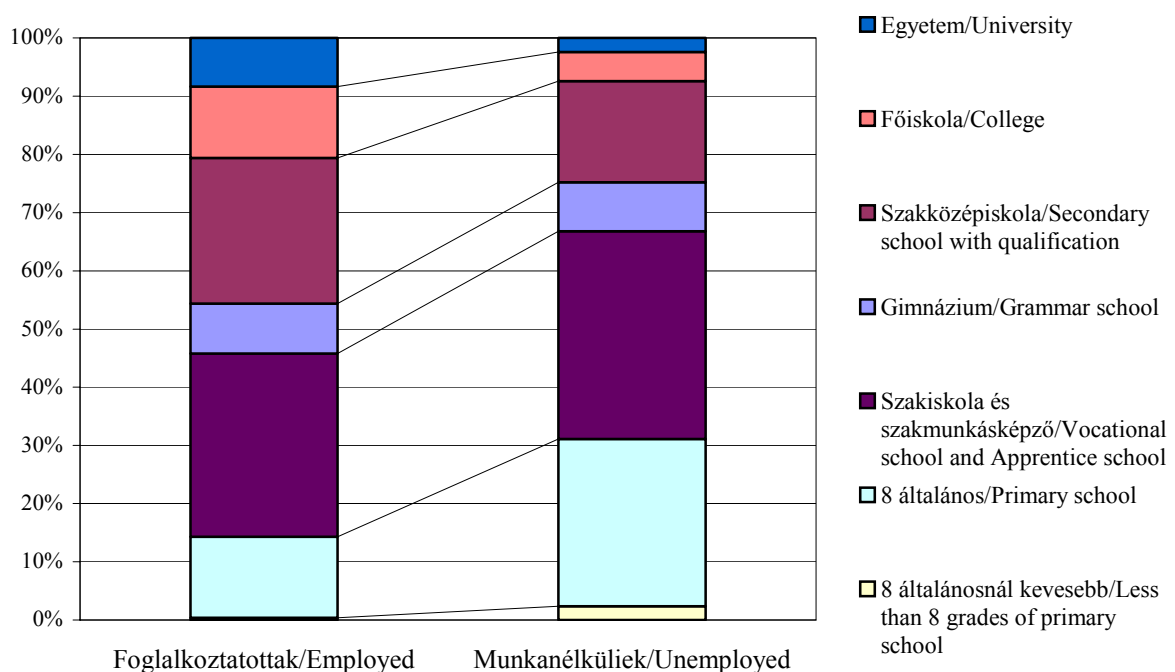
Some 40% of the unemployed have no vocational qualification, GCSE holders without vocational qualification included. 53% have a secondary-level qualification and 7.5%

a degree. During the years, with the replacement of one generation of workers by another, these proportions have shifted in favour of those with higher qualifications: in 2004, the relative proportion of persons with 8-year primary education or less continued to reduce, the same as that of those having finished vocational or special schools, while the proportions of those having finished general or vocational secondary school or college/university increased.

A comparison of the highest educational attainments of the employed and unemployed population, respectively, indicates a mismatch between labour supply and demand. Among the employed, those with max. 8-year primary education is only 14.4% (their number has actually halved since 2000), while in the group of the unemployed, their number has increased and their rate is 31.2%. The rate of those having finished vocational/special school is 31.3% among the employed and 35.6% among the unemployed, and that of persons with at least higher secondary school qualification 54.3% and only 33.2%, respectively. The number of degree-holders rose by 77 thousand since 2000 among the employed and by 9 thousand among the unemployed.

Figure 11.

Distribution of the employed and the unemployed by highest qualification of education in 2004



The difference in terms of highest educational attainment is but one aspect of the mismatch between supply and demand. As a matter of fact, the structure of vocational qualifications by occupation is the dimension revealing this gap most clearly. The experience of the Public Employment Service is that the vocational qualifications of

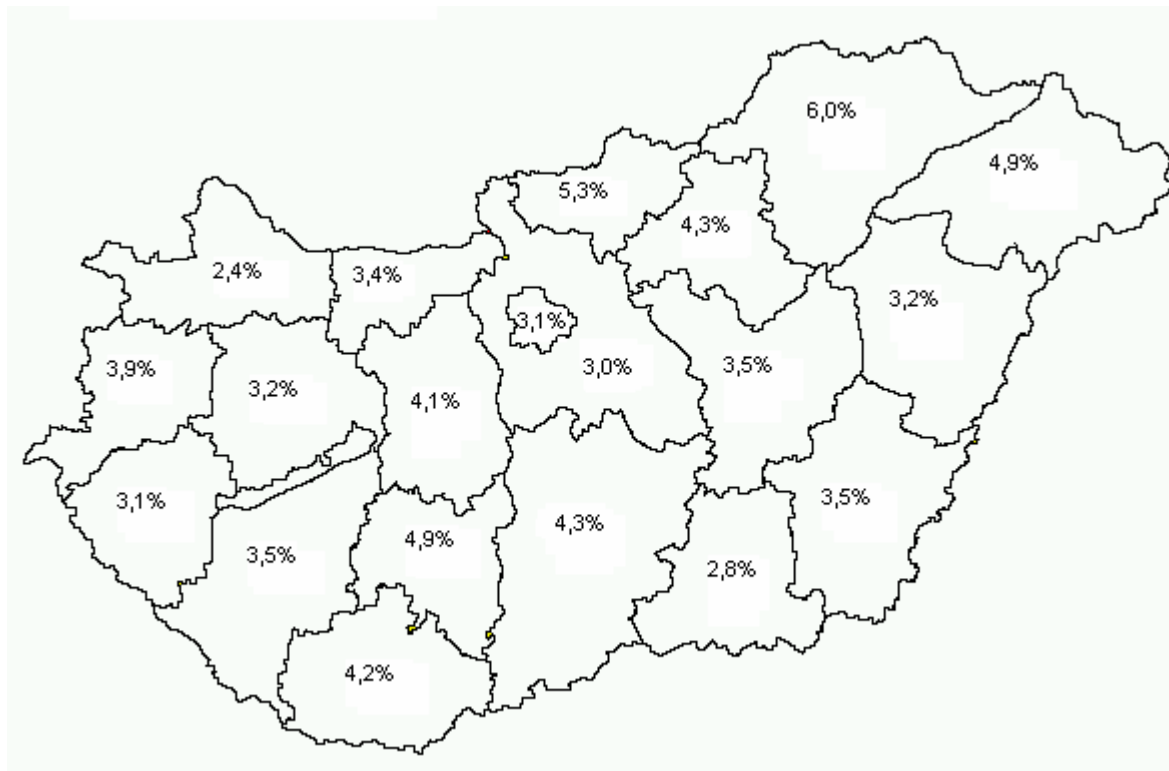
older unemployed persons are mainly – in 40% of the cases according to some estimates – unmarketable, or if the vocation itself is marketable, the vocational skills of the unemployed have become obsolete and would require brushing up. This is a natural concomitant of the restructuring of economic activities and the renewal of technology. The mismatch between the distribution by vocational qualification of school-leavers and the relevant demand also gives cause for concern. Moreover, employers are dissatisfied with the quality of training and object to the lack of practical training.

The gap between supply and demand is strongly influenced by regional discrepancies, to be discussed under a separate chapter.

Figure 12.

Rate of the unemployed aged 15-64 by county, 2004

Country rate: 3,7%



Source: CSO, LFSs

4.1.2 Unemployment as defined by the relevant Hungarian legislation

In addition to labour market developments, the number of the registered unemployed is influenced by employment policy measures defined by the target objectives ever. (This is why CSO adopted the labour force survey system, to portray the development of employment in line with the relevant international recommendations, irrespective of the national labour regulations.) In Hungary, eligibility for unemployment provisions and assistance is regulated by Act IV of 1991 on employment promotion and assistance to the unemployed (the Employment Act). The Act defines as unemployed a

person of working age, not subject to an employment relationship, looking for a job and ready to undertake one (i.e. not ill, not participants of active labour market programmes etc.), and registered as unemployed by an office of the Public Employment Service. Students in regular (day-time) education and persons eligible for old-age pension cannot qualify as registered unemployed.

The Employment Act was amended several times over the past 15 years, in function of the situation of the labour market and also the objectives of the governments ever. The main goal of the current labour administration – in line with the European employment strategy – is to raise the number of the employed, among others by insisting on attracting the economically inactive to the labour market. Often, the first step is to lure the inactive, unable to find a job directly, without support, to registered unemployment. The labour administration introduced several measures to stimulate active job search, because the employability of the unemployed can only be fostered/improved if they enter/remain in the sphere of competence of PES. This was the reason for the introduction of the job-search stimulating allowance, making those concerned more interested in registration, and this in itself raised the number of unemployed allowance recipients by more than 10 thousand. The provision according to which employers will pay less for the employment of an unemployed with TEB if the latter is registered as unemployed at the labour office had the same effect. The dynamic increase in real wages and the gradual elevation of retirement age has also boosted activity and the propensity for job search.

Table 4. 7.

Number and rate of the registered unemployed, 1997–2004

Year	Registered unemployed, '000	Of which:				Registered unemployed,%
		Women (%)	Ages 15-24		School-leaver **%	
			'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
2004	375.9	48.6	60.0	15.9	33.8	8.8

* annual average

**school-leavers under 30 included

Source: NEO

The number of the registered unemployed was 376 thousand in 2004 on annual average, 19 thousand (5.2%) more than in the previous year. As in 2003, the number of women increased faster in 2004, too: 13 thousand of the 19 thousand were women, and hence their rate among the unemployed attained 48.6%.

Within the population of the unemployed, the number of school-leaver unemployed also rose faster than the average at 7.9% (by 2 500).

Table 4.8.

