

# LABOUR MARKET YEARBOOK



**HUNGARIAN Public Employment Service**  
**2006**





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**2006**

**National Employment and Social Office**

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Published by the National Employment and Social Office  
Responsible editor: Director General Károly Pirisi

National Employment and Social Office - 1117/2007 - Resp.: Miklós Szauer

Budapest, 2007



The first yearbook of the Hungarian Public Employment Service was published 5 years ago, in 2001, on the 10<sup>th</sup> anniversary of the establishment of the organisation. In connection with the renewal of our information and statistical system, the Management decided to publish the yearbook annually, to our – and, hopefully, our Readers' – great pleasure. For, this will allow us to release information and analyses which present the unemployment registration data and the achievements of our organisation.

We expect the yearbook to be used by the representatives of the peer organisations of other countries, too, since our tasks and solutions have many features in common.

This publication was compiled on the basis of the writings of senior staff members of the Ministry of Social Affairs and Labour and of the National Employment and Social Office.

We are very grateful for their help.

Budapest, June 2007.

The Editors



# INTRODUCTION

283 642 PERSONS WERE PROVIDED HUMAN SERVICES  
OF DIFFERENT TYPES IN 2006.



One of the prime challenges facing the Hungarian economy is the low rate of declared employment: the GDP is produced by a relatively small segment of the population. This situation needs to be changed. Those who are capable of work should be given a chance to earn a living, to create a secure financial existence by their own work and performance. This we shall foster and, of course, assist, especially insofar as the underprivileged — persons born amidst poorer circumstances, residents of deprived areas, people suffering from health problems or discrimination — are concerned. Ten to fifteen years ago labour market policy was first and foremost to provide as intensive protection as possible against the market effects to those who found it more difficult to adapt. Now they expect us to help with their integration, re-start, self-created security, good prospects, lest they should depend on their family or the larger community.

A lot was done in 2006 to achieve these objectives. Employment, social and equality policies were assigned to the competence of one and the same management authority, and this, in turn, has made it possible to remedy the causes of long-term unemployment and inactivity, and the resulting problems, in a concerted manner. The activity of the National Employment and Social Office, too, was adjusted to the merged ministerial organisational and functional structure: since the labour offices are present in every small region, in the everyday life of every citizen and business entity, this system is key to the implementation of our objectives. The National Employment and Social Office is a Service organ with national competence, responsible for social as well as child and youth protection functions. PES now works

on a regional basis; its services have been brought closer to the clients.

The system of unemployment benefits was reformed in 2005 and that of the active measures in 2006. As a result, the combination of provisions and services mediated by PES now encourages and assists job search, preparation for employment and lasting employment. Its growing resources together with the available Union funds can now be used/received in a simpler and less bureaucratic manner, more in line with the individual needs. By involving the civil actors, we shall be able to reach a wider circle of the unemployed/job-seeker population, in order to encourage and assist their preparation and job-search.

In addition to our everyday activities and standard instruments, we also support the reforms, as well as the job creation and the placement of the most underprivileged by targeted measures. A complex, multi-component programme was launched, and a network providing special labour market services was established to help former public sector employees having lost their job start anew. This activity will continue this year in the form of a „Mobility” programme for health-care employees. In addition to the programmes and measures offered by PES, the introduction of new contribution reliefs available on citizen's right will also promote placement. The START programme for career starters has been operating with success for two years. From the second half of 2007 on, similar benefits will be available to persons returning from parental leave with child-care aid/fee and to the long-term unemployed, with special reliefs granted to those among the latter who are above the age of 50 or have low school qualification.



The chances of those who are the worst off are increased by linking communal work to training. A major part of the beneficiaries of regular social aid are PES clients. The possibilities and resources available to support their public benefit and communal work will increase, and the municipalities will receive aid granted from the central budget even if they employ the beneficiaries/pay wages to them. The programmes

**IN 2006, PES RECEIVED 885 386 REGISTERED  
JOB-SEEKERS.**

dedicated to persons at a disadvantage will continue, with Union support. A comprehensive programme will be launched to promote the development of the regions having dropped behind, the populations of which are in the most disadvantageous situation, in order to ensure their genuine and lasting catching up. The relevant job-creation and enterprise support measures, the social and health care measures, and

**PES HAD LIVE WORK CONTACTS WITH 336 056  
ORGANISATIONS AND THEIR BUSINESS SITES IN 2006.**

the programmes to improve the schooling, qualification and preparedness of the population concerned will mutually reinforce one another. The role of the PES staff in co-ordinating and mobilising, integrating the local actors, communities will be crucial to this programme package.

The most important challenge of the months to come will probably be the preparation for the amended system of provisions of persons with reduced work capacities, and the reception of new clients. In the future, persons with impaired health/disability, but with a good chance of rehabilitation (young persons, capable of preparation, whom the local labour market can absorb), will receive rehabilitation benefits instead of pension, concurrent with thorough and complex assistance to promote rehabilitation and re-start. The ultimate goal is to make them capable of engaging in (long-term) employment, in the primary labour market, if possible. The PES staff will organise the relevant co-operation, co-ordinate the rehabilitation services and provide the assistance required for labour market rehabilitation.

The Ministry of Social Affairs and Labour expects the PES staff to provide every possible assistance to the clients — whether employees or job seekers, men or women, young or elderly, village or town residents, persons with reduced work capacities, Roma or non-Roma — to promote their adaptation and catching up. They should use the resources put at their disposal effectively, in the service of training, employment, re-start and, if necessary, developments. We shall provide full-scale professional assistance for this purpose, and we request the same from every partner of the employment service.

Péter Kiss  
Minister of Social Affairs and Labour



# FOREWORD

IN 2006 PES HAS STARTED THE ENHANCEMENT OF THE NEW SERVICE MODEL WHICH WILL LEAD THE INTEGRATION OF EMPLOYMENT AND SOCIAL SERVICES



This yearbook, a special but, hopefully, trendsetter publication, is meant to introduce the annual activity of the Hungarian Public Employment Service to the wider public. The first issue of our Labour Market Yearbook covers the year of 2006, and there exists a more detailed summary of the activity of PES in the same year, which was put up for discussion at several fora and is now displayed on our website.

As before, our priority tasks in 2006 included the promotion of employment, the reduction of the number of the inactive, and the placement of career starters, persons above 50 years of age, persons with reduced work capacities and/or with low schooling. As compared with the professional guidelines expressed in February last year, PES can boast of considerable success in several areas.

An outstanding number of clients, some 885 thousand, visited the offices of the Service, and almost 350 job-seekers got placed with its help.

From among our Union programmes continued last year, "One step forward" (Lépj egyet előre) has been enjoying growing popularity. Thanks to this training programme, launched in January last year, and unique in European comparison, too, some 15 thousand clients, mainly with 8-year elementary schooling only, have managed to obtain a qualification.

The introduction of the system of management by objectives represented a significant step ahead. Within this framework, questionnaire-based national-level client and employer satisfaction surveys were carried out. The evaluation showed a satisfaction rate approximating 90% among our partners. In addition to the above, we found the energy to further improve the quality and efficiency of our services, to match the expectations of our clients to a growing extent. Co-operation, the use of our professional capital and goodwill, and empathy, so very important for the jobless, have been stable items of the everyday work of every PES staff member. We received the necessary professional, moral and financial support for this purpose from the Ministry of Social Affairs and Labour and from the Steering Committee of the Labour Market Fund, and the support provided by the Union has also been a considerable asset.

The PES modernisation programme launched in autumn 2002 under a PHARE programme not only reformed the infrastructure and IT background of our organisation but, simultaneously, the relevant staff training inaugurated a new chapter in the PES quality policy and service model.

Let me express my thanks here to our co-operating partners, to the Ministry of Social Affairs and Labour and to every staff member of the Public Employment Service, for their active contribution to our work in 2006.

Károly Pirisi  
General Director



# THE PES TECHNICAL SUPERVISORY COUNCIL

The Minister of Employment Policy and Labour created the Council in 2005 in order to promote the efficient assertion of the employment policy objectives of the government in the activity of PES and to assist the minister in fulfilling his managerial tasks. The Council is a proposal-making and advisory body operating by the side of the Minister and contributing to the technical preparation of decision-making. Initially, the Council included a chairperson and twelve members. Subsequently, the number of the members was raised, and MP Nándor Gúr, Vice President of the Parliamentary Committee for Employment and Labour now acts as co-chairman. Dr Gyula Tarcsi Ministry State Secretary (with special responsibility) has been the Chair of the Council from the start. The members include the directors/heads of the labour centres, the offices, the General Director of NEO, and one representative

**THE NUMBER OF „TEMPORARY EMPLOYEE'S BOOKLETS“ ISSUED IN 2006 ROSE BY 52.2% OVER THE PREVIOUS YEAR, TO 418 672, OF WHICH 228 937 WERE ACTUALLY USED.**

of the municipalities, NGOs, university researchers and employee and employer interest representation bodies each. The Council holds monthly sessions discussing, usually, 3-4 agenda items proposed in writing. In two years, it expressed its opinion on some sixty topics. The Minister is provided a written memorandum of the session proceedings. Let us call the attention to four of the major topics discussed there:

## 1. Legislation-related reporting

From among the acts governing the activity of the Service and amended in 2006, the Council paid special attention to the following two.

- a) Amendment of the Employment Act of 1991 laying the bases of the activity of PES.

The amendment gives special emphasis to legal harmonisation with the EU legislation.

The new legislation simplifies the protocol for active measures and wage subsidies. Detailed rules were issued on the job-search agreements and the relevant co-operation of the job-seeker and the employment office. The Council's proposals to the Minister were aimed at reducing the bureaucratic element of the office protocols, to give staff members more time to provide personalised service to clients.

- b) In the second half of 2006, the Council devoted considerable energy to the reorganisation of the Service and the change-over from the county- to the region-based system. As a result, the regional system was set up on 1 January 2007, and after a few minor hitches, it has been operating smoothly. The Council monitored the region-based transformation of the labour councils. It has paid considerable attention to ensuring that the regional organisations of the Ministry forge intensive links with the municipalities, the mayors, and the NGOs active in the area of employment.

## 2. Utilisation of EU funds

- a) Several summary policy reviews were made of various Union programmes. The Council monitored the modernisation of the Service launched in 2002, implemented in the beginning under a PHARE programme. Sixty PES offices have already been modernised, to the clients' satisfaction. Modernisation will continue in the years 2007–2013, again with Union support. The self-service system and the quality assurance institution have been set up. The original modernisation budget was HUF8.5 billion, of which HUF5.5 billion was used by 31 December 2006.
- b) The central programme to prevent and tackle unemployment envisaged to involve 25 thousand people and to use around HUF30 billion. The closing data of Q3 2006 show that more people entered the programme than



planned, and the training programmes/courses terminated already produced the envisaged outcomes.

- c) The third major EU programme was „One step forward“, with a budget of almost HUF5 billion. Prospective trainees with no vocational qualification were given priority in enrolment to the courses. The National Employment Office undertook to control and disburse the training course costs. The participants were granted training support and a

**AT THE END OF 2006, THERE WERE A TOTAL OF 393 ACTIVE EMPLOYMENT INFORMATION POINTS (FIPS) IN HUNGARY, WITH AN AVERAGE MONTHLY CLIENT TURNOVER RANGING FROM A FEW TENS TO 500-600 CLIENTS.**

posteriori benefits conditional on passing the final examination.

### **3. Methodological grounding**

In addition to the conceptual, comprehensive and strategic-type issues, the Council monitored the activity/client service of

the employment offices to identify possibilities for reducing the mandatory bureaucratic content of work there. On the initiative of the Council, the Ministry and NEO set up more than 300 so-called „end-points“ in addition to the county labour centres, to make it easier for clients living at a distance from the offices to get in touch with PES through the local houses of culture. The large number of Temporary Employee's Booklets being requested implied an excessive workload for the offices. It seems that, in this respect, the original legal regulations, too, are in need of amendment, since part of the employers abuses this opportunity. The Council has already submitted to the Minister its amendment proposal.

4. Finally, let us note that the Council reported several times on the proposals for research/summary analyses of the technical units, and it has carried out something of a regular managing and co-ordinating activity in the area of labour research.



# SPECIFIC FEATURES OF THE MACROECONOMIC AND, IN PARTICULAR, THE LABOUR MARKET DEVELOPMENTS IN 2006

## 1. THE ECONOMIC GROWTH TREND

Until 2006, the development of the Hungarian economy matched the fluctuating economic trends typical in the European Union. However, as against the economic upswing having occurred in the EU last year, the Hungarian GDP continued to increase at a rate of around 4%, as in the previous years. The tendency of growth was different during the year, too. In the European Union., growth accelerated slightly during the year, and it was fastest in Q4. In Hungary, on the other hand, the (calendar-adjusted) GDP growth rate of 4.7% attained in Q1 moderated to 3.4% by the fourth quarter. Although according to the preliminary data, the rate of economic growth was 3% in the EU-25 and 4% in Hungary, due to the contrary growth tendencies during the year, in Q4 2006, the rate of growth was identical in the EU and in Hungary at 3.4%.

