

**PUBLIC EMPLOYMENT SERVICE
NATIONAL EMPLOYMENT OFFICE**

LABOUR MARKET REPORT, 2000

**MAIN TRENDS IN LABOUR MARKET
DEMAND AND SUPPLY**

1 January 2000

B u d a p e s t
2001

AUTHOR

TERÉZ LAKY

Co-authors

**Ilona Gere (Section 3.2.3.)
Károly Fazekas (Chapter 5.)
Judit Lakatos (Chapter 6.)**

Read by

**Judit Lakatos
and
János Tímár**

Statistics

Ms Kozma, Edit Takáts

Text editor

Ms János Sinka

ISSN: 1587-8031

Published by

**PUBLIC EMPLOYMENT SERVICE, NATIONAL EMPLOYMENT
OFFICE**

Responsible editor: Károly Pirisi Director-General

**DISTRIBUTION OF THE POPULATION BY GENDER
AND AGE,
1 January 2000**

CONTENTS

INTRODUCTION.....	I
KEY POINTS	IV
I. ECONOMIC ACTIVITY OF THE POPULATION	1
1. <i>EMPLOYMENT - UNEMPLOYMENT - INACTIVITY IN HUNGARY IN 2000</i>	1
1.1 Measurement methods of economic activity.....	7
1.2 Definitions of working age.....	9
1.2.1 Labour force according to the Hungarian definition of working age	11
1.2.2 Labour supply based on the population of the 15-74 year-old.....	15
1.2.3 Comparison based on the population of the 15-64 year-old.....	18
2. <i>EMPLOYMENT, THE EMPLOYED</i>	21
2.1 Employment in Hungary	21
2.1.1 Distribution by gender and age.....	23
2.1.2 Distribution of employment by sectors and branches of the economy	27
2.1.3 Employment status, major employment groups.....	31
2.1.4 Employment by legal form of the organisation	35
2.2 Atypical jobs	42
2.3 Subsidised employment	58
2.4 Employment of Hungarians abroad and foreign labour supply in Hungary	68
2.5 Registered labour demand	76
2.5.1 Development-related labour demand.....	77
2.5.2 The discrepancy of the (registered) labour demand and supply.....	79
3. <i>UNEMPLOYMENT</i>	86
3.1 The Hungarian unemployment rate.....	86
3.1.1 Labour force survey.....	86
3.1.2 Unemployment according to the Hungarian regulations.....	96
3.1.3 Registered unemployed and benefit recipients	106
3.2 Disadvantaged groups	114
3.2.1 Youth unemployment	114
3.2.2 Unemployment among women.....	119

3.2.3	<i>People with Changed Working Ability</i>	121
3.2.4	<i>The Roma population</i>	124
3.3	The key reasons leading to unemployment	131
4.	THE ECONOMICALLY INACTIVE	136
4.1	Inactivity in Hungary	137
4.2	Main categories of the inactive by reason of inactivity	139
4.2.1	<i>Students</i>	139
4.2.2	<i>Persons on parental leave</i>	142
4.2.3	<i>Retirement at working age</i>	144
4.2.4	<i>Other reasons of inactivity</i>	146
4.3	Inactive persons waiting for employment	149
II.	SOME FURTHER CHARACTERISTICS OF THE HUNGARIAN LABOUR MARKET	152
5.	REGIONAL DISCREPANCIES	152
5.1	Regional differences in unemployment and employment	152
5.1.1	<i>Differences by planning statistical regions</i>	152
5.1.2	<i>County, small region and settlement level differences</i>	153
5.1.3	<i>Cumulating regional disadvantages</i>	158
5.2	Causes of the regional differences of the labour market	160
5.3	Mechanisms levelling the regional differences of the labour market	160
5.3.1	<i>Impact of regional labour cost differences on the territorial concentration of job creation</i>	160
5.3.2	<i>The effects of commuting and migration on the regional differences of the labour market</i>	162
6.	EARMINGS AND LABOUR INCOMES IN 2000	163
	ECONOMY, TOTAL	168
	EXPLANATION OF TERMS	173
	LIST OF TABLES	178

INTRODUCTION

Hungary produced steady economic growth in 2000 (the GDP was up by 5 %), but the economy was still subject to powerful restructuring processes. Investments generating lively labour demand - mainly by foreign companies having settled in Hungary - continued in the industries introducing/developing the manufacture of modern products (vehicles, computers, telecommunications equipment) and in many of the services areas. At the same time, the erosion of several traditional branches (agriculture, mining, metallurgy, the textile industry), a phenomenon observed for years, has continued as well.