Distribution of the registered unemployed by age group, 1998–2004

Age group	1998	1999	2000	2001	2002	2003	2004	%
<20	3.9	3.3	2.9	3.0	2.9	2.8	2.7	
20-24	14.5	14.3	13.9	14.5	14.5	14.0	13.3	
25-34	29.9	29.9	29.6	29.2	28.7	28.8	28.5	
35-44	18.8	27.3	26.0	25.0	24.8	24.7	24.5	
45-54	20.3	21.6	22.3	22.3	22.7	23.0	23.7	
55+	2.7	3.6	5.3	6.0	6.4	6.7	7.4	
'000	423.1	409.5	390.5	364.1	344.7	357.2	376.0	

Source: NEO

The time series of the distribution of the registered unemployed by age group indicates the declining proportion of the younger age groups and the rising one of older ones.

While the rate of the older age groups to the employed keeps rising due to the gradual increase in retirement age, a person past 45 will find it extremely difficult to get a job in the open labour market. Employers prefer to hire experienced, but younger workers, whose training is more up-to-date and worth investing in, as their knowledge and skills will yield profits for the employer for a longer time.

Table 4.9.

Distribution of the registered unemployed by educational attainment and skills group, 1997–2004-

Category	1997	1998	1999	2000	2001	2002	2003	2004	%-ban
<i>Educational attainment</i>									
Max. 8-year primary education	40.8	40.6	40.4	41.0	42.0	42.4	42.7	42.3	
Vocational/special ed.	35.6	36.0	35.7	34.9	34.1	33.5	32.9	32.3	
Secondary education	20.8	20.9	21.2	21.2	20.9	20.8	20.7	21.1	
Higher education	2.8	2.6	2.7	2.9	3.0	3.3	3.7	4.2	
<i>Skills group</i>									
Skilled worker	35.6	35.9	35.9	35.5	35.2	35.2	34.8	34.6	
Semi-skilled	25.0	25.2	25.3	25.0	24.8	24.4	24.3	23.9	
Unskilled	21.4	21.4	21.1	21.7	22.9	23.5	23.8	23.6	
Manual, total	82.0	82.5	82.3	82.2	82.9	83.1	82.9	82.1	
Non-manual, total	18.0	17.5	17.7	17.8	17.1	16.9	17.1	17.9	
'000 = 100%	470.1	423.1	409.5	390.5	364.1	344.7	357.2	376.0	

Source: NEO

The slowly changing distribution of the registered unemployed by educational attainment reflects a gradual shift in labour market demand. Those with no more than primary education represent a growing proportion, 42.3% to date, of the unemployed, reflecting their growing exclusion from employment. The number of skilled worker unemployed has declined a little in recent years, and there is actually a shortage in this category in some regions. The number of the degree-holder unemployed grew fastest.

While among the employed, manual workers have a share of 59% and non-manual ones of 41%, among the unemployed, the corresponding rates are 82% and 18%, respectively, despite the growth of the number of job-loser non-manual workers by more than 6 thousand in 2004 (2003: 2 700 only.)

Social support for the registered unemployed means partly cash contribution to subsistence and partly services and assistance offered for free to facilitate their re-entry into the labour market. The technical term is “passive measures” for the first and “active measures” for the second, to express that the latter help to exit unemployment.

Cash allowances to the unemployed and employment promotion subsidies are financed from the Labour Market Fund generated by contributions. In addition to the 3% employer and 1% employee contribution, other revenues include the vocational training contribution and the rehabilitation contribution. The last two are payable by employers. The approximately HUF300 billion budget of the Fund is divided between cash benefits and active measures. Labour administrations usually aspire to allocate the biggest possible segment to active measures implying real help. In periods when the number of the unemployed tends to fall, this can be realised without trimming the cash benefits, but at other times the eligibility conditions must be tightened. Over the years, a significant shift was observed in the expenditure budget of the Labour Market Fund in favour of the active measures. In 1992, funds allocated for that purpose represented 21% only of all expenditure, in 1998 39%, and in 2004 more than half (54%) already.

The many amendments of the Employment Act over the past 15 years implied tightening in terms of unemployment benefits. As shown in Table 4.11, while in 1991 77% of the registered unemployed received benefits, by 2004, that rate had dripped to a mere 29%, and the share of beneficiaries of all forms of cash support was also 61% only. In addition to the amendment of the legal regulations, the proportion of recipients of cash support shrunk also because of the alteration of the composition of the unemployed population. The great majority of those who became unemployed in the early nineties used to work continuously prior to having lost their jobs. Within the current population of the registered unemployed, a major segment can only exit unemployment temporarily (through some form of subsidies employment, for example), and they regularly return to registration afterwards.

On the basis of the Employment Act, in 2004, unemployment benefits, job-search stimulating allowance and pre-pension unemployment benefits could be established for the unemployed as “unemployment provision”.

a.) Unemployment benefits

In 2004, unemployment benefits could be granted to a person having spent at least 200 days in employment in the four years prior to unemployment. The unemployed were entitled to have one day of benefit payment for five days of employment, hence 40 days after 200 days of employment, and 270 for days for those having been employed throughout the four preceding years. The benefit extension period, however, could be longer (max.18 months) if the unemployed accepted and started training offered by the labour centre.

The unemployment benefit corresponded to 65% of the previous average earnings (min. 90% of the minimum amount of old-age pension and max. twice the bottom limit established this way). In 2004, the minimum amount was a monthly HUF20 880 (HUF696/day), and the maximum HUF41 760 (HUF1 392/day).

In 2004, a monthly average of almost 110 thousand received unemployment benefits, 29% of the registered unemployed. At end-2004, the average amount of the benefit was HUF37 771. In function of their labour market situation and earnings, unemployed persons with primary school qualification received HUF37 248 for 90 days on average, and degree-holders HUF40 771 for 111 days.

Table 4.10.

Average unemployment benefits, 20.11. to 20.12. 2004

Educational attainment	Recipients		Monthly average benefits, HUF/cap	Average spell of benefits (day/cap)*
	No.	%		
Incomplete primary education	3 703	2.6	35 423	68.0
Primary education	40 146	28.6	37 248	90.0
Apprentice school	51 460	36.7	37 472	96.0
Vocational school	2 911	2.1	37 664	103.0
Vocational secondary school	18 124	12.9	38 520	107.0
High school for technicians	4 976	3.5	39 023	102.0
General secondary school	12 197	8.7	38 236	108.0
College	4 932	3.5	40 352	109.0
University	1 867	1.3	40 389	111.0
Total	140 316	100.0	37 771	97.0

* Including previous days on benefits for re-entrants

Source: NEO

Table 4.11

Monthly average number of registered unemployed receiving assistance

Year	Registered UE	Recipients of **							
		UE benefits		Income 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			343 035	72.9
1998	423 121	130 724	30.9	181 118	43.0			311 842	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	114 623	32.0	223 783	62.5
2004	375 950	109 654	29.2			120 432*	32.0	230 086	61.2

UE=unemployment

*From August 2004: income supplement recipients included

** The table does not include beneficiaries of pre-pension unemployment benefits

b.) After the exhaustion of the period of eligibility for unemployment benefits, the unemployed may be granted regular social aid and those near retirement aid pre-pension unemployment benefits. (Income supplementing allowance could be established until May 2000, and in 2004 a few hundreds only were eligible to it, recorded with social aid recipients.) The number of social aid recipients has been increasing continuously, in 2004, a monthly average of 120 thousand received it, that is, 32% of the registered unemployed. The amount of the social aid corresponds to 70% of the minimum old-age pension, and to 80% of the same for those having suffered health injury. In 2004, this meant a regular monthly income of HUF17 290 and HUF19 760, respectively. Pre-pension benefit was also HUF19 760. As it is obviously impossible to live on aid alone, the beneficiaries were forced to supplement that by household work and legal or illegal temporary employment.

c.) A significant part of the registered unemployed considers it hopeless to find a job on his own, and hence, apart from registration, they do nothing for that. (As indicated above, neither does the labour force survey regard them as unemployed.) Unemployed persons undertaking independent job search could be granted a job-search stimulating allowance as of July 2003. The allowance exceeds the amount of the aid, at 85% of the minimum old-age pension ever, in 2004, a monthly HUF20 995. Persons past 45 are eligible for it for 9 months and younger persons for 6, provided that they can certify

being engaged in active job-search in the meantime. At the end of 2003, 11 thousand, and at the end of 2004 15 thousand unemployed could be activated through this allowance.

66% of the unemployed receive some kind of cash allowance, consequently 34% do not – 34 thousand school-leavers and some 92 thousand others – who, nevertheless, had themselves registered in the hope of finding an adequate job or to take part in one of the newly launched active programmes, trainings or to access subsidised (communal service) work.

4.2. Disadvantaged groups in the labour market

Members of the disadvantaged groups have some extra difficulty in entering the labour market and are therefore in need of special attention and assistance to promote their placement. The problems concerned have the same roots everywhere, and the groups concerned are the following: school-leavers, older people, women, the disabled, and members of ethnic minorities. In recent years, the situation of some of these groups changed, aggravated, and the labour administration reacted by introducing new forms of support and new programmes.

4.2.1. School-leaver youth

International comparisons define the youth as the 15 to 24 year-old, but due to the extension of the training period, a growing number of young persons (re)start their work career past the age of 25. The Public Employment Service regards young persons under 30 as school-leavers. Over the past three years, their number went up from 26.8 thousand to 33.8 thousand, with the number of those with primary education and those having a degree increasing faster, the latter from 2000 to 4000.

Slow employment growth hinders the labour market entry of school-leavers. This is due, among others, to the slow-down of the replacement of one generation by the next due to the growth of the employment of those past 55, given the rise in retirement age, and also their own growing propensity to keep working. A temporary surplus supply was produced last year by the cancellation of regular military and civil service, resulting in the labour market entry of 16–18 thousand young job seekers.