## 2. STRENGTHENING ECONOMIC ROLE OF INDUSTRY \*

(Source: \*Macro-economy 2006, CSO)

Industry plays a special role in economic growth due to the fact that the overwhelming majority of commodity exports is generated by this sector. Last year, against the backdrop of stagnating domestic demand, the exports represented the only source of growth, which made the significance of industrial production even more prominent. Neither did the decelerating tendency relative to the previous years or during the year manifest itself in this sector. *The gross industrial output increased in 2006 by 10% (as opposed to 7% in each of the previous two years).* The performance of the Hungarian industry was quite favourable in international comparison, too. The European Union overall recorded a growth rate of 3.6% in 2006. Within the Union, the countries having joined the Union

in 2004 also increased their industrial performance considerably, and Hungary has kept its place in the vanguard. In the whole year of 2006, growth was faster in Poland only, but there it occurred relative to low base.

In Hungary, the growth of exports (by 15% over 2005) played a decisive part in the dynamic growth of the industrial output, but the increase in domestic sales (by 4%) contributed to it as well. In the domestic market, the medium-size companies (employing 50-249 staff) increased their sales to the largest extent (by 12%).

The industrial uptrend was most obvious in the export-oriented branches. In particular, output growth excelled in the manufacture of transport equipment at 26% and in the manufacture of machinery and equipment n.e.c. at 20% relative to 2005. From among the 14 manufacturing branches, the output shrank in two, in the textiles industry and in the manufacture of refined petroleum products, and it stagnated in the food industry.

Industrial added value rose by 8.6% in 2006. The importance of industrial growth is underlined by the fact that added value produced in the other two commodity-producer sectors (agriculture and the construction industry) decreased, and the growth rate of the services branches, carrying a large weight in the performance of the national economy, was below the national average.

Industrial productivity improved: the output per worker indicator rose by 12%. The industrial gross wages increased by 8.5% in nominal and 4.4% in real terms, that is, wage growth did not threaten the competitiveness of the industry. The increase in the stock of industrial orders projects the continuation of dynamic development.



### 3. SLOW-DOWN OF CONSUMPTION AND REAL-WAGE GROWTH (Source: \*Macro-economy 2006, CSO)

Final consumption, representing almost 80% of the domestic demand, by and large stagnated in 2006 as compared to 2005. From among its main components, household consumption rose by 1.2%, whereas public consumption (administration, defence etc.) dropped by 5.5% relative to the previous years.

The slight growth (by 1.2%) of household consumption was the result of decelerating quarterly growth reversing into stagnation in the fourth quarter. Household consumption is influenced by several factors, one of the most important among them being the development of real earnings. Real earnings growth by 6.3% in 2005 gave way to growth by 3.5% in 2006. The more modest annual growth rate as well as the slow-down experienced during the year was due to a significant extent to the increase in September of the employment and health insurance contributions, and to the acceleration of the increase in consumer prices at the end of the year. In the first eight months, real earnings grew well in excess of the economic growth rate (by 5.6%), whereas in the last quarter they fell by 0.7%. There was a major gap between the competitive and the public sector institutions: annual average real earnings grew by 4.4% in the former and 2% in the latter. The year-end earnings decline, too, was substantially more marked in the category of public institution employees: in the last four months, their real wages contracted by 3.8% relative to the corresponding period of the previous year.

The volume of retail trade also grew at a more modest pace than in 2005 (at 4.4% as opposed to 5.6%). The mid-year processes matched the developments in the income situation of the population, although they manifested themselves in a more cushioned way in retail trade. Until the end of September, growth was relatively high — as in the previous year —, to moderate gradually to 2.2 and 3.4% in November and December (in 2005, the volume of retail trade grew by 7 and 5%, respectively, in the last two months of the year). Despite the decline in real earnings, consumer loans increased in Q4 2006 as dynamically as they did earlier.

### 4. DECLINE IN INVESTMENTS

(Source: \*Macro-economy 2006, CSO)

As for the other major economic processes, the trend of the previous years broke in the the area of investments, too: in 2006, 2% less was spent on development than in the previous year. Despite marked fluctuations in the growth rate of investments in the previous years, no decline has been experienced for more than a decade. Note that in manufacture, carrying a large economic weight, investments dropped by 5%. Within this branch group, food and chemical industrial investments fell fastest. Investment growth remained as dynamic as before in the manufacture of transport equipment, producing mainly for export, and in the manufacture of office machinery and computers. In 2006, more roads were constructed and repaired, but less dwellings were made, than in the previous year. Significant developments took place in the hotels and catering industry, but the amount spent on commercial investments did not increase.

### 5. ACCELERATING PRICE INCREASE

(Source: \*Macro-economy 2006, CSO)

Consumer prices rose in 2006 by 3.9%. (In 2005, the corresponding rate was 3.6%.) The annual average price increase was the resultant of several trend changes. The first half of 2006 was characterised by a fast drop: for the first time in a long while, consumer price growth dropped below 3% relative to the corresponding period of the previous year. Growth was slowest at 2.3% in March/April. The cut of the VAT rate from 25% to 20% was an important factor of this development. In the second half, the moderating tendency reversed and gave way to accelerating growth. (In July/August, the consumer prices exceeded those in the previous year by 3-3.5% and from September until the end of the year by 6-6.5%.) Over the same period, the VAT rate of 15% was raised to 20%, and the excise tax rate was altered as well. The administrative prices (e.g. of pipe gas) were raised as well.

From among the main groups of the consumer goods, in 2006, the prices of the food products grew fastest (by 7.7%), due in part to the rise in the prices of import products and of producer prices in agriculture. Household energy, vehicle fuels and pharmaceuticals prices increased in excess of the average. Clothing articles and consumer durables, on the other hand, became cheaper.



## 6. LABOUR MARKET TENDENCIES

(Source: \*Macro-economy 2006, CSO)

Thanks to the increase in labour market activity, in 2006, both the number of the employed and that of the unemployed increased (by 29 thousand and 13 thousand, respectively). The employment rate of the population aged 15-64 was still substantially lower at 57% than the European Union average (of 65%).

The number of the unemployed was 317 thousand in 2006, the unemployment rate was 7.5%, slightly higher (by 0.3 percentage point) than in the previous year. The harmonised unemployment rate of the European Union was 7.9% on average. Within the Union, the unemployment

**THE ELECTRONIC CAREER GUIDANCE PORTAL AND THE VOCATIONAL GUIDANCE CENTRES (FIT) PROVED TO BE THE MOST POPULAR HUMAN SERVICES OF PES.**

rate was exceptionally high in Poland (13.8%), in Slovakia (13.4%), in France (9.4%), in Greece (8.9%), in Spain (8.6%) and in Germany (8.4%).

In Hungary, in the first years of the decade, the unemployment rate of women was lower than that of men; in 2004, the two evened up and in 2005 the difference reversed. This last tendency intensified in 2006: the female unemployment rate was 7.8% and the male one 7.2%.

## 7. CHARACTERISTIC FEATURES MANIFESTING THEMSELVES IN THE REGISTRATION SYSTEM OF THE PUBLIC EMPLOYMENT SERVICE

NATIONAL MODERATION OF THE AVERAGE NUMBER AND RATE OF REGISTERED JOB-SEEKERS

**THE 4000-STRONG STAFF OF THE HUNGARIAN PUBLIC EMPLOYMENT SERVICE (PES) CAME INTO DIRECT CONTACT WITH 1/10<sup>TH</sup> OF THE POPULATION IN 2006.**

At the end of 2006, the number of the registered job-seekers was 403 439, i.e. lower by 1.8% than at the end of 2005.

The average monthly number (month-end) of the registered job-seekers was 393 465 in Hungary in 2006, as opposed to 409 929 in 2005. This means a 4.0% moderation relative to the previous year. The average number of non-career-starters was 354 716, i.e. 3.9% lower than the average of 2005.

The rate of the registered job-seekers was 9.0% on average in 2006, 0.4 percentage point lower than the average for 2005. On the basis of the average rate of the registered job-seekers, the capital (Budapest) was in the most favourable situation (2.6%); County Pest came second (3.9%) and County Győr-Moson-Sopron third (4.6%). As before, the employment situation was the least favourable in Counties Szabolcs-Szatmár-Bereg (18.8%), Borsod-Abaúj-Zemplén (18.0%) and Nógrád (16.1%). In comparison with 2005, counties Csongrád, Tolna és Borsod-Abaúj-Zemplén showed a slight improvement (1.0-1.9% point), whereas the situation of the other counties essentially stagnated or deteriorated a little.

## THE REGISTRATION DATA SUGGEST THE MODERATION OF YOUTH UNEMPLOYMENT

In 2006, the share of career starters among all job-seekers was 9.8%, whereas in 2005 it was 10.0%. In 2006, the monthly average career-starter stock was 38 749 persons, as opposed to 40 861 in 2005, i.e. it moderated by 5.2% over one year. The number of job-seeker youth fell by more than one fifth in Budapest and in counties Csongrád and Győr-Moson-Sopron. This decline is attributable to a significant extent to the START card available to career starters since November 2005, which renders their employers eligible for contribution benefits in the first two years of their employment. By the end of 2006, more than 44 thousand young persons took out this card.

The growth of the number of degree-holder career-starter youth came to a halt last year: their average number dropped by 15.2% over one year.

## GROWING RATES OF JOB-SEEKER WOMEN AND OF THE LONG-TERM UNEMPLOYED

Although, as in the previous year, men predominated within the stock of the unemployed and job-seekers (51.5%), the share of women expanded somewhat. In terms of monthly



average numbers, there were 3.5% less women and 4.5% less men in this category than one year earlier. The distribution of the registered job-seekers by educational attainment modified but slightly. Only the share of degree-holders grew, by 0.3% point. On the average of 2006, persons with maximum 8-year primary education remained the largest group of the registered unemployed (42.0%), followed by that of skilled workers (32.1%).

The expansion of long-term unemployment is a negative

**121 831 WERE PROVIDED REGULAR SOCIAL AID.**

tendency: 26.0% of those registered in 2006 were unemployed for more than twelve months, whereas in 2005 the corresponding rate was 24.5%.

**LESS RECIPIENTS OF JOB-SEARCH BENEFITS**

In 2006, 131.3 persons (less by 4.9% than in the previous year) received job-search/unemployment benefits on

monthly average, more than four fifths being benefit- and the rest aid-type allowances. The average number of regular social aid recipients (121 831 persons) fell significantly, by 8.6%, and their rate relative to the registered job-seekers moderated by 1.5% point over the previous year.

**EXPANDING NUMBER OF REPORTED VACANCIES**

In 2006, the employers created 488 332 new jobs, 9.2% (41 275) more than in 2005. From among the announced vacancies 328 029 (67.2%) were unsubsidised. Within that, 138 483 announcements (28.4% of the total stock) referred to foreign vacancies ((?)), and the rest, 160 303 (32.8%) to subsidised ones. In comparison with 2005, the share of both the subsidised jobs and the ones to be filled by foreigners shrunk. four tenth of the labour demand in 2006 was announced by employers in the non-material services branches, one fifth by industrial employers and 5-15% by employers in the construction industry, in commerce and catering. The average closing-day vacancy stock was 41 677 (2005: 41 615). Consequently, in 2006, there were 10.6 vacancies per 100 registered job-seekers; in 2005, the corresponding indicator was 10.2.

**Distribution of reported vacancies and registered job-seekers by the 20 most frequent job groups**

				2006.	
Order	Reported vacancies	%	Order	Entrant job-seekers	%
1.	Other unskilled workers (e.g. temporary w.)	34.34	1.	Other unskilled workers (e.g. temporary w.)	16.42
2.	Other guards and similar elementary occupations	5.70	2.	Salesperson	7.32
3.	Assembly-line worker	3.25	3.	Other guards and similar elementary occupations	6.36
4.	Salesperson	2.99	4.	Office administrators, clerical workers	4.26
5.	Bricklayer	2.04	5.	Waiters, restaurant salespersons	2.35
6.	Lorry-drivers	2.03	6.	Lorry-drivers	2.33
7.	Simple agricultural occupations	1.99	7.	Locksmith	2.16
8.	Tailor, dressmaker, model maker	1.99	8.	Bricklayer	1.92
9.	Locksmith	1.76	9.	House, flat and office cleaners	1.84
10.	Manual materials movers, hand packers	1.46	10.	Tailor, dressmaker, model maker	1.74
11.	Office administrators, clerical workers	1.40	11.	House painters	1.46
12.	House, flat and office cleaners	1.32	12.	Property guards	1.27
13.	Waiters, restaurant salespersons	1.21	13.	Other clerical occupations	1.15
14.	Cooks	1.06	14.	Elementary school teachers	1.09
15.	Kitchen helpers	1.04	15.	Cooks	1.08
16.	Cleaners and related elementary occupations	1.03	16.	Kitchen helpers	1.03
17.	Meat processing workers (butchers)	0.90	17.	Assembly-line workers	1.01
18.	Welders, flame cutters	0.88	18.	Cleaners and related elementary occupations	1.01
19.	Carpenters, scaffolders	0.70	19.	Motor-vehicle mechanics, engine repairmen	0.88
20.	Electricians	0.62	20.	Electricians	0.78



Nationally, the number of new job-seeker entrants to the register was higher in 2006 by one quarter than the number of reported vacancies (in 2005, it exceeded that by two thirds).

#### **THE TRADITIONAL ACTIVE EMPLOYMENT MEASURES GAVE ACCESS TO WORK/LABOUR MARKET TRAINING TO ALMOST 193 THOUSAND**

In 2006, a total of 192.8 thousand were involved in the traditional employment measures promoting re-integration in the world of labour, financed by the decentralised budget of the Employment Fund Segment of the Labour Market Fund.

**MORE THAN HUF33 BILLION WAS USED IN 2006 OUT OF THE DECENTRALISED BUDGET OF THE LABOUR MARKET FUND.**

As compared to the previous year, only the number of training participants increased, by 7.8%, i.e. 3.4 thousand, on average. All the other measures recorded significant decline, which was strongest in the category of employment with job-preservation subsidy/contribution assumption (at 46.1 and 39.1%, respectively), whereas in the categories of assistance to career starters and for part-time employment, the number of participants moderated but hardly. In 2006, 30.7 thousand career-starter youth were involved in the active employment measures; their number rose by 3.2% over the previous year.

Most (34.4%) were involved in communal work; 22.6% took part in training, followed by employment with wage subsidy (17.1%), or supported work-experience acquisition (9.1%). More than four fifths of the supported stock concentrated under these four measures.

## THE MBO SYSTEM AND ITS RESULTS

In his professional directives issued for the year 2005, the Minister of Employment Policy and Labour set the task for the Public Employment Service to launch the pilot introduction of the management system driven by targets agreed upon in advance, and to evaluate the relevant experiences periodically.

As part of the implementation of this task, key performance indicators were designed/worked out in early 2005, and the software application generating these at office, county and national level, respectively, was installed. The labour centres evaluated their main professional activities in 2005 according to these criteria among other things.

The following performance measurement indicators were set :

1. Number and rate of registered unemployed/registered job-seekers becoming employed.
2. Number and rate of registered job-seekers (unemployed) involved in labour market training.
3. Number and development of vacancies (labour demand) reported in the given period (not including the demand for the employment of foreigners).
4. Average duration of notified vacancies (in days).
5. Rate of the average number of active measure participants to the aggregate average number of active measure participants and job-seekers (unemployed).
6. From among the former active measure participants, the rate of persons no longer among the registered job-seekers/registered unemployed three months after the termination of their respective programmes.
7. Rate of persons having entered the registration system 6 months earlier (persons under 25), or 12 months earlier (persons above 25), having received support of merit

over that period, irrespective of whether they were in registered job-seeker (registered unemployed) status at the end of it. (Support of merit: service, active measure or job brokerage.)

8. Percentage rate of registered job-seekers/registered unemployed persons in the same status 6 months later (persons under 25), or 12 months later (persons above 25), having received support of merit in the reference period in the form of service, active measure or placement.
9. Aggregate of the client satisfaction indices worked out under the quality assurance system attached to the system of measurement of key performance indicators, including the questionnaire-based indicators of the satisfaction of individual clients, employers and own staff, respectively, as well as the complex partner satisfaction index generated from these.

Preparation for the introduction of Management by Objectives (MBO) scheduled for 2006 started in the beginning of the second half of 2005, on the basis of a detailed technical timetable.

The preparation of the labour market plan was supported by a standardised thematic list, and the design of the performance target values by an internet-based planning application. The offices load into the system their undertakings expressed in terms of indicator target values themselves, and the county- and national level commitments are the resultant of the office-level commitments.

On 2 March 2006, the National Employment Office and the county labour centres agreed on the plans, and then concluded their bilateral co-operation agreements regarding performance in 2006.



The labour market plan and the national performance targets for 2006 were realised as follows:

The number of the registered job-seekers was 885.4 thousand instead of the expected 913.7 thousand, i.e. it fell short of the

### **PES REGISTERED A TOTAL OF 521 493 VACANCIES NOTIFIED IN 2006.**

plan by 3.1% . Nevertheless, the target value for total placements, 318 thousand, was exceeded by 9.34%, i.e. almost 30 thousand (some 350 thousand were placed).

As a result of these two developments, the rate of all placements was 39.3% instead of 34.8%.

Subsidised placement, developed more favourably than expected (+ 4.8%), but it was still below the level achieved in 2005. The rate of non-subsidised placements exceeded the plan figure to a much bigger extent (+ 12.3%), and the base year level even more markedly than that.

As for the specific target groups (persons under 25, persons over 50, women, long-term job-seekers, persons with reduced work capacities), in most cases these, too, showed improvement relative to the base as well as the plan values, except for the target group of the long-term job-seekers, whose number unfortunately rose by 6%, and subsidised placements were also almost 7% lower than expected. At the same time, the non-subsidised employment of long-term job-seekers exceeded both the envisaged number and the base figure by 34%.

The envisaged number of all training participants was exceeded by 1.1% at national level, that is, the labour centres assessed the possibilities for 2006 realistically (on average). The rate of persons entering training turned out to be 4.0% instead of the planned 3.8%, due to the lower-than-expected number of the registered persons concerned. Nevertheless, both the number and the rate of training participants was lower than the corresponding base year figures.

For most of the target groups, the plan figures were either met or exceeded: 50 plussers: 127.9%; women: 106.9%; persons with reduced work capacities: 106.2%.

The actual rate of training participants among those under 25 and among the long-term job-seekers, on the other hand, lagged behind the relevant targets at 97.7% and 98.%, respectively.

The number of reported vacancies (not including those announced to foreigners) was higher by 13.7% than the envisaged number and higher by 12.2% than the corresponding base year figure . The number of subsidised jobs exceeded the plan by 9.2%, but it was still lower than the base year figure (98.4%). As for the unsubsidised jobs, on the other hand, these exceeded both the plan and the base year figures by 17.8% and 27.3%, respectively.

The average duration of vacancies (exclusive of foreign vacancies), from reporting to cancellation, fell short of the plan. The national average was 34.1 days instead of the planned 30.9. Despite the shortfall relative to the target, the indicator value decreased relative to the base year.

The annual average number of the registered job-seekers fell by 4.5%, and that of the active measure participants increased significantly, by 23.9%, as compared to the planned targets. As a result, the activation rate, planned at the very low rate 11.4%, was exceeded considerably at 14.3%, well above the 12.2% base year rate. The welcome increase of the activation rate was, of course, due among other things to training and other active measures funded from EU resources.

The number of persons not returning to the register after participation in an active measure increased quite significantly, to 60.6 thousand instead of 43 thousand, i.e. by 40.8% more than planned. The increment, however, was due exclusively to the fact that the number of those exiting the active measures also exceeded the plan by far (it was 86 thousand instead of 57.7 thousand).

Consequently, the rate of persons not returning to the register turned out to be 70.5% only instead of the planned 74.6%.

As for the number of former participants of active measures 6 and 12 months after exit for persons under and over 25, respectively, the share of beneficiaries of service of merit/active measure support exceeded both the relevant base year and the relevant plan figures (by 44.7% and 49.3%).



From among those having entered the system, 52.5% of the youth received support of merit within 6 months. For those over 25, the corresponding rate in the next 12 months was 62.6%, well in excess of the base year (55.0%), and the plan (56.9%) figures. The improvement was by and large identical for both sexes among both the younger and the older persons.

As for the clients still in the registration system 6 and 12 months after the period under study, a significant improvement occurred (42.8% and 60.9%, respectively). Despite the positive tendency and the significant over-fulfilment of the commitments, much more than half of the youth reached the end of the 6 months and 40% of the older persons the end of the 12

months without having received support of merit. It is quite conspicuous that, especially in the older group, the proportion of support-recipient women is much lower than that of men.

As for the implementation of the targets set in the context of the quality management system, in 2006, more than half of the employment offices carried out the necessary surveys. The employer satisfaction index was 94.2%, the client satisfaction index was 80.1%, and the complex partner satisfaction index 88.1%. Every indicator improved on national average and exceeded the prescribed target level.

The system will be used from 2007 on, too.



## LABOUR MARKET FUND UTILISATION IN 2006

In 2006, the expenditures of the Labour Market Fund totalled HUF289.5 billion. The funds were used as follows.

### Active measures

HUF53.4 billion expenditure was realised from the Employment Fund Segment of the MpA.

Within this fund segment, HUF33.4 billion was disbursed on the operation of the active employment policy measures from the decentralised budget allocated to the labour centres.

One third of that, HUF11.3 billion, was employed by the labour centres to cover wage- and contribution-type subsidies together.

HUF4.5 billion was paid as employment promotion wage subsidy, to provide employment to 33.2 thousand long-term job-seekers.

In comparison with the previous years, the relative weight of support for career-starters within the active measures overall continued to increase in 2006. HUF6.2 billion was spent on supporting the placement of 18 thousand career-starter job-seekers, decisively (99%) to support work experience acquisition and the rest (1%) to support further employment at the same place.

The assumption of employment-related contributions totalled HUF0.4 billion. This solved the placement problems of 6.6 thousand job-seekers.

The labour centres spent another HUF0.2 billion on assistance to part-time employment, on employment promotion to job-seekers registered for at least 3 months, people raising children under 14, and beneficiaries of nursing fee. Some 1.3 thousand were employed on a part-time basis thanks to this form of support.

Another almost one third of the decentralised budget, HUF10.7 billion, was allocated to communal („public benefit”) employment. During the year, 66.4 thousand took part in this form of employment.

The labour centres spent a total of HUF6.6 billion, corresponding to almost one fifth of the decentralised budget, on labour market training support. (In addition, a further HUF4.2 billion was provided from the training budget on training delivered at the regional training centres.)

During the year, the labour centres operated around 50 labour market programmes launched by themselves from the decentralised funds at their disposal. Furthermore, in addition to contribution payments, the support elements of the central programme to promote the placement of unemployed persons above 50 were also covered from the decentralised budget. Hence the programme operation costs altogether totalled HUF2.6 billion.

The labour centres extended HUF0.7 billion from the decentralised budget to job preservation. In 2006, 7.4 thousand worked in jobs preserved this way, thanks to being provided wage subsidy.

HUF0.3 billion was paid out on application-based self-employment support in the form of repayable, interest-free capital allocation. In 2006, 2.9 thousand were provided support to promote self-employment. 176 persons entered the support scheme during the year.

The labour centres used HUF0.4 billion to support would-be entrepreneurs, in the form, almost exclusively, of the further extension of the unemployment benefits. No payment was made in 2006 under the title of professional consulting, and very little was spent on the reimbursement of training course costs.

Support for prospective entrepreneurs affected a total of 2.7 thousand persons in 2006.

HUF0.3 billion was provided for labour market services last year.

The mobility support expenditure (individual and collective passenger transport, housing contribution, labour recruitment



costs) totalled HUF0.2 billion in 2006, a decisive segment of that (98%) being spent on accessing the workplace to promote the placement of almost 4 thousand unemployed persons.

The financing of the labour market training and training-

**IN 2006, PES SUPPORT TO SMES AND NGOS HELPED  
CREATE 11 471 ORGANISATIONS AND 14 142 JOBS.**

related functions of the regional training centres and of labour market training provided under the active measures changed as of 2006. In 2006, HUF5.0 billion was debited to the training budget created within the employment fund segment for the purpose of financing labour market training provided through the regional training centres. Of this amount, HUF2.6 billion went to training and service provision as part of the core activity of the training centres; HUF1.6 billion to income supplementing allocations provided to the participants of training provided on the basis of the relevant agreement of the training centres and the labour centres, and HUF0.8 billion to accumulation-type costs to upgrade the conditions of training at the training centres.

(Hence a total of almost HUF11 billion was spent on labour market training out of the decentralised and the training budgets.)

A total of HUF10.8 billion was disbursed from the central budget of the employment fund segment in 2006, HUF2.3 billion to job-creation support; HUF0.5 billion to the management of labour market crisis situations and job-creation to promote employment restructuring. The fund contributed HUF2.6 billion to the implementation of the programmes of the National Employment Foundation and HUF1.2 billion to the public works programmes. HUF1.8 billion was spent on the development/operation of the institutions of social dialogue. HUF0.7 billion supported distance working and HUF0.2 billion was paid out to various programmes to support the career-starter youth. The mobility promotion support scheme absorbed HUF0.2 billion.