As before, the youth with max. primary education have the worst prospects of employment. A more recent problem is the growing unemployment and inactivity of young degree-holders. For a long time, degree-holders have had excellent placement chances, and this was one of the reasons why the youth tended to remain in education. The possibilities of higher education have also expanded: from the early nineties to the present day, the number of daytime students at institutions of higher education tripled. Although no doubt a positive development in the longer term, this seems to have led to a surplus of degree holders, whereas skilled workers are in shortage in certain areas. At the same time, it is difficult to say and especially to predict whether the basic problem is the surplus supply of degree-holders, or the manifestation, to a growing extent, of

the structural/quality problems of training. (The experience is that, for example, more technical professional would be needed and less teachers.)

In the case of the large generations born in the mid-seventies, the transfer from education to work has become a protracted process, so much so that they have actually competed for jobs with those aged 20–24 now even in recent years. For that reason, neither is the labour market situation of the 25 to 29 year-old reassuring: their unemployment rate is higher than that of their older peers, despite their much higher educational qualifications. The gap between the unemployment rates of the total population aged 15–64 and the 25 to 29 year-old, respectively, was widest in 2001–2002, when degree-holder members of the “big” generations born in the second half of the seventies appeared in great masses in the labour market, leading to a sudden rise in the unemployment rate of degree holders, which has kept increasing thereafter (CSO, Labour market situation of the youth).

The youth represents a major reserve pool for raising employment. The North European countries especially have much better results in this respect than we do. Of course, there are also way-of-life differences here: the Danish and Dutch youth separate from the family and start an independent life at a much younger age. This is made feasible by engaging in work, mainly part-time work, while in education. According to the results of the Youth 2004 research project, the combination of work and education tends to spread in Hungary, too. It is predominant among those aged 25–29: two-third of students combine their studies with an earning activity of some kind. In the age group of 20–24, on the other hand, the corresponding rate is 10% only.

4.2.2. Employment of women

In 2004, the labour market indicators of women improved faster than those of the male population: the employment rate of women fell slightly, and their unemployment rate increased, while that of men decreased. Some of the underlying reasons – economic restructuring, the contraction of light industry employing, typically, women – have been referred to already. The various forms of child-care allowances are also used mainly by women¹⁵, and nursing/caring for the sick and the old are also typically female occupations. Consequently, women tend to interrupt their employment periods more frequently, exiting the labour market for years, while their skills and knowledge wear out and become outdated. Subsequent return is hindered among others by the discrimination on the part of the employers against mothers raising young children. The activity rate of women raising children of 6–10, no longer eligible, typically, for child-care allowance, is lower than that of childless women or women raising older children. Women with higher educational qualification return to the labour market more successfully, even after having had several children, than their peers with a lower schooling.¹⁶

¹⁵ In 2003, men represented 6% of beneficiaries of child-care aid, 0.7% of beneficiaries of child-care fee (source: MSFA)

¹⁶ For example, 63% of degree-holder mothers raising three children are employed, as opposed to 17% of those with primary education only. (Source: Changing family, CSO 2002.)

The range of employment promotion measures for women and mothers with young children was extended in 2004 to include new ones:

- Working-time-proportional health contribution is designed to promote the spread of part-time employment (this contribution form will be eliminated completely in 2006)
- From 2005 on, employers employing a parent returning from child-care or nursing are eligible for a 50% contribution relief for a period of 9 months (on condition of further employment for 3 months)
- Also from 2005 on, those on child-care aid may undertake part-time paid employment from the time when the child reaches the age of 1.

4.2.3 Employment of older people

The number of employed persons past 50 has kept increasing in 2004, especially that of persons nearing pension age – ages 55-59 for women and ages 60-64 for men –, but their unemployment rate also increased a little. 2004 was a “jumping year” in terms of the retirement age of women, and this had its effects on the development of the number of the employed and the unemployed alike.

Ameliorating activity rates are due, beside the increase in retirement age, to the fact that the members of the new generations taking the place of those exiting the labour market are better qualified and hence more eager to work.

In recent years, employers have come to appreciate their experienced workers than before. They would not dismiss older workers solely because of their age. However, in case of hiring new workers, preference is given the youth, with up-to-date training and some experience.

The measure taking effect in 2005 to provide employers employing a long-term unemployed past 50 a 50% relief on contributions (for nine months, on condition of further employment for another 3 months) and exemption from health contribution payment is meant to encourage employers in this respect.

4.2.4. Employment of the Rom

Indicative expert estimates put the number of the Hungarian **Roma population** currently at around 450–600 thousand. In contrast with the shrinking non-Roma population, their number is on the rise, and demographic forecasts suggest their rate will increase from the current 5% to 11% over the next 50 years. Their employment indicators are inferior to those of the majority society, without exception. This has several, mutually reinforcing, reasons: low educational attainment, concentration in the deprived regions, labour market discrimination. Their employment rate is roughly half, their unemployment rate is three to five times higher, and the number of dependents per earner thrice that of the corresponding figures for the non-Roma population.

Unemployment, often a permanent feature, going back more than a decade, threatens with unemployment becoming the norm in ever wider circles. (Employment status report, MEL, 2005)

The Public Employment Service has been expanding co-operation with the Roma minority self-governments and civil organisations gradually: in 2003, the labour centres and offices had 437 co-operation agreements with Roman minority self-governments and 30 with civil organisations, in 2004, the corresponding numbers were 540 and 104, respectively.

The Public Employment Service makes deliberate efforts to ensure that an ever higher number of Rom have recourse to its active measures and the services.

In 2004, it had a total of nearly 30 thousand clients of Roma origin using its services and participating in the active measure mediated by it. Moreover, 4 700 participated in the Roma programmes and 5 200 in the training programmes managed by the county labour centres.

4.2.5. People with reduced working ability

On the basis of the 2002 survey of CSO, of the 656 thousand persons of working age having indicated permanent health problems, less than 95 thousand were present in the labour market, 10 thousand among them as unemployed. The labour market opportunities of persons with permanent health problems or with reduced working ability are highly limited. Around one third of the employed among them filled special (protected, subsidised) jobs. Low employment is concurrent with relatively high unemployment and outstanding inactivity, coupled in most cases with a allowances of some type. (Employment status report, MEL, 2005)

However, the number of people with changed working ability calling on the PES offices to get information, learn about vacancies, or have recourse to some of the services offered there has been increasing year on year.

In 2004, a total of 45 thousand person with health injury registered as unemployed with PES, more by 5% than in 2003 and by 37% than in 2000.

34% of the registered stock could be placed, 6.3% more than one year earlier. A total of 1 103, 2.5% of the total population, entered training.

The registered stock includes a growing number of multiply disadvantaged, typically under-qualified or older, persons or long-term unemployed. Empirical data suggest that a significant proportion of the unemployed/homeless Rom also suffer from changed working ability.

- The rate of the economically inactive in the population aged 15-64 remained essentially unchanged at 40% in 2004.
- Women make up 58% of the 2 298 thousand inactive according to the Hungarian definition of working age.

- 32.8% of the working-age inactive are in education, 13% on parental leave, 32.7% on pension, the majority on disability pension. Some 5% receive unemployment benefits or aid, but do not engage in independent, active, job search, and the reasons for the absence of 390 thousand are not known.
- From among the inactive, whatever the reason of inactivity, 382 thousand would like to have a regular job, although they do not look for one. Hence, job-seekers included, a total of around 635 thousand are eager to find work.

5. THE ECONOMICALLY INACTIVE *

The labour force survey considers as economically inactive those members of the population who are not present in the labour market, having no earning occupation a not looking for a job either. One of the most severe problems of the Hungarian labour market is its low activity rate, that is, relatively few members of the working-age population are present in the labour market. In terms of the population ready for work, Hungary ranks last among the 25 Member States of the Union.

5.1 The economically inactive in Hungary in 2004

The population aged 15–74 fell by 23.7 thousand in 2004. The drop by 21.5 thousand in the number of the employed was concurrent with the increase of that of the unemployed by 8.4 thousand. Hence, on annual average, the number of the economically active fell by 13.1 thousand and that of the inactive by 10.6 thousand over one year.

In 1992, the first labour force survey year, 28.1% of those of working age as defined at that time qualified as economically inactive. In 1998, the same rate was 36.6% – female and male retirement age having increased by two years and one year, respectively, in the meantime –, and subsequently, parallel with the gradual increase in retirement age, it has stabilised by and large at this level. In the age groups considered in international comparisons – ages 15–64 –, the inactivity rate was 35.6% in 1992, 41.8% in 1998 and 39.5% in 2004. (CSO, Report to MEL, 2005.)

Table 5.1.

Number and rate of the active and the inactive within the population aged 15-64

Year	Ages 15-64, '000	Of which:							
		Economically active		Inactive					
				all		men		Women	
'000	%	'000	%	'000	%	'000	%		
1992	6 840.4	4 407.7	64.4	2 432.7	35.6	933.1	13.7	1 499.6	21.9
1993	6 838.1	4 237.1	62.0	2 601.0	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	6 834.4	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	6 854.4	3 986.6	58.2	2 867.8	41.8	1 136.8	16.6	1 731.0	25.3
1999	6 836.0	4 071.4	59.6	2 764.6	40.4	1 086.8	15.9	1 677.8	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	6 849.6	4 088.7	59.7	2 760.9	40.3	1 099.4	16.1	1 661.5	24.3
2003	6 836.3	4 141.5	60.6	2 694.8	39.4	1 079.0	15.8	1 615.8	23.6
2004	6 826.2	4 127.1	60.5	2 699.1	39.5	1 090.5	16.0	1 608.6	23.6

Source: CSO, LFS

* Author of this chapter: Edit Fülöp

One reason for the Hungarian inactivity rate, extremely high in international comparison, is that, despite its gradual increase, retirement age is still lower than in many Union countries. Although the actual age of exit from the labour market was already 61.6 years in 2003, due to previous exits, the rate of the employed is already very low in the generations under retirement age: only 39.8% of women and 54% of men aged 55–59 are at work. The employment rates of women and men aged 60–64, that is, just above retirement age, are as low as 9% and 20.1%, respectively.