HUF4.2 billion was disbursed out of the adult-training budget of the employment fund segment during 2006, decisively for the following purposes: training to prevent redundancies due to branch/economic restructuring or other structural change; training to stimulate investments; management of employment crises; training to promote the placement of certain groups (e.g. army staff, civil servants exiting the central or local public administration system, public employees) threatened with dismissal due to streamlining in their area and, furthermore, re- and continuous training programmes to enhance the placement chances/further employment of the underprivileged, the career-starters, the inactive; assistance for the development of certain training courses, and support for the acquisition of a first vocational qualification supplementing the normative support.

As of 1 January 2005, a social insurance contribution relief is available in case of employing career-starter youth or persons returning from parental leave/nursing a relative (normative support) and workers above 50 (support based on a special programme worked out for this purpose).

As of 1 October 2005, contribution relief on the employment of career-starter youth was replaced by exemptions associated with the use of the START card: employers are exempted from paying itemised health contribution, and are subject to reduced contribution payment obligation (of 15% and 25% in the first and second year of employment, respectively). The difference is settled from the so-called normative contribution benefit reimbursement appropriation.

As of 1 January 2006, a contribution relief was introduced to support the employment of job-seekers by micro, small and medium-size enterprises and NGOs. Employers with maximum 250 staff employing persons registered as job-seekers for at least 3 months shall be exempted from the itemised health contribution and the payment of the social insurance and employer contributions. The Labour Market Fund transfers to the social security funds HUF4800 per person per month for each employee affected by the relief, and this expenditure, too, is covered from the normative contribution benefit reimbursement appropriation.



During the year, HUF1.0 billion was debited to the normative contribution benefit reimbursement appropriation and HUF0.7 billion was spent on the contribution relief of persons over 50.

The expenditures on the active measure of assumption of employment-related contributions and on contribution assumption in the context of the implementation of labour market programmes covered from the decentralised budget of the employment fund segment included, in 2006, contribution-related support totalled HUF2.3 billion.

HUF3.8 billion was transferred from the independent appropriation of the MpA for the implementation of public works programme (a total of HUF5.6 billion, considering the amount granted from the central budget of the employment fund segment as well) to the appropriation managed under the MEL chapter of „Public works programmes support“.

Last year's payments from the vocational rehabilitation fund segment totalled HUF3.3 billion. HUF1.6 billion of that amount, debited to the decentralised budget of this fund segment, was paid out as job-creation support under

### **A TOTAL OF 66 403 TOOK PART IN SUBSIDISED COMMUNAL WORKS.**

the calls for proposals of the labour centres. In 2006, the bids of 217 organisations were awarded support affecting 1.2 thousand persons in all. More than half of the beneficiary organisations were granted support for the first time. In a breakdown by sectors, 84% of winner applications came from business enterprises, 10% from non-profit and 6% from central budget organisations.

HUF1.7 billion was provided for programmes launched to the debit of the central budget. The system of support for workers with reduced work capacities was altered in 2005. HUF1.4 billion was allocated from the central budget to the development of the employment rehabilitation services,

of which almost HUF0.6 billion was used to preserve the jobs of persons with reduced work capacities, in connection with the alteration of the subsidy system. A total of HUF0.6 billion was spent to induce a positive change in the relevant social attitude, to develop the human resources of employment rehabilitation and to operate the fund segment itself.

### **Passive measures**

HUF85.5 billion was provided from the solidarity fund segment, a decisive part, more than 75%, by the labour centres on job-search benefits, a form introduced as of 1 November 2005, and to a minor extent on unemployment benefits and pre-pension unemployment benefits established earlier, and on the reimbursement of travel expenses.

On monthly average, 75.3 thousand received job-search benefits, and 34.3 thousand job-search aid, and another 14 thousand have kept receiving their unemployment benefits.

The rules applicable to the payment of the entrepreneurs' contribution and to the eligibility of unemployed former entrepreneurs for entrepreneurial benefits are governed by Sections 44-46/B of the Employment Act, effective as of 1 January 2005. Pursuant to this legislation, 4% entrepreneurs' contribution is payable by individual and collective entrepreneurs on their income representing the base for the social security contribution. Since the entrepreneurs' contribution payment obligation is effective as of 1 January 2005, and eligibility for entrepreneurial benefits requires at least 365 days of contribution payment, unemployed entrepreneurs acquired eligibility for this form of support from 2006 on.

During 2006, HUF0.4 billion was spent from the entrepreneurial fund segment under the title of entrepreneurial benefits, and 0.7 thousand received it on monthly average.

### **Other expenditures**

Payments to the central budget represented 28.3% of the expenditures of the Labour Market Fund in 2006. HUF52.0 billion was transferred to support the employment of persons with reduced work capacities. The Fund contributed a total of HUF30.0 billion to supplement the municipal



appropriation for regular social aid to working-age unemployed persons having exhausted their eligibility for benefits, to the financing of the public works representing a condition of eligibility for regular social aid, and as compensation for the increased administration costs of the municipalities due to these tasks.

From the training fund segment, a total of HUF19.1 billion (adult training budget included, HUF23.3 billion) was used for the purpose of vocational training. HUF4.5 billion of that amount, paid out under grant agreements concluded by the Fund Management Directorate of the Ministry of Education for the procurement of physical assets, was debited to the decentralised budget. HUF14.6 billion was used out of the central budget, more than 40% of it to support practical training at entities subject to contribution payment. In addition, several programmes related to vocational training development were realised as well.

MpA provided a further HUF1.3 billion co-financing for the development of vocational training.

HUF5.6 billion was paid out of the wage guarantee fund segment to cover the wage and final settlement arrears of business organisations subject to liquidation to their workers. In 2006, the number of requests filed and confirmed by the liquidators exceeded 1.2 thousand, and the number of workers eligible for support according to the relevant decisions exceeded 21 thousand. The awarded support

covered around three quarters of the aggregate wage and final settlement arrears indicated in the requests.

HUF24.8 billion was transferred from the operating fund segment, of which HUF22.3 billion was allocated to the operation and development of the Public Employment Service, HUF2.0 billion to the labour inspection related tasks to the National Occupational Safety and Labour Administration Chief Inspectorate, and HUF0.3 billion to the fund manager. The centralised budget of PES was HUF0.2 billion.

HUF8.6 billion was provided as EU co-financing, of which HUF5.9 billion was dedicated to unemployment management, HUF1.4 billion to the development of adult training and HUF1.3 billion to the development of vocational training. The Human Resources Development Operational Programme (HRDOP) was realised as part of the National Development Plan (NDP) laying the ground for the use of aid received from the Structural Funds of the European Union in 2004-2006.

To settle the deficit due to the disbursement of pensions with age-exemption granted earlier - i.e. the difference of the amounts paid to cover these and the current expenditures -, pursuant to the provision of Act XCIX of 2006 on the closing of accounts, HUF1.1 billion was transferred to the Pension Disbursement Directorate.

HUF0.1 billion was paid during the year as Treasury service fee.



## „ONE STEP FORWARD“ (LÉPJ EGYET ELŐRE) PROJECT (HUMAN RESEARCH DEVELOPMENT OPERATIONAL PROGRAM, MEASURE 3.5.3)

„One step forward“ has been one of the most successful training programmes ever. The relevant grant agreement was signed by the National Employment Office and the HRDOP Managing Authority on 21 December 2005. Its main objective was to provide training support to improve the qualification level and indirectly the employment chances of the adult population of Hungary. To date, there are more than 2 million unskilled working-age adult men in Hungary, and the rate of job-seekers among them is well above the average. They represent 1/3 of the working-age population and 50% of job-seekers.

It is a novel element of this programme that the grant scheme makes training accessible not only to job-seekers, the primary target group of NEO, but to those in employment as well.

The original undertaking referred to the training of 11 000 persons with a budget of around HUF4 billion to cover the costs of training/examinations, a one-time scholarship allowance and the implementation-related costs. The programme met with such interest that the number of the beneficiaries was raised first to 13 000 and then, in April 2007, to more than 15 thousand, and the termination of the programme was postponed to 31 December 2007. The available budget is currently more than HUF4.8 billion.

The mentors taking part in the programme aim, primarily, and with the contribution of the regional labour centres, to involve and retain in training adults with low schooling and no vocational qualification. As a matter of fact, except for two counties, grade 7-8 bridging courses were launched in the entire territory of the country.

Main data characterising the activity in the 18<sup>th</sup> month following the start of the programme:

— total no. of applicants	31 210
— no. of grant recipients	13 325
— total no. having passed the exams	4 216
— ratio of unemployed	60%

National statistical data:

— 350 accredited training institutions had themselves registered with the Office for more than 1 100 NQL or accredited courses;

— National shortage vocations in demand on the labour market: construction industrial occupations, cutter, welder, locksmith, social occupations;

— Most popular occupations among the prospective trainees: supermarket salesperson, nanny, light industry machine operator, heavy industry machine operator, computer operator, social worker/nurse, cleaner.

— Elementary school, grades 7-8, bridging training: 649 grant-recipients

Trainees having passed the examinations were sent a questionnaire to learn in what manner their labour market position improved after having taken part in the programme. 90% of respondents said they would be willing to take part in a similar programme in the near future, which indirectly confirms the success of „One step forward“, and the labour market position of 42% improved immediately after having acquired a vocational qualification, i.e. they got a job, a salary increase or were promoted. This very fast and major positive change is due to the fact that applicants were received primarily for the shortage vocations, the list of which was compiled by the counties on the basis of the labour market forecasts. But support is available for adult training in other than the shortage vocations, too, provided that the applicant can prove the necessity of obtaining the vocational qualification, its justification in labour market terms, by showing a statement to that effect issued by an employer.

In order to reach the target groups, NEO carried out a complex information campaign throughout the programme. Extensive use was made of the verbal and written forms of communication and the possibilities offered by the TV and radio channels. The PES offices have also played an important information-relaying role.

The popularity of the programme is well-illustrated by the fact that NEO received a weekly two or three invitations from various national and local TV and radio channels, all of them inquiring about the follow-up of the programme. Many calls are received from the trainees, too, waiting eagerly for another opportunity to take part in subsidised training.

The programme goes on in 2007.



# **LABOUR MARKET YEARBOOK**

**2006**

**National Employment and Social Office**



# CENTRAL LABOUR MARKET PROGRAMMES

## Support for job-creating investments

(Source: Ministry of Social Affairs and Labour, Employment Division)

In the context of the application-based programme to support job-creating investments, special attention was paid to providing an extra support option to enterprises active in areas at a disadvantage in social, economic,

212 988 PERSONS RECEIVED JOB-SEARCH ALLOWANCE IN 2006.

infrastructural and/or labour market terms.

The maximum amount of support was HUF800 thousand per new job, with another maximum HUF200 or 100 thousand to be requested for investment projects in areas/settlements at a social/economic, infrastructural or labour market disadvantage, offering to employ job-seekers/Roma job-seekers following its completion. A budget of HUF1.8 billion was allocated from the employment fund segment of the Labour Market Fund (MPA) to the call for proposals to create jobs in 2006. 99 enterprises were provided non-repayable support, including 96 small and medium-size ones.

PES TERMINATED 218 442 JOB BROKERAGE WITH SUCCESS IN 2006.

Another 41 enterprises were awarded support from the HUF353 million decentralised budget. Hence a total of 140 companies - more than 90% among them SMEs - received a total of HUF2 153 million.

It is worth noting that, through the creation of 2160 new jobs, the enterprises concerned employ more

than 1600 registered job-seekers on a permanent basis, for at least 3 years (SMEs: 2 years) after the termination of the investment project. 25 of the 140 winner applicants were start-up companies, employing 430 job-seekers in 565 new jobs.

Under the job-creating programme announced jointly with the ministry responsible for territorial development, special funds were provided (HUF120 million out of the Territorial and Regional Development Target Appropriation /TRFC/, HUF174.5 million from the Labour Market Fund, i.e. HUF294.5 million in all) to support of business enterprises investing in the settlements of counties Békés, Nógrád or Somogy, at a disadvantage in social, economic, infrastructural or employment terms. The maximum amount available under the application-based scheme was HUF1 million per new job, with another maximum HUF200 or 100 thousand available upon request for investments offering to hire job-seekers/Roma job-seekers following termination.

## Job-creating investment support awarded by specific government decision

A major investment project, started in 2006, creating 1500 new jobs, and to be terminated by 2011, is being carried out by Hankook Tire Hungary Ltd. in Dunaújváros. The HUF180 million support due in 2006 has already been disbursed. The first phase of the investment Robert Bosch Electronics Ltd in the town of Hatvan, supported by special government decision, was terminated and the HUF260 million support approved for 2006 was transferred. Coloplast Ltd commenced the first phase of its investment in Nyírbátor, for which HUF260 million non-repayable support will be granted in 2007. These three major investments will create a total of 3700 new jobs by 2008.

## Central programme for the „Employment of Roma employment organiser managers“

The employment of Roma employment managers provides significant help for the implementation of the tasks of



the labour centres specified by Government Decision No. 1021/2004. (III. 18.). Their presence implies a major expansion of the human resources of the labour centres, and they contribute to the continuous improvement of co-operation between the Roma employment promotion institution system and its partners. Through the expansion/activation of the contact network, they promote higher-standard technical co-operation between the labour centres and the minority self-governments active in the county. Thanks to the above implications of the activity of employment managers of Roma origin, Roma job-seekers and families, as well as Roma minority self-governments and NGOs acting in their interest, not included in the programmes yet, have also come within sight.

#### **Central programme „To promote the placement of unemployed persons over 50” in 2005**

The programme was designed to increase the employment rate of persons over fifty years of age, to promote the placement of people suffering from permanent placement problems through the personalised and concerted treatment of their complex problems. The Ministry of Employment Policy and Labour specified county-specific target values to be met in the planning phase of the programme.

In its Guide issued to the labour centres, the National Employment Office set the task to involve 30 000 persons, to place 12 000 (including the trial placement of 2 000) in 2005. The county labour centres over-performed significantly relative to the target figures specified by the Ministry of Employment Policy and Labour for 2005.

In summary, the labour market programme to assist job-seekers above 50 was terminated with success.

In view of the results and the success rate in 2005, the Ministry of Employment Policy and Labour re-launched the central programme „To promote the placement of unemployed persons over 50” as of 1 May 2006.

#### **Central programme „To promote the placement of unemployed persons over 50” in 2006**

The labour centres over-fulfilled the targets to involve 25 000 persons and place 10 000 nationally through the programme in 2006: 29 853 persons were notified, 22 536 indicated their willingness to take part in the programme in a statement of intent. A total of 13 143 was placed in 2006, which is well in excess of the time-proportional realisation of the specified targets.

#### **Programme to promote employment in the non-profit sector**

This national programme was designed to reinforce the HR of the non-profit sector and to improve its capacity to attract resources by channelling there labour liberated in the public sector and willing to move and to take part in relevant training there. The labour centres evaluated the submitted applications, made support proposals and prepared them for ministerial decision-making.

Subsequently, various fora were organised to promote the selection of prospective employees who were to take part in the programme, in compliance with the demands of the winner applicants; tripartite agreements were concluded with the employers and the employees, and grant decisions were taken.

#### **Distance working programme, 2005 and 2006**

The objective of the distance working programme announced by the Ministry of Employment Policy and Labour and the Budapest Labour Market Intervention Centre was to encourage the further spread of this form, to modernise work culture, and to use flexible forms of employment to enhance enterprise competitiveness and, furthermore, to improve the self-assertion capacity and the chances of the deprived small settlements as well as to develop the service-provider-type e-administration. Therefore, the employment centres provided the winner applicants offering to create such jobs supplementary wage subsidy and training subsidy. A total of 149 employers were awarded support to assist the creation of 670 distance working jobs.



# AMENDMENTS TO THE EMPLOYMENT ACT, THE JOB SEARCH AGREEMENTS AND THE SYSTEM OF EMPLOYMENT BENEFITS

Act IV of 1991 on Employment Promotion and Provision of Unemployed (the Employment Act) was amended by Act CXIII of 2006 passed on 11 December 2006, most provisions of which came into force on 1 January 2007. As a result, PES now works in a region-based structure, under regulations which are increasingly in harmony with the relevant EU legislation.

## The Public Employment Service

The region-based system created this year currently includes 7 regional labour centres (instead of the former 20 centres) and 167 offices (including 19 office-cum-service-centre units). The name of the National Employment Service was changed and its

**PROFILING, THE SYSTEM ASSESSING THE PLACEMENT DIFFICULTIES OF REGISTERED JOB-SEEKERS, ENTERED THE PILOT INTRODUCTION PHASE IN 2006.**

scope of activity widened. The circle of sectoral agreements as well as the mediator and arbitrator service and the Mobility Youth Service were assigned to its competence. The name of the new medium-level management body is National Employment and Social Office (NESO).

## Labour councils

The labour councils — as bodies including the representatives of employers, employees and municipalities, responsible for the local interest reconciliation tasks specified under the law — prevailed after the regional transformation of the labour centres, but they now consist of the representatives of the regions — in the given territorial competence area — instead of the former county representatives.

Under the new regulations, the labour councils have reporting and not decision-making right in regard of the principles of the

allocation of the instruments of the employment fund segment of the Labour Market Fund available within their respective territorial competences, and on the relative proportions of the different support forms.

Under the new regulations, the Council's preliminary right of consideration in regard of the managerial mandate of head of the public employment service body is extended to include the recall of this mandate as well.

## Job-search agreements

The meaning of the term 'job-seeker' was altered; co-operation with the public employment service has become an essential element, including, as under the previous legislation, the reporting of any changes, the mandatory acceptance of an adequate job offer and, for certain target groups, the conclusion of a job-search agreement.

The job-search agreement itself was also modified in connection with the above. Accordingly, it is mandatory only for recipients of job-search benefits/aid and for registered job-seekers receiving regular social aid. With the narrowing of the target groups subject to the mandatory conclusion of the job-search agreement, the number of job-search agreements is likely to drop. This will hopefully relieve a significant part of the administrative burdens of the office staff and reduce the waiting time of the clients.

## Employment promotion benefits

The conditions of eligibility for employment promotion benefits were altered as well: certain forms of support were cancelled while others are now extended with a different content. The most significant changes relate to the various wage- and contribution-based subsidies: support for the reimbursement of labour wages/contributions ensures the



subsidised employment of an extensive target group. The exact definition of the target groups concerned and the detailed conditions of eligibility for support are specified under Decree No. 6/1996. (VII. 16.) of the Minister of

**IN Q4 2006, THERE WERE 37 THOUSAND MORE IN EMPLOYMENT THAN ONE YEAR EARLIER, AND HENCE THE NUMBER OF THE EMPLOYED REACHED 3 953 THOUSAND. WITHIN THE POPULATION AGED 15-74, THE RATE OF THE EMPLOYED (51.2%) WAS HIGHER BY 0.5 PERCENTAGE POINT THAN ONE YEAR EARLIER. (CSO)**

Labour amended by Decree No. 3/2007. (II. 9.) FMM of the Minister of Employment Policy and Labour.

Job-seekers participating in labour market training can request an income supplementing allowance and the reimbursement of their training-related costs. This has not

changed, but the calculation of the amount of the income supplement was altered: it now corresponds to the mandatory minimum wages in effect at the time of the establishment of the support. The increase of the income supplementing allowance is meant to ensure that the beneficiaries earn a living while in training and to enhance their motivation. The increased amount of the income supplementing allowance — due to the minimum wage increase on 1 January 2007 — implies a heavier burden for the decentralised budget of the employment fund segment of the Labour Market Fund.

Consequently, the number training applicants is expected to increase and the number of participants to decrease slightly.

Employment promotion wage subsidies — corresponds to the 50–60% of the wages and contributions concerned — shall be awarded for a period of twelve months.



# OPERATION OF THE REGIONAL TRAINING CENTRES AND THEIR ROLE IN THE TRAINING MARKET

## The training market

In Hungary, there are some 5 300 institutions providing adult training or adult re-training among other things, including 1278 accredited ones with some 2800 accredited programmes (year-end data), and training, according to our estimates, some 200 to 300 thousand annually. The majority of the trainees acquire a vocational qualification. The most important financier of the adult training market (producing an annual turnover of approximately HUF70-80 billion) is the employment organisation: the orders of the county labour centres represented the biggest adult training segment.\*

The direct adult training participation of the

**47 141 PERSONS (24.4%) TOOK PART IN LABOUR MARKET TRAINING FUNDED BY THE DECENTRALISED EMPLOYMENT FUND SEGMENT AND 33 150 PERSONS (17.1%) RECEIVED WAGE SUBSIDY TO PROMOTE EMPLOYMENT.**

employment organisation is ensured via the nine regional training centres (RTCs) acting as independent business entities, which cover by and large evenly the entire territory of the country. The performance of the RTCs has improved dynamically in the 14 years (on average) since their foundation. Thanks to their activity, some 29 000 persons were provided training last year and some 24 000 among them obtained a vocational qualification of some kind. Last year's RTC budget amounted to HUF5.6 billion.

The following conclusions can be drawn from a comparative analysis of the available data:

- The RTCs represented less than 0.2% of all adult training providers
- They trained 10-15% of all trainees.
- Their budget corresponded to 7-9% of the turnover of the entire adult training market.

## The activity of the RTCs

The ministerial decree having come into force last year defined the functions of the training centres in an unambiguous way; it made their financing more predictable and their business management more secure.

In contrast with the other actors of the vocational training market, the training activity of the RTCs essentially targets job-seekers at a disadvantage in the labour market or employees whose jobs are threatened. More than 70% of an annual stock of almost 30 000 trainees consists of labour market actors in such situation. The same is confirmed by the fact that, to date, the training segment provided by the Labour Market Fund to support the strata incurring the greatest needs represents the major part, around two thirds, of the resources of the RTCs, the utilisation of which is determined jointly with the territorially competent PES organisations. This agreement is based partly on the demands expressed by the employees having reported to (partly registered with) the competent employment organisations, and partly on the labour demand expressed by the employers of the region/forecast by the Office. As opposed to the other market agents, the RTCs provide public-service-type adult and vocational training, under the auspices and the direct technical management of NESO.

In addition to labour market training provided in co-operation with the county labour centres, the RTCs carry out considerable training activity in the area of training and methodological and training material development among the multiply underprivileged and under the programme called "One step forward". They make their best to satisfy, to the extent allowed by their free capacities ever, the training demands expressed directly by the employers, proposed by the employees or manifesting themselves in the market.



## Summary of the activity of the RTCs

- The total budget of the nine training centres is HUF5.5–6.7 billion. Ten percent of the resources originates from the central budget, around 2/3 from the Labour Market Fund and the remaining ? from application and market funds. This structure mirrors the relative proportions of public services within the overall activity of the RTCs.
- In the almost one-and-a-half decade since their foundation, the number of persons trained by them has been increasing dynamically. Last year a total of almost 29 000 persons were provided training. More than half among them were registered job-seekers, and — career-starters and other persons at some disadvantage included — the share of persons trained in the context of the core activity, i.e. public service provision, was more than 70%.
- In addition to training provided in 10 specialisations, the trainees are offered bridging, career orientation and foreign language training. Trainees finishing industrial, commercial and IT specialisations, by and large equal proportions, represented around half of the total trainee number. The training centres do their utmost to provide training matching the labour demand ever; they co-operate with the employers' chambers, universities and knowledge centres of the region.
- The RTCs implemented the above tasks with less than 400 staff. The technical staff of trainers represents one third; training organisers and other training-related specialists the other third and the administrative, functions-related etc. staff the remaining 29%.

### Training implemented in the framework of the agreement of the county labour centres and the regional training centres, from the training budget of the Labour Market Fund

The decree referred above regulates co-operation between the regional training centres and the labour centres, including the organisation of the training programmes. After some initial difficulties — due to the novelty of the regulations, the delayed release of the order of procedures and of the installation of the necessary application —, the training programmes were launched continuously and they offered an extensive array of specialisations.

On the basis of the co-operation agreement of the RTCs and the former county labour centres, a total of 14 850 persons

participated in 884 training courses funded by the employment fund segment of the Labour Market Fund nationally in 2006, at a total cost of HUF2 438 109 000. Here are some of the lessons of last year's operation:

- The operation of the regional training centres could be planned much more precisely in 2006 than in the previous year. The implementation of the training plan was guaranteed by the decree referred to above, which provided for the operation in both the technical and the financial sense.
- The co-operation agreement and the factor of certainty in financial planning made it possible for the RTC to perform their tasks prescribed by legal regulation with safety. Thanks to this safety and predictability, the quality of the training and training-related services provided in the context of the core activity has improved.
- The work load no longer showed the radical cyclical fluctuations experienced previously, although noticeably less programmes were launched in the first and third quarters than in the other two.
- The technical content and timetable could be adjusted to the labour market needs in a flexible manner thanks to the continuous availability of the training centres (their reactions/entry into training were not delayed by application procedures).
- It has become possible to adapt more flexibly to the demands of the labour market, and to amend the relevant contracts, if necessary, as well as to maintain and correct on a continuous basis the county-specific list of training offers representing the annex of the framework agreement.
- The high number of applicants demonstrated the compliance of the training offers with the needs ever and the professional credibility of the programmes.
- Co-operation was most active with the former labour centre designated as regional seat: training provided there approximated, in function of the size of the given region, half of all the training programmes of this kind. Within a given county, on the other hand, training was provided at the location where the specific training demand occurred. The proportion of „extramural“ training programmes was also around 50%, and they, too, conformed to the relevant quality requirements.