The unfavourable state of health of the population plays a major role in the extent of inactivity, although comparative indicators for the past years project slight amelioration. The sickness and mortality rate of those of active age, and especially men among them, give the most serious causes for concern.

Beside low retirement age and poor state of health, another major reason for inactivity is that, in the early nineties, characterised by high unemployment rates, people having lost their job or feeling it threatened had access to a relatively extensive range of various allowances (old-age pension, preliminary pension, pension with age exemption, disability pension).

In 2004, there were 2 699 thousand inactive among the 15–64 year-old and 2 298 thousand among those of working age. The distribution of the latter by reasons of inactivity is probably the topic that is most worthy of interest.

1. **Every third working-age inactive (751 000, 32.7%) is on pension already.** Of the 751 thousand pensioners, 538 thousand receive disability pension, 196 thousand old-age pension on own right and 17 thousand on relative's right. The number of working-age old-age pension recipients has moderated since 1998, but that of disability pensioners has remained unchanged.

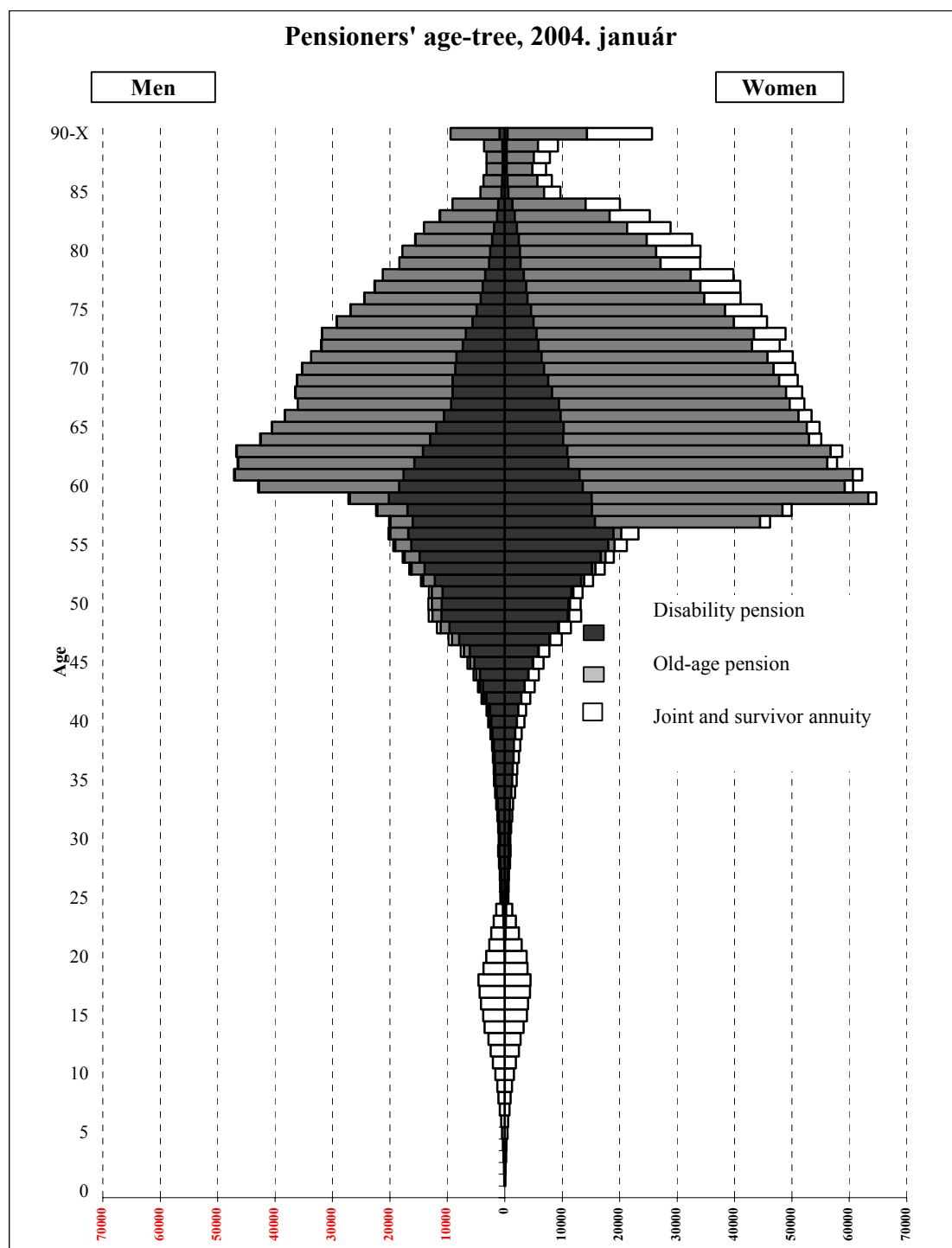
Table 5.2.

Distribution of pension-type-allowance recipients in the working-age population, by age group and gender, 2004

Age group	Old-age	Disability	Relative's	Beneficiaries of pension-type-allowances, total
	pensioners			
Altogether				
<45	2 258	94080	10014	106352
45-49	5902	97478	1513	104893
50-54	13949	153681	2135	169765
55-59	125307	167992	3061	296360
60-61 (men only)	49057	24804	45	73906
Total	196473	538035	16768	751276
Men				
<45	1883	48303	4294	54480
45-49	4206	44369	220	48759
50-54	9294	72504	274	82072
55-59	28783	84207	856	113846
60-61	49057	24804	45	73906
Total	93223	274187	5689	373099
Women				
<45	375	4577	5720	51872
45-49	1696	53109	1293	56098
50-54	4655	81177	1861	87693
55-59	96524	83785	2205	182514
Total:	103250	263848	11079	378177

Source: CSO, LFS

Figure 13.



Source: National Pension Insurance General Directorate

2. The second largest group of the inactive, representing 30%, is that of the 723 thousand day-time students. In 1990, only 37%, in 2004 already 56%, of the population aged 15–24 2004 **had not entered** the labour market yet, but tried to acquire a vocation/profession of some sort. The reason for that is not only the experience that higher schooling improves the employment chances and the concurrent

levels of earnings, but mainly that more and more social groups tends to keep their children in education, with the parents bearing the financial consequences.

According to the data of the Ministry of Education, since 1990, the number of secondary school pupils has increased by 60% and that of college/university students almost tripled.

Day-time students represent 83% of the 15-19 year-old and 27% of the 20-24 year-old. In addition, some 30 thousand youth study at evening/correspondence courses.

Table 5.3.

Day-time students in the school years of 1959/1960-2003/2004

School-year	Ages 15-24 '000	Of which: students		Female students	
		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	1 573.3	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	384.4	50.0
2003/2004	1 296.2	723.0	55.8	358.9	49.6

The objective set by the EU Member States is that by 2010, 85% of the 22-year-old youth should have at least higher secondary level qualification. According to the data of the population census of 2001, in Hungary, within the population aged 20-24, only 44% of men and 59% of women have at least GCSE.

Table 5.4.

Distribution of 14–24 year-old day-time students by age and type of school in the school-year of 2004/2005

Age	Population, 01.01.2004. '000	Students*		Of which: school type, %			
		'000	%	primary	Voc.	secondary	College/university
15	123.4	122.3	99.1	12.4	18.3	68.4	
16	124.5	117.7	94.5	3.5	23.1	67.9	
17	129.6	112.0	86.4	0.7	22.4	63.2	0.1
18	133.7	95.9	71.7	0.1	16.5	44.4	10.7
19	128.2	80.2	62.5		9.5	24.8	28.2
15-19	639.4	528.1	82.6	3.3	17.9	53.5	7.9
20	129.5	63.2	48.8		4.4	14.0	30.4
21	134.8	48.6	36.1		1.8	6.1	28.2
22	143.6	37.4	26.0		0.7	2.6	22.7
23	150.3	25.8	17.2		0.2	1.0	16.0
24	157.4	15.4	9.8		0.1	0.3	9.4
20-24	715.6	190.4	26.6		1.3	4.5	20.8
25 +		26.8					
Total		745.3					

*Data referring to 15.09. (first day of the school-year)

Source: ME data

The growing number of students is, no doubt, one of the most promising social/economic developments, representing one of the main pillars of growth of competitiveness. However, substantial investments by the state and the families to knowledge and vocational skills acquired through education can only be put to profitable use in the economy if the quality and structure of the expanding training capacity matches the labour demand. In recent years, it has become more difficult for school-leavers to enter the labour market. This is explained partly by the slow pace of employment growth and partly by the break in the routine replacement of one generation by another in employment due to the elevation of retirement age. There are obvious signs that the gap between labour demand (youth with vocational skills matching the employers' demand) and the actual vocational qualifications, skills, grounding, of school leavers is widening, while labour market competition is intensifying.

Owing to the protracted transition from education to work of the populous generation born in the second half of the seventies, its members have been competing for jobs with those aged 20–24 now in recent years. This is the reason why the labour market situation of the age group of the 25-29 year-old is not reassuring either.

One reason for the slow decline in inactivity is the delayed labour market entry of the youth: many remain in dependent status after having finished education/training until a job opportunity presents itself, or they set out to acquire another, more marketable,

vocational qualification. It is worth noting the growth of the number of the youth among the inactive: in 2004, 73 thousand youth aged 15–19 qualified as inactive, and within the male population, 55% of the inactive came from the age group of 15–29.

3. The number of persons on **parental leave** was around 300 thousand in 2004, and despite the decline in the number of births, it has been increasing slowly. 20 thousand only among them work while receiving aid/allowance. Economic restructuring has made it more difficult to re-enter the labour market after a period of absence, irrespective of its reason, as liquidations, re-organisations and changes in qualification requirements have reduced the chances of returning to a previous job. Moreover, employers prefer not to employ mothers with small children. Employment forms adjusted to family obligations (part-time jobs, teleworking, home-working) expand but slowly, in spite of the fact that, since 2003, employers employing mothers with small children working part-time, or transforming their full-time employment to part-time employment after the exhaustion of the provision period, have been eligible for special support. As of 1998, support has been eligible for the labour market training of recipients of child-care aid/fee/allowance or nursing fee, too, to help them acquire the qualifications required re-integration into the labour market.