# DEVELOPMENT OF THE PUBLIC EMPLOYMENT SERVICE (HUMAN RESOURCE DEVELOPMENT OPERATIONAL PROGRAM, MEASURE 1.2.)

### *Objective of the project:*

To improve the quality, efficiency and effectiveness of the services provided by the Public Employment Service, and to develop the National Employment Service and its territorial (branch) offices.

### *Method for achieving the objective:*

For PES to provide more efficient and higher-standard services to the unemployed, the inactive and the employed, the organisational, personnel, technical, IT and infrastructural conditions supporting task execution should be improved. The National Employment Office realises its activities to realise its objectives through a central programme implemented by itself.

### *Short presentation of the programme, broken down by specific objectives*

The programme is divided into six components based on a

THANKS TO THE MODERNISATION OF THE PUBLIC EMPLOYMENT SERVICE STARTED IN NOVEMBER 2002, 76 OF THE 168 OFFICES RECEIVE THEIR CLIENTS IN A RENEWED ENVIRONMENT WHICH IS UP TO THE EUROPEAN STANDARDS .

grouping of the activities defined under Measure 1.2 of the Programme Complement to HRDOP (service development; strategic planning and research; quality management; training; infrastructure development; management; IT developments). The implementation of the programme is essentially based on the results of the PHARE project of 2002 and/or it serves as its continuation and extension.

### **1. Service development, strategic planning and research**

People should be made aware of their own responsibility for solving their labour market situation; PES, on the other hand, makes every piece of available information open and accessible without impediments for that purpose. Job-seekers shall be treated as dynamic clients to be assisted by PES through information provision, up-to-date technical features facilitating

self-information, service provision and active measures. PES creates no jobs - this is the task of the employers. Therefore, the regular and efficient dialogue of these two parties is an essential precondition of the new service model. PES should address the employers in a modern tone, free of bureaucratic elements, by offering new services, the use of a modern IT system and the extension of the short-term labour market forecasts.

### **2. Quality management**

Through its everyday activity, public administration - and hence the Public Employment Service, too - is a decisive factor of the quality of everyday life. It is therefore essential for quality to become a core value for the organisation itself and for its labour offices in direct contact with the labour market actors. The quality management system of the employment offices was worked out on the basis of the experiences of the PHARE project, and the roll-out of the system, the planning of its national-level introduction has started.

### **3. Training**

The assessment and understanding of the continuously changing training needs, and the relevant adjustment of the activities of the organisation, plays a decisive role among the human resources development tasks. The training programmes are realised on the basis of a short, practice-oriented training curriculum promoting the efficient operation of the organisation as well as compliance with the fast-changing professional expectations. Within the PES strategy, HR development has to pay special attention to the establishment of the personnel conditions of Hungary's accession to the EU.

### **4. Infrastructure development**

In accordance with the new service model, the new office layout model puts the self-information systems into the focus, and requires the creation of an open information area suitable for the free flow of clients, from registration to the first interview desk and the consultants. The architectural layout of the new office buildings should provide the technical



conditions of personalised and client-friendly service. Therefore, an office environment free of (physical and communication) obstacles should be created, which gives the clients a good impression and relays the positive attitude and the willingness to help of PES. The information area locates the most important single element of the new service model, i.e. the self-information systems, which allows the clients to carry out independent job-search. The inner conversion of the labour offices should result in a spacious, uniform, central reception area, suitable for the installation and comfortable use of the kiosks, and making a good impression on clients upon their first entry with its novel colour schemes and new pieces of furniture. This „new entry“ should send the job-seeker clients the message that the employment service provides its services to them and through them, and it does it best to provide a supportive environment and an adequate technical background for that purpose.

## 5. IT developments

The IT developments were carried out as part of the implementation of the medium-term IT strategy.

The main objectives of the IT strategy are the following:

- To create a uniform hardware and software environment within the Public Employment Service;
- To use national/central databases;
- To have a centrally managed IT system in place;
- To provide EU-conform services (internet, intranet);
- To implement the IT functions specified by the EU;
- To ensure the fast and up-to-date provision of the necessary pieces of (management, statistical, press) information;
- To support the e-Government system.

A major part of the PES hardware pool was obsolete beyond offering a possibility of upgrading. The programmes in use formed a heterogeneous insular system; they were produced by many technologies, a major part no longer enjoying manufacturer support.

In this situation, PES had to act simultaneously in two areas to be able to achieve its goals. One was the modernisation

of the IT infrastructure and the other was the development of an integrated IT system.

Special emphasis was given to the consolidation of the IT background of the organisation, the installation of the IT infrastructure required for efficient operation and the establishment of adequate IT support for the information systems.

The infrastructure had to be upgraded to the level meeting the expectations of the EU as well as the requirements implied by the systems supporting the operation of the offices. Therefore, the following had to be achieved:

- Expansion/replacement of the county and office IT devices;
- Modernisation of the communication network.
- In addition to providing hardware and communication devices of appropriate quality, an integrated IT system using standardised interfaces and central databases had to be developed. In particular, the tasks to be performed in connection to Hungary's EU membership had to be given priority.

## ACHIEVEMENTS BY 31 DECEMBER 2006

Activities under the component of service development, strategic planning and research

In the beginning of the programme, a client demand/satisfaction survey was carried out, together with the related analysis. A parallel survey will be made prior to the termination of the programme.

The modernisation of the protocols governing the service activity has taken place, in line with the relevant provisions of the Act on Public Administration Procedures.

The application providing mobile-phone-based access to the vacancy database is ready; thanks to it, the clients can get information on the vacancies offered by the offices from any part of the country by mobile phone.

To support the professional activities, one employment advisor was employed at each of the 20 PHARE offices in the framework of the programme, and initial training was organised for the employment advisers of the county labour centres.



Within the framework of the programme, 4 professional conferences were organised (in Budapest, Eger, Szeged and Szombathely) to support co-operation at regional and local level. Moreover, a public procurement tender was carried out to have career information folders and films made. This activity started with a review of the old folders.

Within the context of the methodological grounding of the developments, upgraded versions of the profiling system and the active measures monitoring system were introduced as pilots, and a communication campaign will be launched in the near future to support the introduction of the service model, as part of the implementation of the communication strategy drawn up under the programme.

In order to lay the foundations of the planning period of 2007-13, the medium-term strategy of PES was reviewed and a new medium term-strategy was prepared.

The development activity and the professional grounding of the following planning period is supported by 8 research projects (labour planning, prognosis, labour structure, productivity etc.).

### **The quality management component**

The interpretation of quality and quality management in public administration are rather complex tasks. In such a big organisation as PES, a quality management system can only be introduced and operated if the appropriate model is found and tailored to the organisation. The Quality Management Component 2.1, focusing on the employment offices of PES, played a pioneering role in this respect, by perfecting, introducing and extending to 61 offices the quality management system proposed by the National Employment Office.

Quality management at the employment offices is based on a model which focuses on self-evaluation, realises the principles of total quality management (TQM), and takes into consideration the recommendations of the EU regarding quality development in public administration, that is, the application of the Common Assessment Framework (CAF), too. This approach represents a brand new approach and a new way of thinking, and it can only be implemented in a public administration organisation if it is administered with adequate support, awareness and conscientious planning.

For these reasons, the management of the component decided to carry out the introduction of this system at the 61 Phare offices in one project, with such support elements as study trips to expand the professional knowledge and create/boost the commitment of the participants or continuous monitoring.

The component realised its tasks so far fully and effectively. The most important achievement is that the 61 offices terminated the project to introduce the quality management system successfully, with the help of the system of instruments and methodology worked out in detail by the developers and in the context of a well-defined and definite project, and documented the fulfilment of every one of the specified criteria. This was confirmed by monitoring and by the final on-site surveys, too. The studies, guides, aids and training materials indicated in the task specifications of the projects have also been prepared.

### **Training component**

The component prepared a HR development conception, and worked out the upgraded versions of the training materials developed under the PHARE programme. On the basis of the training materials, the heads and staff members of the offices concerned are being prepared on an on-going basis for the application of the new service model. Relevant information has also been provided to staff members to be involved in the modernisation process later on (after 2007).

Measure 1.2. of the HRDOP made it possible to give priority status in 2006 to the programme to train PES leaders. The heads of the employment service acquired up-to-date management skills and were given an opportunity to exchange experiences. This training programme was implemented in the form of hierarchically structured modules.

Staff training was organised for 120 staff members employed in autonomous employer contact jobs, to enhance the competitiveness of PES, to satisfy the labour demand of the employers as soon as possible and to expand the vacancy offer mediated by PES. The training programme, our own development, was rendered more colourful by the interesting presentations of the HR managers of small and medium-size enterprises and of multinational companies.



Internal training, a tradition of long standing in the employment organisation, was revived. In March 2006, 75 PES staff members took part in another training programme, also of our own development, compiled by the psychologist staff of PES to prevent and treat symptoms of burning out. Of course, given the possibilities and the pilot nature of the programme, the number of participants was rather small as compared to the total number of the employees of the organisation.

The English language training of the top managers and key personnel of PES started in 2005; 24 persons took part in individual training. This programme ended most successfully: by December 2006, 19 persons got an English language certificate (14 an official elementary and 5 an official medium-level certificate). Another 5 key persons take part in English communication training, to be terminated in 2007.

At end-2006, 24 persons finished their postgraduate employment adviser's studies at the Faculty of Economic and Social Sciences of St István University, Gödöllő.

Permanent professional training provided under Project 1.2.1.1 for the 20 employment advisers working at the county labour centres and another 20 civil servants also included an experience exchange element.

The objective of the training component of HRDOP Measure 1.2 was to intensify the contacts between PES and the civil organisations. For the same reason, a most effective joint training programme was organised in 2006 for the PES referents and the Roma civil organisations, which both parties expect to be a trendsetter event.

A programme of our own development, focusing on modern public administration, was delivered to 40 HR experts of the county labour centres specialised in human policy and training organisation.

Some 30 persons study for a first degree at the Business School training of Corvinus University; they are getting ever closer to acquiring a college degree in economics.

#### **Activities of the infrastructure development component**

The franchise manual prepared as a result of the earlier PHARE programme was copied in order to be able to apply its recommendations when it comes to adding a self-information area to the 60 offices to be modernised under Measure 1.2.

In accordance with the recommendations of the franchise manual, the specifications associated with the status survey, planning, construction and technical inspection activities at the offices have been prepared. The planning project drew up the detailed architectural designs of the 61 offices. By end-2006, the construction of the self-information areas had been finished at 57 locations.

#### **IT developments**

Under this component, some 2 330 new, up-to-date workstations and 1 300 printers were procured and installed at the county labour centres and the offices.

The deployment of the infrastructure required for the operation of the new information systems includes the transformation of the IT structure of the county centres, too. 20 county servers were replaced in this context. Simultaneously, the office servers were replaced by new ones at 134 locations.

In order to create a new, state-of-the-art software environment, a migration plan was prepared to facilitate the establishment of an integrated system and the implementation of the migration steps in the course of the transition period. This document presents in a uniform framework the system processes in need of IT support and the data to be managed as well as the proposed structure of the latter. The annexed schedule specifies each system process, the order of their introduction and the temporary solutions required for the change-over.

In accordance with the migration plan, software development was launched in 2006. The development includes the development of the information system of adult training, the creation/upgrading of data structures, the development of a systematic information and code system, of the integrated IT framework system and the modules, the further development of the self-assessment component of the management information system and the preparation of the e-learning system.

The modernisation programme for the next planning period (2007-2013), aiming at the renewal of society, was signed in 2007.



# CENTRAL PROGRAMME „PREVENTING AND TACKLING UNEMPLOYMENT” (HRDOP MEASURE 1.1)

The goal of the three-year central programme of „Preventing and tackling unemployment” is to promote by active and preventive measures the integration of young people to the labour market; to help the return and sustainable integration of the unemployed and the inactive excluded from the labour market to the labour market; to prevent the inflow to long-term unemployment, and to promote the participation of older workers in the labour market. The county programme plans envisaged - according to a distribution based on indicators determined in advance - to involve a total of 25 000 persons with the help of resources of HUF28.9 billion. Envisaged indicator values of successful implementation:

- 80% of the involved persons (20 000 people) finishes the programme successfully,

- training allowance, scholarship,
- assistance for work experience acquisition, wage subsidy, assistance to would-be entrepreneurs.

The details of the allowances are regulated under Joint Decree No. 5/2006. (VIII. 11.) MeHVM-SZMM of the Minister in Charge of the Prime Minister's Office and the Minister of Social Affairs and Labour.

### Outcomes of the programme

The three-year programmes will end on 31 December 2007. The launch was postponed in several counties as compared to the original date — decisively because of the public procurement processes —, which will entail a later programme termination of the individual programmes envisaged under the co-operation agreements.