4. From among the inactive, in 2004, **109 thousand received unemployment benefits or, a larger segment, aid granted in case of unemployment.** Those concerned usually fail to meet the ILO criteria of active job-search, although, from among the groups examined above, they are closest to the labour market, and they would probably exchange unemployment allowance for work-based income any time. (CSO, Report to MEL, 2005)

5. In 2004, the labour force survey indicated a total of around 390 thousand so-called “**other inactive**” of working age who had no identifiable source of income and were not in education either. A major part among them consists of women who are “professional” mothers or housewives. This is one of the reasons why two-third of the “other inactive” declared that they had no intention to work.

As a first approach, we should consider the “other inactive” as main reserve pool for employment expansion. However, their labour market (re)integration is feasible mostly – even if they are willing to work – by providing them significant support and incentives. For, of course, this is one of the groups including those with low qualifications, having been driven out from the labour market for that reason, who can only be placed anew after having participated in (re)training. It also includes the youth having dropped off from school, having acquired no vocational qualification/degree or none that would be marketable in the labour market accessible to them.

The placement of women living at small settlements is often hindered by the deficiency of the care-provision network and duties relating to farming family plots. (The “other inactive” are over-represented within the village population and under-

represented in the capital.) Residents of districts characterised by job shortage are forced to commute to work, but many geographical areas offer no opportunity for that either (deficient road network, mismatch between public transport time-tables and work schedules etc.).

However, the experience, if a new employer appears on the scene, is that it is extremely difficult to make those forced to prolonged inactivity leave this status. There is a clearly distinguishable stratum having adapted to this situation, living generally on aid and temporary work, guaranteeing rather low standards of living but considerable freedom.

In the population of the inactive, the passive unemployed included, 382 thousand would like to establish a legal and permanent employment relationship. Active job-seekers included, a total of 634 thousand should be provided employment, through job creation, the improvement of their employability and measures beyond the competence of the labour administration.

Table 5.5.

Inactive persons awaiting employment, 2000–2004

'000

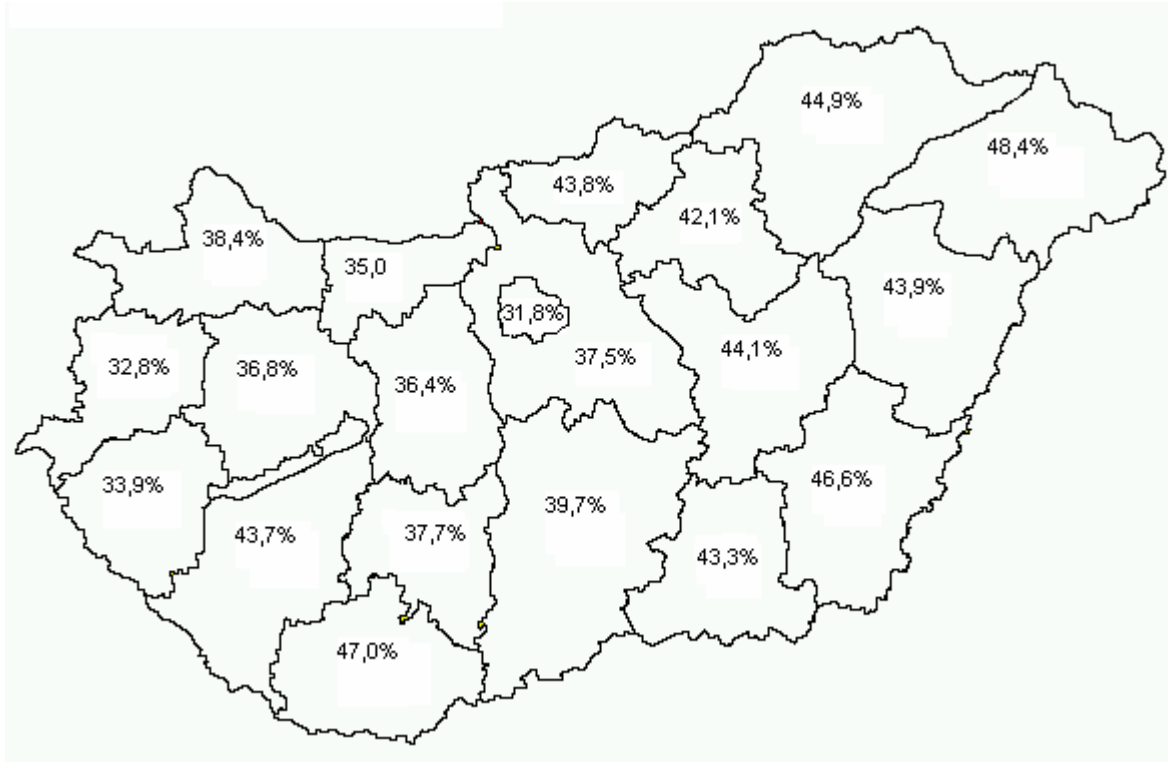
Willing to work*	2000	2001	2002	2003	2004	Of which: in 2004	
						men	women
Passive unemployed (would like to work, does not look for one)	106.9	105.8	117.6	99.9	107.8	64.6	43.2
Would like to have a regular job, but not engaged in job-search (various reasons)	444.8	279.7	311.7	288.7	265.5	110.2	155.3
Did look for work, but was not available	8.7	10.3	9.5	11.7	8.5	2.0	6.5
Altogether:	560.4	395.8	438.8	400.3	381.8	183.5	217.2

Source: CSO, LFSs

Figure 14.

Rate of the economically inactive to the population aged 15–64, by county, 2004

National ratio: 39.5%



Source: CSO, LFSs

II. OTHER FEATURES OF THE HUNGARIAN LABOUR MARKET

6. REGIONAL DISPARITIES IN EMPLOYMENT, UNEMPLOYMENT AND WAGES*

In the period following the change of the economic and political regime, regional disparities in economic performance, productivity, employment, unemployment and wages, respectively, have increased significantly and the tendency did not reverse in the years following the transformation crisis either. The discrepancies in employment and unemployment, as shown by the relevant county-level and small regional indicators, had been increasing steadily until 2003. The data in Table 6.1. suggest that regional differences in unemployment are significant also in comparison with the other East Central European countries, the USA and other European countries.¹⁷

6.1 Regional differences in employment and unemployment at the level of the planning–statistical regions

Regional indicators indicate marked polarisation: the country tends to be divided into a two-tier system consisting of clearly distinguishable groups of winner and loser regions. Data available for 2004 and for the first half of 2005 suggest the persistence of this tendency.

* Author of this chapter: Károly Fazekas

¹⁷ In the OECD countries, the ratio of the maximum and minimum regional unemployment rates is around 3, the variation coefficient around 25-30%. Note, however, that country-specific data are comparable to a limited extent only, given their significant dependence on the sizes of the territorial units concerned.

Table 6.1.

Regional discrepancies in unemployment

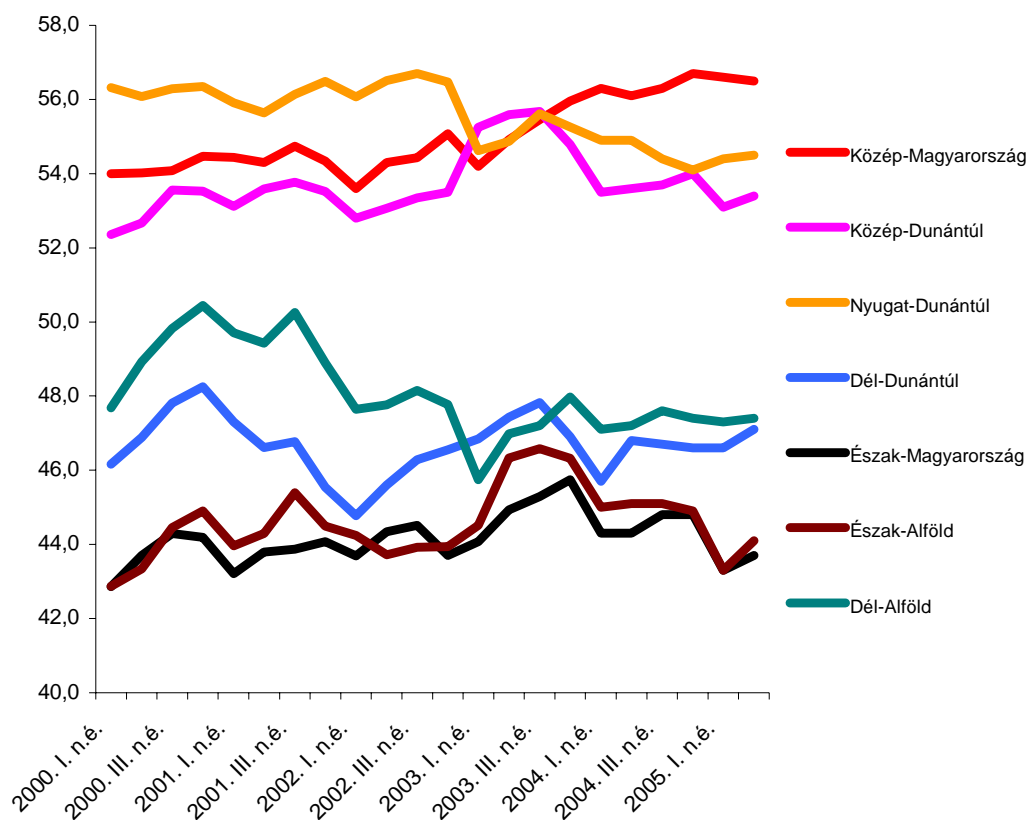
Country	Regions (NUTS) ¹	Year	Average	Standard error ²	Variation co-efficient ³	Min.	Max.	Max/Min
Bulgaria	28 (III)	1991	7.4	1.7	23.0	4.9	11.6	2.4
		2001	19.9	9.3	46.9	4.2	43.0	10.2
Czech Republic	14 (III)	1991	4.3	1.5	35.1	1.2	6.2	5.2
		2001	8.0	3.5	44.0	3.0	14.6	4.9
Hungary*	20 (III)	1991	4.1	2.6	63.2	1.2	10.7	8.9
		2001	8.5	5.1	60.4	2.6	19.0	7.3
Poland	16 (II)	1995	12.3	2.8	23.1	8.9	20.7	2.3
		2001	18.4	3.4	18.5	12.8	24.1	1.9
Romania	42 (III)	1991	3.0	1.4	44.5	1.2	6.2	5.2
		2001	8.8	2.9	33.1	3.1	15.3	4.9
Russia	74 (oblasts)	1992	4.8	1.0	20.8	2.6	9.1	3.5
		2000	12.5	3.8	30.5	4.3	24.4	5.7
France	22 (II)	1997	12.0	2.5	20.5	7.8	18.1	2.3
Spain	17 (II)	1997	21.1	5.6	26.5	10.0	31.9	3.2
USA	51 (state)	1997	5.5	1.1	19.5	3.0	8.6	2.9