It can be said without exaggeration that the selection of the participants „mobilised” a major part of the job-seekers in several areas, because in general the offices first addressed thrice the number of people to be involved, i.e. some 80–100 thousand persons nationally.

**UNDER MEASURE 1.1. OF THE HRDOP, „PREVENTING AND TACKLING UNEMPLOYMENT”, THE PUBLIC EMPLOYMENT SERVICE INVOLVED 34 770 PERSONS IN ITS ACTIVITIES, AND ALMOST HALF AMONG THEM FINISHED THE INTEGRATED PROGRAMMES WITH SUCCESS.**

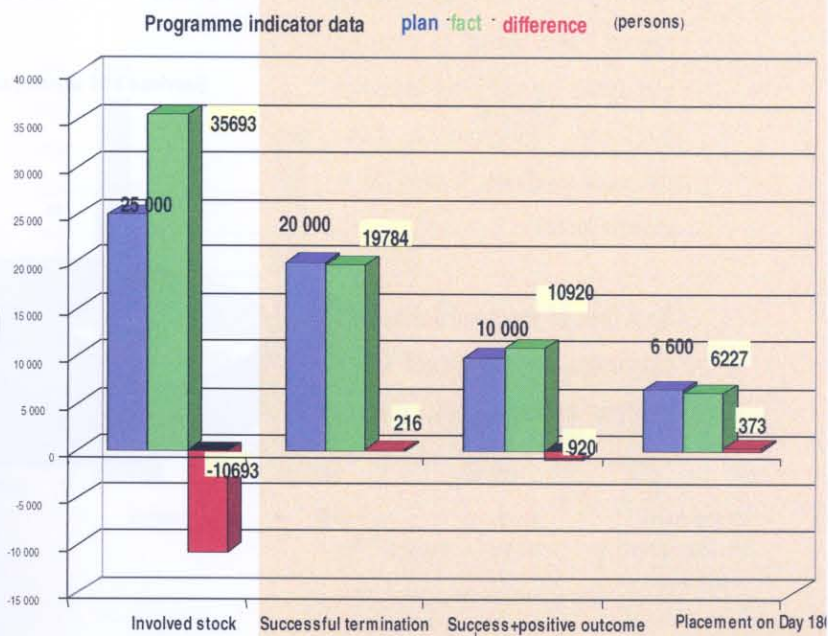
- half of them (10 000 persons) with a positive outcome,
- two thirds of those finishing the programme with success and a positive outcome (6 667persons) will be in employment on the 180th day following the termination of the programme.

### Programme target groups:

- the youth (ages 16 - 30),
- the long-term unemployed (job-seekers),
- the registered job-seekers and the inactive.

### Main services and supports used under the programme:

- Services described in Decree No. 30/2000. (IX. 15.) GM of the Minister of Economy, mentoring service, child-care service,





The deadline for entry to the programme was the end of 2006; that is when the first phase ended.

Chart 1 presents the national outcomes of the programmes expressed numerically in terms of the indicators. (The third column under the indicators shows the differences between the plan and fact figures.)

### 3974 PERSONS WERE IN EMPLOYMENT OR IN INDIVIDUAL ENTREPRENEUR STATUS ON THE 180TH DAY FOLLOWING THE TERMINATION OF HRDOP 1.1.

As can be seen on the basis of the data for Q1 2007, significantly more people entered the programme than planned: 35 693 in all.

There were marked differences between the labour centres in terms of the number of programme entrants. In several counties, the actual entry number exceeded substantially the planned figure, especially in counties Hajdú-Bihar megye, Békés, Bács-Kiskun and in the capital.

In the programme implementation phase, the support costs showed a lower unit value than planned (the lower costs are especially marked for the training programmes), and the amendment of the individual co-operation plans (goals achieved with less support) also produced savings, allowing thereby to raise the number of participants by some 43%.

Almost 20 thousand finished the individual programmes successfully; this corresponds to 99% of the planned number. Since almost 15 thousand participants are still in the individual programme implementation phase, the success indicator is expected to increase further.

**More than 10 thousand finished the programme successfully and with a positive outcome.** This already exceeds the original target, by almost 10%.

'Positive outcome' means for individuals the achievement of some

significant change in their own situation with the help of the programme (acquisition of new vocational qualification/work experience, increased the general knowledge/skills).

From the point of view of the effectiveness of the programme, the most important indicator is probably the number of placements. This indicator is measured on the basis of a status survey on the 180th day following termination, and it shows such effects of the individual programmes as could manifest itself in the given labour market context.

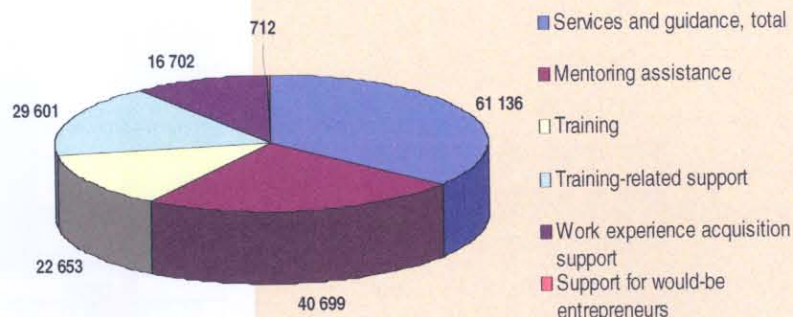
In early 2007, 6 227 were in employment or were self-employed members of individual or collective enterprises after having terminated the programme. 94% of the envisaged target value was realised.

### Services and support schemes embodied in the individual programmes

The idea governing the design of the programme was that the selected persons should be given access to services and support measures promoting their re-entry to the labour market in accordance with their individual needs. Support was to be provided to overcome individual disadvantages, to make the candidates ready for training/employment, to ensure successful training, work experience acquisition and the grounding of long-term employment.

The numerical service and support data were monitored on a continuous basis through regular project progress reports and

Services and support schemes in the programme (no. concerned)





the monitoring of the implementation of the programme. Chart 2 shows the service and main support data observed until early 2007.

The number of the services reflects every service used by the programme participants from the entry preparation phase through the selection of the training programme to job-search and the preparation of placement. The total number of the beneficiaries was more than 61 thousand, that is, every participant used one of the 14 different services at least twice. The most frequently used services were information provision, work consulting, capacity and motivation level assessment, training guidance and job-search techniques.

One of the biggest assets of the programme was a mentoring-type service accompanying the implementation of the individual programmes of the underprivileged participants. The mentors were present from the programme preparation phase through the selection of the participants to the preparation of the individual plans and, of course, they assisted throughout the implementation phase. The labour centres bought the mentoring service from external providers, mainly civil organisations/NGOs. Almost 41 thousand were provided such service.

Lack of vocational qualification represents one of the most serious labour market disadvantages. Almost 60% of job-seekers has no vocational skills and consequently practically no chance in the current labour market.

One of the priority goals of the programme was to assess the individual candidates' possibilities and capabilities, and to offer training/vocational training accordingly, to increase their chances and to ensure that they finish the training programme with success.

From among the almost 36 thousand persons enrolled in the programme, almost 23 thousand (63%) take part in training. That is, this programme target will certainly be met.

In order to be able to remain in the labour market in the longer run, the employees getting placed in the framework of the programme have to acquire sufficient work experience/skills in their special area. The employers concerned are provided support for the period of training, to reimburse them for extra costs incurred in the training phase.

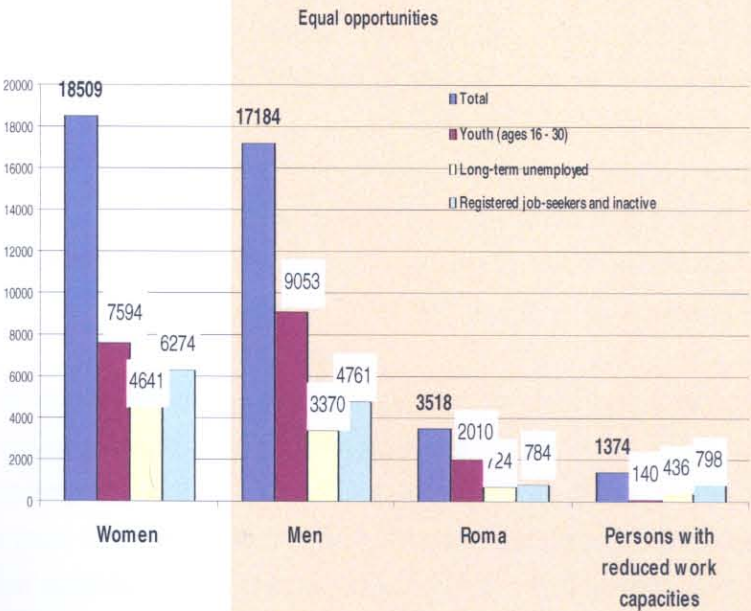
The fact that a stock of more than 16 thousand was affected in work experience acquisition support is indicative of the necessity and importance of the support element of the programme. This element is expected to generate a lasting effect and to boost the number of placements following programme termination.

Assertion of the horizontal criteria

The labour market programmes require preparation and execution work to establish and nurture extensive local partnerships. Note that, especially in the deprived regions, significant and efficient co-operation evolved between the labour centres, the municipalities, the minority self-governments and the civil organisations.

The programme gives special emphasis to the assertion of the horizontal criteria, i.e. the provision of equal opportunities – with special regard to equal chances for men and women, the Roma and the disabled – and to sustainable development.

The detailed data are shown in Chart 3.





Women represent 51.8% of the entrants to the programme, probably as a result of their active participation in training. Their share rose in terms of placement: nationally, from a total population of 6227, 3239 women (52%) and 2998 men were in employment on the 180th day following the termination of the individual programmes.

The share of the Roma unemployed in individual programmes was 10%, that is, adequate emphasis was

given to this disadvantaged target group in the involvement phase.

The measure promotes the labour market participation of job-seekers with reduced work capacities or disability. The results so far are the following: 1374 persons with reduced work capacities were involved, and 194 among them had a job on day 180 following the termination of the programme



# STAFF TRAINING: A KEY CONDITION OF SUCCESSFUL LABOUR MARKET PERFORMANCE

Training is the main engine of competitiveness and the capacity for continuous renewal; its quality, effectiveness and efficiency are key to the enhancement of economic competitiveness and of the potential for growth. The public sector is no longer characterised by a bureaucratic „sleevelet“ approach, but by the consolidation of the service provider approach — and, of course, the application and observation of the relevant legislative provisions. In order to ensure the satisfaction of the clients, work focuses on the identification of fast, relevant and helpful solutions.

The Public Employment Service assigns top priority to

**ACCORDING TO THE CSO SURVEY, THERE WERE 3 930 THOUSAND EMPLOYEES AND 317 THOUSAND EMPLOYED PERSONS IN 2006 ON ANNUAL AVERAGE, THAT IS, 29 THOUSAND MORE EMPLOYED AND 13 THOUSAND MORE UNEMPLOYED THAN IN THE PREVIOUS YEAR.**

training programmes to improve the quality of the services of the organisation. It is absolutely necessary to be in command of advanced IT skills, to have adequately prepared medium-level and top managers, and to upgrade the position-specific knowledge/skills of every staff member. It is most important to co-ordinate the various forms of public administration training and the sector-specific programmes — training programmes under Measure 1.2. of the HRDOP, other technical preparation courses, foreign language courses etc.

## **Training programmes of the Public Employment Service in 2006, and their execution**

Two training programmes were organised in November, in accordance with the public administration continuous training plan for 2006: the participating PES staff members could learn basic public procurement skills or the use of word processing and presentation applications. 28 civil servants took part in the „Basic public procurement

skills“ presentation, mainly legal and financial experts, and 17 staff members (administration clerks, secretariat co-ordinators) received further training under the training programme entitled „Use of word processing and presentation-making applications in office work“.

Thanks to the HRDOP Measure 1.2, the training programme to PES executives, providing the managers of the employment organisation up-to-date management skills and an opportunity for experience exchange, was given priority status in 2006. The programme was implemented in a hierarchical modular structure, and hence the groups included the same participants throughout the process.

Staff training was organised for 120 staff members employed in employers support jobs, to enhance the competitiveness of PES, to satisfy the labour demand of the employers as soon as possible and to expand the vacancy offer mediated by PES. The training programme, our own development, was rendered more colourful by the interesting presentations of the HR managers of small and medium-size enterprises and of multinational companies.

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Priority continuous training objectives and tasks of the Public Employment Service in 2007

### I. OBJECTIVES:

1. To implement the PES-level human resources development and training programmes connected to HRDOP Measure 1.2 in line with the sectoral strategic objectives.
2. To make the managers of the employment organisation

**WITHIN THE POPULATION AGED 15–74, THE RATE OF THE EMPLOYED (51.%) WAS HIGHER BY 0.5 PERCENTAGE POINT THAN ONE YEAR EARLIER.**

master up-to-date management skills.