Source: Accesslab (2003), OECD (2000), NewCronos Database and Goskomstat.

*based on data referring to the registered unemployed

1. NUTS: French acronym for regional statistical units
2. standard error weighted with the number of the employed and of the population
3. Standard error divided by the average and multiplied by 100.

Figure 14. shows the development of employment rates at regional level. As can be seen, the country is divided into two parts, an eastern and a western one, and the relative positions of Northern Hungary and of the Northern Great Plain have deteriorated fastest over the past months.

Employment rate by region *, 2000-2005.

Source: CSO, LFSs

*Quarterly employment rate of the population aged 15-74, by region

As shown in Table 6.2., currently, the unemployment rate of the Central Hungarian region is 4.5%, while that of Northern Hungary is 9.7% and that of Southern Transdanubia is 7.3%. This rate grew fastest in 2004 in the regions characterised by the lowest levels of unemployment. It went up in Central Hungary by 0.5 percentage point and in Central Transdanubia, by 1 percentage point. Despite these developments, the ratio of the highest and lowest unemployment rates hardly changed from 2003 to 2004: it fell from 2.4 to 2.2. Neither have the regional discrepancies in employment changed in 2004. The ratio of the maximum and minimum rates was 1.2 in both 2003 and 2004. The employment rate grew fastest in Central Hungary, by 1.2 percentage point. Its decline was most pronounced in Central Transdanubia, at 2 percentage points.

Table 6.2.

**Regional discrepancies in the employment and unemployment rates of the planning–
statistical regions, 1999 – 2004**

Region	1999	2000	2001	2002	2003	2004	2004-2003
	%						% point
Employment rate *							
Central Hungary	59.7	60.5	60.6	60.9	61.7	62.9	1.2
Central Transdanubia	58.5	59.2	59.3	60.0	62.3	60.3	-2.0
Western Transdanubia	63.1	63.4	63.1	63.7	61.9	61.4	-0.5
Southern Transdanubia	52.8	53.5	52.3	51.6	53.4	52.3	-1.1
Northern Hungary	48.1	49.4	49.7	50.3	51.2	50.6	-0.6
Northern Great Plain	48.8	49.0	49.5	49.3	51.6	50.4	-1.2
Southern Great Plain	55.3	56.0	55.8	54.2	53.2	53.6	0.4
Total	55.6	56.3	56.2	56.2	57.0	56.8	-0.2
Maximum / Minimum	1.3	1.3	1.3	1.3	1.2	1.2	
Unemployment rate **							
Central Hungary	5.2	5.3	4.3	3.9	4.0	4.5	0.5
Central Transdanubia	6.1	4.9	4.3	5.0	4.6	5.6	1.0
Western Transdanubia	4.4	4.2	4.1	4.0	4.6	4.6	0.0
Southern Transdanubia	8.3	7.8	7.7	7.9	7.9	7.3	-0.6
Northern Hungary	11.6	10.1	8.5	8.8	9.7	9.7	0.0
Northern Great Plain	10.2	9.3	7.8	7.8	6.8	7.2	0.4
Southern Great Plain	5.8	5.1	5.4	6.2	6.5	6.3	-0.2
Total	7.0	6.4	5.7	5.8	5.9	6.1	0.2
Minimum / Minimum	2.6	2.4	2.1	2.3	2.4	2.2	

* Ages 15-64 ** Ages 15-74

Note: Data for 1999 and 2000 based on extrapolated data of the population census of 1990. From 2001 on: based on re-weighted demographic data based on the population census of 2001 for ages 15–64.

Source: CSO, LFS

6.2 Differences in employment and unemployment by county and small region

Differences in the employment and unemployment rates, respectively, of the planning–statistical regions are not excessive in international comparison. However, in order to analyse them correctly, one must not forget that, in Hungary, regional-level analyses do not project a realistic picture of the state of the local labour markets, as the national labour market is segmented into closed local labour markets of a relatively small size, corresponding by and large to that of the small regions. Consequently, a decisive part of regional disparities manifests itself at a lower level than that of the large regions, among counties, the small regions and the settlements.

Considering the latter, not only the extent, but the trend, too, of the developments is different from those observed at the level of the large regions. Table 6.3. shows the development of the registered unemployment rates by county from 1999 to 2004. As can be seen, until 2003, contrary to the general decline of the unemployment rate, regional disparities increased significantly instead of narrowing.

Table 6.3.

**Development of the rate of the registered unemployed by county
(1999-2003)**

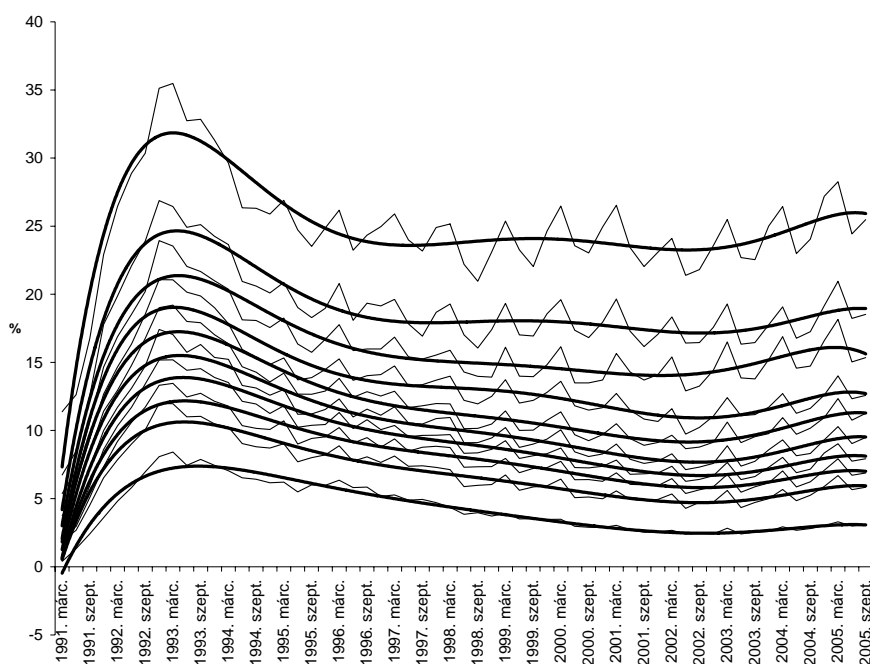
	1999	2000	2001	2002	2003	2004	2004-2003 change (% point)
Budapest	3.7	3	2.6	2.3	2.4	2.8	0.4
Baranya	11.6	11.6	11.1	11.2	11.9	11.6	-0.3
Bács-Kiskun	10.0	10	9.3	8.8	9.4	9.9	0.5
Békés	13.0	13.1	11.9	10.9	11.5	12.0	0.5
Borsod-A.-Z.	19.5	20.3	19.0	18.7	19.6	18.3	-1.3
Csongrád	8.5	8.6	8.3	8.1	8.5	9.7	1.2
Fejér	8.3	7.2	6.4	6.4	7.1	7.3	0.2
Győr-M.-S.	4.8	4.6	4.1	4.1	4.1	4.6	0.5
Hajdú-Bihar	15.6	14.7	13.6	12.5	13.1	12.9	-0.2
Heves	12.3	12	10.6	10.0	10.0	10.6	0.6
Jász-N.-Sz.	13.7	13.4	11.5	10.2	10.7	11.2	0.5
Komárom E.	10.1	8.3	7.0	6.7	6.0	5.8	-0.2
Nógrád	16.2	14.9	14.3	13.8	14.6	14.6	0.0
Pest	6.0	5.2	4.4	3.9	3.7	3.8	0.1
Somogy	12.2	11.9	11.6	11.6	12.2	13.4	1.2
Szabolcs-Sz.	18.7	19.5	17.8	16.4	17.7	17.5	-0.2
Tolna	12.9	11.8	11.0	10.0	10.7	11.6	0.9
Vas	5.6	5.2	4.9	4.6	5.0	6.0	1.0
Veszprém	8.2	7.2	6.9	6.7	7.0	7.3	0.3
Zala	7.7	7.2	6.5	6.3	7.0	7.4	0.4
TOTAL	9.7	9.3	8.5	8.1	8.3	8.7	0.4
Minimum	3.7	3	2.6	2.3	2.4	18.3	
Maximum	19.5	20.3	19	18.7	19.6	2.8	
Max/Min	5.3	6.8	7.3	8.1	8.2	6.5	

Source: NEO, Database of the registered unemployed

Note: Rates for 1990-2000 based on the number of the employed on 01.01 of the given year; rates for . 2001-2003 based on the average number of the employed.

Figure 16.

Development of the rate of the registered unemployed based on decili calculated for the small regions from the rate of the registered unemployed, 1991 – 2005

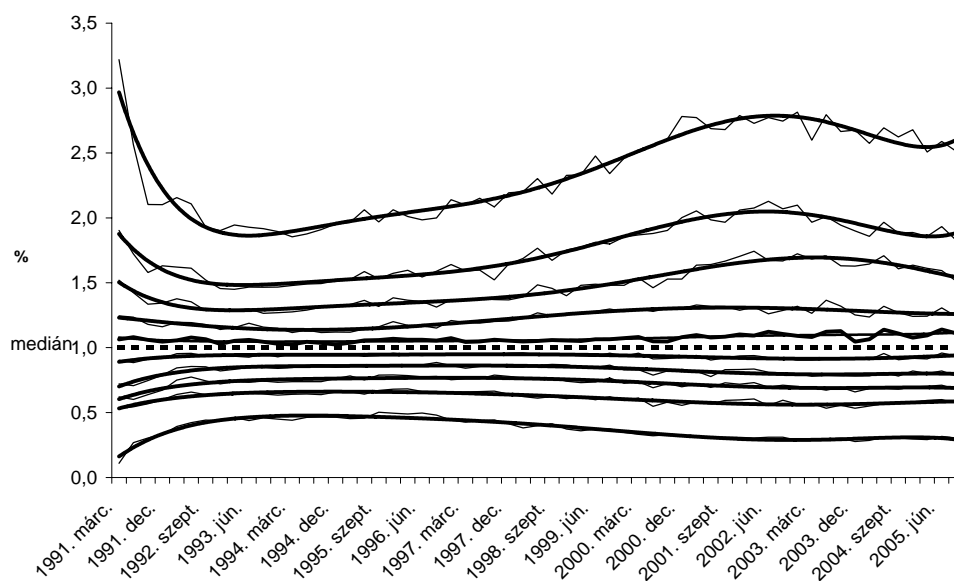


Source: NEO, Database of the Register of the Unemployed

Note: Columns indicating the development of the averages of the rates measured in the decili generated on the basis of the unemployment rate.

Figure 17.

Development of the relative differences in the rates of the registered unemployed based on decili calculated for the small regions from the rate of the registered unemployed, 1991 – 2005



Source: NEO, Database of the Register of the Unemployed

Note: Columns indicating the development of the averages of the rates measured in the decili generated on the basis of the unemployment rate and of the median.

The minimum rate fell from 1999 to 2003 from 3.7% to 2.3%, while the maximum rate hardly changed, decreasing from 19.5% to 18.7%. The ratio of the maximum and minimum rates rose over the same period from 5.3 to 8.2. Data available for the past period suggest that the growth of the regional disparities came to a halt and actually reversed in 2004. As a matter of fact, in 2004, the maximum/minimum ratio fell from 8.2 to 6.5. The rate of the registered unemployed decreased fastest in County Borsod-Abaúj-Zemplén, where it had been the highest.

An investigation of settlement- or small-regional-level level disparities, a better match for the local labour markets, projects a more exact picture of the development of the gaps between the local labour markets. Figures 15. and 16. depict the chronological development of the absolute and relative differences in registered unemployment rates. The curves denote the ratio of the average unemployment rates of micro-regions assigned to deciles on the basis of the unemployment rates of the small regions to the median values cleared of the effects due to the change in the average rate.

As can be seen, the differences in the unemployment rates have been increasing steadily in recent years, their growth being due to the ever more difficult relative position of regions characterised by high unemployment (upper two deciles), and not to the improving tendency of those in a relatively favourable situation, characterised by lower unemployment rates. Note that, although the unemployment rate grew fastest after 2003 in the deciles characterised by the highest rates, relative disparities diminished a little over the past quarters.

6.3 Regional disparities in wages and earnings

Regional wage and earnings data published regularly on the basis of the *Wage Tariff Survey* of the National Employment Office, referring to regions/counties, indicate significant albeit stagnating regional discrepancies for the past years (see Table 4.5.). While in the Central Hungarian region earnings exceed the national average by 25%, those in the Northern Great Plain region are lower by 17.3%. One must not forget that these summary data are not suitable for measuring wage/wage cost advantages offered by mobility because, in order to make regional wage levels comparable, earnings differences due to the personal endowments of the workers concerned and to the different branch structure must be filtered out first.

Table 6.4.

Regional differences in gross monthly earnings by planning region *

	1989	1992	1995	1998	2001	2003	2004
Central Hungary	108.3	121.0	116.9	124.5	127.5	125.4	125.1
Central Transdanubia	100.5	98.7	95.8	98.4	96.9	94.2	93.2
Western Transdanubia	93.4	93.4	90.6	93.1	92.9	89.5	89.7
Southern Transdanubia	96.9	88.6	88.0	87.5	83.8	86.3	83.5
Northern Hungary	96.8	92.2	89.6	87.0	85.6	86.8	87.3
Northern Great Plain	89.4	87.1	86.4	83.9	82.0	84.9	84.3
Southern Great Plain	90.9	89.2	83.7	84.3	81.8	83.6	82.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Maximum	108.3	121.0	116.9	124.5	127.5	125.4	125.1
Minimum	89.4	87.1	83.7	83.9	81.8	83.6	82.7
Max./min.	1.2	1.4	1.4	1.5	1.6	1.5	1.5

Note: 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

*Earnings data referring to the month of May.

Source (Source): NEO, WTS

Table 6.5.

Development of monthly gross average earnings in the capital and the counties

County	1994	1996	1998	2000	2001	2002	2003	2004
	%							
Budapest	126.8	127.8	131	134.4	135.4	134.0	133.2	132.5
Baranya	91.1	92.3	91.3	84.4	86.4	85.1	87.1	87.3
Bács-Kiskun	84.6	85	82.6	78.8	80.5	83.0	83.3	81.2
Békés	86.3	84.9	82.7	77	76.9	79.6	79.8	80.6
Borsod-Abaúj-Zemplén	90.6	87.1	88.3	86.5	86.1	87.1	87.7	87.5
Csongrád	92.8	90	87.6	88.4	87.2	85.3	87.2	86.0
Fejér	104.1	105.2	106	104.9	104.5	101.7	101.4	99.3
Győr-Moson-Sopron	97.3	99.4	98.9	96.7	99.8	99.0	94.8	95.1
Hajdú-Bihar	89.8	89.3	84.9	82.9	84.3	83.4	86.8	85.6
Heves	92.7	91.7	89.6	92.4	89.6	90.3	88.0	88.8
Komárom-Esztergom	94.5	96.9	95.9	93.4	95.1	92.7	92.5	93.0
Nógrád	81.5	80.4	77.6	74.6	77.4	80.4	81.5	83.8
Pest	91	96.6	97.6	96.6	100.3	99.7	96.0	97.7
Somogy	83.6	86.4	82	76.1	77.6	77.0	82.3	79.4
Szabolcs-Szatmár-Bereg	86.1	82.8	81	79	77.2	81.2	82.6	83.2
Jász-Nagykun-Szolnok	85.8	87.8	85.6	83.2	84.3	85.6	84.9	84.0
Tolna	94.7	92.8	88.7	86.9	87.4	90.9	90.3	82.5
Vas	85.5	87.5	87.6	91.9	89.3	86.2	85.8	87.2
Veszprém	93	91.5	91.4	88.4	88	85.0	86.6	86.2
Zala	90.7	90.9	89.1	86.6	86.1	82.7	84.6	83.9
Total	100	100	100	100	100	100	100	100.0
Minimum	81.5	80.4	77.6	74.6	76.9	77	79.8	79.4
Maximum	126.8	127.8	131	134.4	135.4	134	133.2	132.5
Minimum/maximum	1.6	1.6	1.7	1.8	1.8	1.7	1.7	1.7
St. deviation	9.7	10.2	11.6	13.2	13.3	12.5	11.5	11.6

Source: NEO, Wage Tariff Survey

7. DEVELOPMENT OF LABOUR INCOMES AND EARNINGS, 2004*

The regular earnings statistics for 2004 covered 2 580 full-time employed, around 80% of all the employed. The circle under study includes budgetary institutions, business organisations with more than 5 staff in the competitive sector – non-profit organisations with a more significant employment capacity included. In the public sector, carrying a weight of around 30% in terms of employment, the number of the employed fell by 0.5% in 2004, while in the business sector it increased a little, to the detriment of organisations with less than 5 staff mostly. Gross earnings grew at a slower overall pace than in the previous year, by 6.1%, corresponding to net earnings growth by 5.7%. This slow pace of growth was largely due to measures (or the absence thereof) exerting a direct influence on the public sector, that is, the modest change in the basic salary of civil servants in 2004, the fact that the growth of the earnings of public employees was based exclusively on local sources and, owing to the amendment of the relevant legal regulation, no 13th month wages were paid in 2004. (The roll-over of the payment of 13th month wages to January 2005 will distort the earnings growth data in 2005 as well.)

Real economic processes influence the development of earnings in the business sector only, and even there above a certain enterprise size only. For, on the basis of the available, scanty, information, changes in the minimum wages are the most important single factor determining earnings growth at business entities with 10–20 staff. (In this circle, the “official” earnings typically correspond to the minimum wages ever.) The gross earnings of those employed by business entities with more than 5 staff, in the competitive sector, rose by 9.3% in 2004, at a similar pace to growth in the previous year (9.0%), but due to the higher growth rate of the consumer price index, this produced a smaller improvement in real value terms.

Even if the distorting effects of the absence of 13th month payments are filtered out, after the major boom generated by central intervention in recent years, the earnings of the approximately 800 thousand employed in the public sector grew at a much more modest pace than that, at a mere 4.8%. Taking into account the 13th month earnings, too, for the reference base, the growth rate is 0.7% only.