3. To upgrade the job-position-related foreign language skills of the staff members.
4. To increase the significance of the e-learning framework system in internal technical training.

### II. PRIORITY TASK:

Complex preparation of the staff members of the National Employment and Social Office for their tasks, expanded to include social and rehabilitation activities, in concert with the HRDOP Measure 1.2 training programmes.

### III. TRAINING TASKS:

- To implement a complex social and rehabilitation-oriented internal professional programme
- To implement the programmes for 2007 under HEFOP 1.2
- To organise the continuous training programmes supported from the chapter-administered appropriation.

Training programmes related to the operation of the social and rehabilitation system

In connection with the transformation on 1 January 2007, the scope of the activity of the National Employment and Social Office was extended to include employment rehabilitation functions.

The Office management gives priority to knowledge/skills transfer in connection with this topic. Therefore, in the second half of 2007, the NESO staff concerned will be given an opportunity to get acquainted with this area in the form of internal training.

The PES staff will master the necessary rehabilitation and social skills in a training programme funded from a chapter-administered appropriation and realised with central co-ordination. NESO will act as training organiser in the execution of the programme.

### Continuous training with chapter-administered appropriation support envisaged for 2007

**Spreadsheet applications** — Training for medium-level managers and administrators of NESO in up-to-date IT skills.

### Continuous training related to HRDOP Measure 1.2, envisaged for 2007

1. Training for the staff members of the PES pilot offices on the New Service Model. 1200 office staff members will take part in training provided by the



internal trainers of PES, based on internally developed training materials, to acquire the theoretical and practical skills required for the implementation of the model. The programme has two components: acquisition of theoretical knowledge and practice-oriented follow-up training.

2. 2007: European Year of Equal Opportunities for All. The training programme entitled „Equal opportunities in the labour market service“ is related to this event; it processes and presents to 1200 office staff members this complex topic.
3. Training with special emphasis on sharing the experiences of the offices using the full-scale version of the New Service Model will affect 300 staff members.
4. Training in 2007, to be realised under the multiplier system, for PES staff members on the use of the IT system relating to the New Service Model.
5. Follow-up of the training courses to treat the symptoms of burning out in 2007, this time with 150 participants.
6. Training of old and new PES trainers to help them master up-to-date training methods and to upgrade their existing skills/competences.
7. The plans include programmes to investigate the aftermaths and results of joint training organised in 2005 with the youth and in 2006 with the Roma civil organisations to strengthen the civil contacts of PES.
8. The human expert training of PES, implemented with success in 2006, will be repeated in 2007, to provide 40 technical staff members performing labour and training organisation tasks an opportunity to share experiences.
9. The secretary training, with the participation of 25 administrative executives, is meant to maintain the state-of-the-art skills of secretaries supporting the work of top managers.
10. A new opportunity for job-related experience acquisition will be provided in 2007: the foreign „best practices“ can be mastered in a foreign professional environment,

by engaging in individual work at the employment organisation of the host country.

In summary of the above, the selection of the training topics and the training efforts are not for their own sake: their success and efficiency can be measured in the faster, more rational and professional solution of the tasks ever and in the quality of client service.

The PES performance indicators for 2006 are generally good: there was a backlog in terms of one of the nine indicators only. Hopefully, similar results will be achieved this year.

It is deemed a major step ahead that internal training has acquired a remarkable prestige: the PES managers do not even think of delegating their „least busy“ employees to the internal training programmes, but send those in the greatest need of the knowledge/skills offered there. This is especially true of the complex training courses, under preparation, in the rehabilitation and social areas.

We intend to keep representing the typical approach characterising our work now, i.e. to promote the fulfilment of the mission of PES through the organisation of training programmes serving the goals of the organisation, adapted to the resources and the possibilities ever. Our goal is to preserve and develop our existing values.

PES is very proud of its knowledge base, which allows it to develop a major part of the programme materials on the basis of its own resources, and of its internal trainers who are key to the implementation of the internal training events.

Furthermore, we deem it very important to give at least as much emphasis to self-education and life-long learning as is given to internal (organised) training.



# THE INTERNATIONAL RELATIONS OF PES

## **Our international relations:**

National Employment and Social Office currently has official contacts based on written co-operation agreements with Lithuania, Mongolia and Romania; furthermore, it co-operates with the Ministry of Labour of the Walloon region of Belgium. Similar co-operation agreements are under preparation with Croatia, Latvia and Ukraine. The latter will mostly be limited to the mutual visits of experts and to the regular exchange of labour market information.

In addition to co-operation based on formal agreement, Hungary nurtures very good, although not regular, contacts based on previous formal co-operation with many other EU countries. Its main partners are Austria, Germany, Denmark, Sweden and Ireland.

In 2006, the Office organised trips abroad for almost 200 persons (to 26 countries, on 81 occasions). Furthermore, two study trips were organised for the Steering Committee of the Labour Market Fund, to three countries. We prepared the visits specified in the bilateral agreements, as well as the hosting of visitors/delegations from other countries, and took part, if necessary, in the implementation of their programmes as well (15 countries, 24 occasions). We organised several presentations to introduce the Hungarian labour market and the activity of the Office to foreign delegations.

## **The Office is represented in several international organisations.**

We take part in the activity of several work groups in Brussels, one of them is preparing the general directors meeting of the European PESs (HOPES), which is organised twice a year, and we participate at these events, too.

In 2003, the Hungarian PES was elected to the Managing Board of the World Association of Public Employment Services (WAPES), and the participants of the May 2006 World Congress and General Assembly deciding on re-elections to posts voted in favour of extending our mandate for another three years. We take part regularly in the work of the Managing Board, too, on behalf of the Hungarian PES.

Our Statistical Division supplies data to the European Commission, the ILO and the OECD on a regular basis, on behalf of Hungary.

## **Operation of the EURES system:**

Hungary joined the EURES ((EUROpean Employment Services) network, created in 1993 to promote and ensure the free movement of labour within the Union, upon its accession to the EU in 2004.

The operation of EURES in Hungary is assigned to the competence of the Office. This work, funded for the most from the resources of the Union, is carried out on the basis of an activity plan prepared and approved by the European Commission annually. The domestic network consists of a EURES manager, a co-ordinator, advisers and assistants. Currently, there is one trained EURES assistant essentially at every office, and there are 26 advisers in all.

Although the network itself was set up earlier, prior to Hungary's accession to the EU, it is being expanded continuously, and the staff are provided training and continuous training in accordance with the relevant schedule defined by the European Commission.

The adviser's functions include the supply of relevant information to clients looking for a job abroad, assistance to promote job-search, to implement



recruitment projects organised by our foreign partners and to propagate the EURES in Hungary at job fairs and community fora.

Several recruitment events were organised in 2006, many of them with the participation of foreign (Austrian, German, Italian, British etc.) EURES advisers, and we were present at the Sziget Festival, and the Office was represented in 17 towns on the occasion of the European Year of Workers' Mobility. We prepared information bulletins presenting the labour markets and conditions of work and living of the various EU Member States, and we updated our existing publications. We keep in touch continuously with the media.

The inter-governmental and inter-institutional agreements concluded earlier, prior to the enlargement, to promote the employment of guest workers and apprentices as well as seasonal workers are now operated within the framework of the EURES system.

To date, Hungary has effective mutual inter-governmental agreements with Austria, Germany, France, Switzerland, Luxembourg and Romania. (The agreements concluded with Slovakia and the Czech Republic have been suspended since accession).

The agreements — designed to promote the professional and foreign language training of the youth — are based on a quota system, but the signatory countries set other conditions, too, for issuing labour permits (e.g. foreign language skills, age limit, vocational qualification, no criminal record etc.). Applicants to these countries (mostly skilled workers) can be granted a work permit without a prior investigation of the labour market

situation there. Hungary has a seasonal work agreement, too, with Germany, which imposes no quota and less severe conditions.

Quotas in effect in 2006(person/year):

Austria	1800
Germany	2000
France	300
Switzerland	100
Luxembourg	20
Romania, apprentice	700
Romania, seasonal	8000

The inflow of Slovakian labour to Hungary - primarily to the counties Komárom-Esztergom, Győr-Moson-Sopron and Pest and to the capital - increased considerably after our accession in 2004. The workers concerned are mostly employed in jobs which are difficult to fill with Hungarian labour. In order to be able to keep this spontaneous process under control to some extent and to make it possible to attract Union funds, too, to the development of the crossborder regions concerned, a decision was taken in 2005 to set up a formal EURES crossborder partnership (EURES-T-t) with the Slovakian party. The partnership consists of the representatives of the trade unions, employers and municipalities of the regions concerned and of the employment organisations concerned. The 18-month preparation phase ended at end-2006; the envisaged crossborder seminars were held in part in Hungary and in part in Slovakia, a study trip was organised to inspect an already active (German/Czech) EURES-T with Slovakian and Hungarian participants. The partnership agreement was signed by the parties concerned in early December, and the Commission approved it early this year, so it will be possible to start joint work soon.



## FOREIGN EMPLOYEES IN HUNGARY

Employees have been coming to Hungary from more than 110 countries the world over, in a steadily growing number, since the second half of the nineties. The database of the National Employment Office covers those among them who, according to the effective legal regulations, have to obtain an employment permit or, following 1 May 2004, get in touch with the employment centres for the purpose of registration or to request a green card certificate. Under Decree No. 8/1999. of the Minister of Social and Family Affairs, amended several times in recent years, governing the employment of foreigners in Hungary, on certain conditions, an ever wider circle of specific groups of foreign workers is allowed to engage in employment without having to request a work permit. The extensive range of exemptions granted under the decree means, among other things, that certain groups of foreign citizens engaging in legal employment in Hungary remained outside the scope of statistical accounting from the very start. With Hungary's accession to the European Union, this circle was extended: Great Britain, Ireland, and Sweden opened their labour markets to Hungarian employees without any limit from the start, Spain, Portugal, Greece and Finland did so from May 2006 and Italy from November 2006 on, and hence, on the basis of reciprocity, neither does Hungary stipulate any licensing obligation for workers coming from the same countries, and consequently they are gradually „lost” for the relevant statistics. As for the countries having joined the EU in the same round as Hungary — with the exception of Malta and Cyprus —, the accession agreement makes it possible to use registration for administrative purposes. Furthermore, EU citizens who can certify to 12 months of continuous and legal employment in Hungary may request a so-called „green card certificate”. However, since it is to be expected that a growing number of the old Member States will approve the free flow of labour, on the basis of reciprocity, this certification form, too, will lose its significance, and the relevant data will also be missing from our statistics.

The number of foreign employees figuring in the registers of the National Employment Office has been increasing continuously since the second half of the nineties. In 1996, a total of around 20 thousand work permits were issued; in 2005, more than 53 thousand, and the additional number of registrations and green card certificates was close to 20 thousand. It is worth comparing the number of valid employment permits on the last day before accession, i.e. on 30 April 2004 with the corresponding data for 31 December 2004 and 2005, respectively. On the day before accession, some 56 thousand foreign employees had a valid Hungarian work permit. Their number hardly fell by the end of the year, and the additional number of valid registrations exceeded 10 thousand. From among the eligible workers, the option of employment without any restrictions is used for the most by Slovakian workers. However, by the end of 2005, the number of valid permits had decreased significantly, in response to the exemption of large groups of citizens from the registration obligation.

In 2006, the labour centres issued 52.5 thousand general and more than 2 thousand agricultural seasonal work permits, and filed some 16 thousand registrations and issued 275 green card certificates. The majority of permits for seasonal work in agriculture was used by Romanian workers and a minority by Ukrainian ones. All four titles considered, however, 83% of the more 64.5 thousand foreign workers from more than 100 countries figuring in the relevant data for 31 December 2006 were the citizens of only three countries: Romanian employees, present in the Hungarian economy in the largest number for years, with a share corresponding to around half of foreign workers (2006: 45%), followed by the Slovakian workers, with a share of almost 26% or Ukrainian workers, with a share of 12%. The share of workers from Serbia and Montenegro is more than 2.5%, and China is represented by a rate of almost 2%. By the way, on the basis of the permits, registrations and green card certificates in effect on 31



December 2006, only the workers of these 5 countries are present in Hungary in excess of one thousand persons.

More than 61% of foreign workers figuring in our database (more than 39 thousand persons) was employed in the central regions and 22% (around 14.5 thousand) in the Central Transdanubian region in 2006. The share of the other regions was between 4% (almost 3 thousand persons) and 1.5% (some 1000 persons). Most foreign seasonal

agricultural workers went to counties Pest, Bács-Kiskun, Csongrád and Győr-Moson-Sopron. The registration data show that workers mostly of Slovakian origin were employed in the largest numbers in County Komárom-Esztergom, in the Central Hungarian region and in County Győr-Moson-Sopron.

The most important statistical data are regularly displayed on our Internet portal at [www.afsz.hu](http://www.afsz.hu).