Table 7.1.

Development of gross earnings of business/public sector employees, 2000-2004

	Business sector		Public sector	
	HUF/month	Previous year = 100%	HUF/month	Previous year =100%
2000	88 425	114.6	86 210	112.3
2001	102 833	116.3	105 944	122.9
2002	116 599	113.4	136 884	129.2
2003	127 063	109.0	160 979	117.6
2004	138 905	109.3	162 126	100.7

* Author of this chapter: Judit Lakatos

All in all, gross earnings grew at a more modest rate in 2004 than what was typical in previous years, while the consumer price index increased faster than in the two previous years and hence real earnings fell, for the first time since 1997, albeit to a small extent and decisively as a result of the re-scheduling of the payment of 13th month salaries.

Table 7.2.

Development of monthly average gross, net and real earnings and of the CPI, 1990–2004

Year	Average earnings of full-time employed				CPI	Real earnings index *
	gross	net	gross	Net		
	HIF/cap.		Corresponding period of previous year = 100.0			
1990	13 446	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	77 622	118.3	119.6	105.3	113.6
2003	137 187	88 751	112.0	114.3	104.7	109.2
2004	146 675	93 783	106.1	105.7	106.8	99.0

*Based on the net average earnings index

Although, as a result of central earnings measures taken in recent years, typical average earnings in the public sector tend to exceed by far those in the business sector – although in 2004 the gap narrowed again –, data standardised by educational attainment still indicate the advantage of the business sector.

Traditionally, the highest average earnings have been recorded in the branch of “financial intermediation, business support”. The gross HUF320 200 for 2004 corresponds to 2.4 times the business sector average, and the branch concerned produced an outstanding growth rate, especially, as is typical, in the second half of the year. Gross earnings went up by 18.4% over 12 months, and by 19.1% in QIV, as extra profits produced this year allowed to pay bonus, too. In the chemical industry, ranking second, the gross average earnings were much lower at HUF196 thousand, but those of non-manual employees in this branch lagged by HUF10 thousand only behind those in the financial intermediation branch. Within the gross average earnings of HUF192 500 in the branch of electricity, gas, steam and water supply, ranking third, the difference

between the two basic occupational clusters was much smaller, because of the frequency of multi-shift/hazardous/special work compensated by supplements in manual jobs there.

These three branches of the competitive sector recording extraordinary remunerations are followed by the HUF184 500 average of “public administration, defence, mandatory social insurance”. In addition to the administrative measures of the past years, the distinguished 4th position is due to a large extent to the higher-than-average proportion of jobs requiring higher qualification, as in terms of the earnings of non-manual workers this area occupies a much lower position, and the situation is only a little better than that for manual workers.

Neither have the sectors/branches dropping off in terms of average earnings changed much in recent years, although correction effected in 2002 has brought about a major improvement in the relative positions of education and health care, respectively, and hence the latter no longer belongs to the areas characterised by the lowest remunerations. In 2004, those employed in the manufacture of textiles, textile articles and leather products earned least (HUF77 740), but average earnings of less than HUF100 thousand were typical in agriculture, forestry, fishing, hotels and catering and construction as well.

Table 7.3.

Development of the monthly gross average earnings of full-time employed, 2004

Economic sector/branch	Manual occupations		Non-manual occupations		Altogether	
	HUF/month	year earlier =100.0	HUF/month	year earlier =100.0	HUF/month	year earlier =100.0
Agriculture, forestry, fishing	82 449	108,8	147 323	108,5	97 016	108,7
Mining	133 587	106,5	265 450	110,4	162 145	108,8
Manufacture	105 226	109,5	246 950	109,5	136 520	110,1
<i>Of which:</i>						
Foodstuffs, beverages, tobacco	93 528	108,1	238 997	108,3	126 931	108,9
Textiles, textile prod., leather, footwear	68 783	106,8	143 561	107,2	77 740	107,1
Wood, paper, printing	96 650	111,6	185 128	109,1	123 179	111,6
Chemical industry	136 923	109,1	317 699	109,1	195 959	109,0
Other non-metallic mineral products	112 945	106,8	240 644	111,1	140 019	108,6
Basic and fabricated metals	107 891	110,2	215 311	109,3	129 619	110,6
Engineering	117 925	108,6	272 264	109,6	150 567	109,4
Manufacture n.e.c.	75 862	108,4	144 776	103,8	86 413	106,7
Electricity, gas, steam, water supply	146 341	108,7	265 964	111,2	192 458	110,5
Industry	108 011	109,3	249 526	109,7	141 077	110,0
Construction	79 176	106,1	165 235	107,4	99 785	106,4
Trade, repair	78 734	105,3	186 891	107,7	122 292	105,9
Accommodation, catering	70 534	104,9	150 787	102,2	90 188	103,5
Transport, storage, post, telecom.	113 604	110,1	221 418	111,2	157 839	110,6
Finance	135 869	105,9	327 161	118,5	324 244	118,4
Real estate, business support	81 401	106,2	218 819	110,0	154 392	106,1
Public admin., defence, mand. social sec.	99 796	101,7	218 918	101,5	184 499	101,8
Health and social care	83 866	98,6	173 163	98,7	160 504	98,8
<i>Of which:</i>	88 994	100,7	147 704	100,7	131 333	101,1
human health care activities						
social work activities	94 032	101,7	158 114	101,5	142 077	102,0
Other communal/personal services	81 752	99,5	125 150	99,5	110 643	100,0
Health and social care	92 013	106,0	186 292	106,1	137 785	106,4
National economy, total	96 084	106,7	203 585	105,7	146 675	106,1
<i>Of which:</i>						
Business sector, total	96 795	107,7	222 462	110,5	138 905	109,3
Public sector, total	92 643	100,8	185 254	100,3	162 126	100,7

Data regarding the gender gap in earnings broken down by educational attainment are available from the so-called Individual Earnings Survey, publishing earnings data for the month of May, typical of the year. Data originating from this source and national

data provided by monthly institutional statistics are in good agreement. As for the branches, in 2004, a wider gap was observed than before due to the absence of the outstanding bonuses paid in the financial area in the second half are not included in the Individual Earnings Survey, while public sector data originating from the latter include the 13th month salary, too. (For, the May earnings, typical of the year, are the aggregate of earnings in May 2004 and of one-twelfth of all non-regular earnings received in 2003.)

Table 7.4.

Gross average earnings of full-time employed*, by highest educational attainment, 2004

Educational attainment	Men	Women	All	
	HUF/cap/month			Year earlier =100.0
Business sector				
Max. 8-year primary school	94136	81210	88101	105,9
Vocational + spec. voc. school	106853	82606	100682	108,1
Voc. secondary school	142198	125430	134236	105,6
General secondary school	141824	128854	133718	108,8
Technical school	165740	128514	153755	101,8
College	286031	226810	260456	103,8
University	400525	316067	371592	106,2
Total	146374	124743	137958	107,2
Public sector				
Max. 8-year primary school	126854	91997	100978	116,1
Vocational + spec. voc. school	112638	104375	108388	107,4
Voc. secondary school	160609	141177	145305	119,9
General secondary school	147336	132490	135298	111,5
Technical school	159492	161521	160560	112,1
College	244249	191238	202068	109,3
University	312306	276990	293999	113,2
Total	197163	157968	169211	111,3
National economy				
Max. 8-year primary school	99469	85423	91800	109,0
Vocational + spec. voc. school	107327	87327	101611	108,1
Voc. secondary school	144925	131984	137563	109,6
General secondary school	142976	130325	134261	109,8
Technical school	165358	132874	154334	102,7
College	270921	200353	224740	106,9
University	361859	291952	331572	109,6
Total	154932	139417	147380	108,7

* Gross average earnings: gross total amount of the regular monthly earnings elements for May and one-twelfth of non-regular bonuses, awards, 13th month salary etc. in the previous year.

Source: NEO

According to the Individual Earnings Survey, at the level of the national economy, women earned HUF15 000 (10%) less in 2004 than men. Although the correction of the earnings of public employees has moderated the earnings backlog of women globally – especially among those with college/university degree – , the gender gap is not at all negligible due to the different earnings characteristics of typically male and typically female occupations and the lower chances of women to fill managerial positions. Women with college and with university degree earned 30% and 21% less, respectively, in 2004 than men with the corresponding qualifications. As for secondary-level qualifications, the earnings gaps are widest for those having finished vocational or special school. Women show a backlog of 19%.

The earnings gap between those having the highest and the lowest educational qualifications, respectively, has been widening steadily over the past decade. In 2004, the gross average earnings of those having finished max. 8-year primary school was hardly more than one-fourth of that of degree-holders and, within that, in the business sector, not subject to external regulations, as opposed to the public sector, the difference was more than four-fold.

At the level of the national economy, the earnings are combined by around 4% extra income generated by labour activities. Meal contributions, regulated under the Personal Income Tax Act, too, represent the largest segment within that. According to the supplementary survey for QII 2004 of MEF 3 out of 4 workers receive such benefits. Labour income including benefits, that is, earnings as defined in the international terminology, was HUF153 thousand, that is, EUR609, calculated at the annual mean rate in 2004.

METHODOLOGY

Main data sources, reference dates

The main source of international data quoted in the Report is OECD's *Employment Outlook 2004*, and *Employment in Europe 2004*, publishing the results of the labour force surveys of the EU Member States in a standardised structure.

OECD data generally refer to 2003, while those of the EU are, traditionally, the results of the labour force surveys of QII 2003. (Hungarian data included in the two databases of course refer to the same dates as those of the other countries.)

The most important data describing the Hungarian developments are *annual averages* calculated on the basis of the quarterly labour force surveys conducted by CSO. Owing to a difference in reference dates, Hungarian data figuring in international comparisons and those quoted by the Report may differ a little.

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.

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 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.

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

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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