International economic trends have marked the above developments to a growing extent. Although large-scale staff reductions (involving ten thousands of people) by multinational companies in several countries had but a slight effect in Hungary, the relevant decisions did not go unnoticed. Fortunately, the factors of economic development proved stronger and hence employment continued to increase during the year, albeit at a slower pace than hoped for earlier.

Partly in connection with the economic developments concerned, Hungarian employment policy underwent certain changes.

•

First of all, the functions and jurisdiction of Hungarian ministries were modified in 2000. Accordingly, the government management of employment policy was transferred from the Ministry of Social and Family Affairs (MSFA) to the Ministry of Economy (ME). ME supervises the employment service, that is, the Public Employment Service, PES, as it is called today, and its central organ, the former National Centre for Labour Research and Methodology (NCLRM), re-named National Employment Office (NEO), an organisation of national competence, integrating the county labour centres once again.

As a result of the re-organisation, the right of disposal over the Labour Market Fund (MPA) providing financial cover for the implementation of employment policy measures (active programmes included) was transferred to the competence of the Minister of Economy. The Minister decides on the allocation of appropriations under MPA on the basis of the recommendations of MAT, a body consisting of delegates of employee and employer interest protection organisations. (One of the target appropriations is assistance to job creating investments.)

In view of the more intensive labour demand since 1999, the creation of more than 110 thousand new jobs and the significant decline in unemployment, the system of unemployment benefits was altered. As of 1 February 2000, certain labour and social provision related laws were

modified and the benefit allocation period was reduced from 360 to 270 days. At the same time, in order to encourage the training participation of the unemployed, benefits were made available for an extra 365 days to benefit recipients participating in training subsidised by the labour organisations.

As of 1 May 2000, the same amendment annulled the so-called income supplementing allocation, a form of social provision to the long-term unemployed, or, more precisely, ruled that no new entitlement could be established. The allocation used to be available to unemployed persons having exhausted their period of entitlement to unemployment benefits but unable to find a job, on condition of certain predetermined criteria. Since May 2000, the local municipalities have been able to grant regular social aid to those in need; in addition, they have to provide them employment for at least 30 days annually. (This form of employment is called „public purpose employment”, to distinguish it from public works and public benefit work funded from other sources.) The execution of the Act is supervised jointly by the Ministry of Social and Family Affairs and the Ministry of the Interior.

The amendment was meant to stimulate the earliest possible employment of the long-term unemployed and to provide them work - at least for 30 days - until that time.

The propensity for employment, however, is more likely to be boosted by the increase of the minimum wage from HUF25,000 to HUF40,000 from February 2001 on, provided that jobs in this category will be created.

Employment policy is expected to undergo further marked changes in order to promote the establishment of the pre-conditions of substantial employment expansion in the first place with the approach of the date of Hungary's accession to the European Union.



The reason why the above circumstances determining the operation of the labour market in 2000 were pointed out in advance is that our annual summary Report will refer to the same *in passim* only, while focusing on the characteristic features of the economic activity of the adult population, i.e., on the development of employment, unemployment and inactivity.

As in previous years, we shall consider as our reference base the employment situation of the European Union, reviewed in detail in the Hungarian version of the present Report, of which we shall only highlight a few elements here.

Familiarity with the employment expansion programmes of the European Union decided upon mainly after the Luxembourg Summit of 1997 and their execution makes it easier to assess the Hungarian

employment situation and to determine the overall aims of the relevant tasks.

As usual, the Report discusses the most important phenomena of the three closely interrelated labour market subsystems - employment, unemployment and economic inactivity - independently. Beside these three chapters constituting the backbone of the Report, a separate chapter is devoted this time to the regional characteristics of employment/unemployment and, as in previous years, another one to the development of earnings.

As always, the Report is the result of collective efforts. In addition to the regular statistics of CSO, the Central Statistical Office, and NEO, several ministries - ME and MSFA in the first place - kindly put their analyses at our disposal. The analysis of several topics is based on data collected and processed by various sections of NEO.

As before, we have relied on studies by several researchers. Explicit reference shall be made to these at their place of occurrence.

Those considering it important to be informed of changes and having found our annual summaries useful in this respect joined the circle of our voluntary data and information providers willingly. Let us thank them for their contribution here.

The manuscript was finalised in April 2001.

Budapest, April 2001.

Teréz Laky
NEO Research Unit

KEY POINTS

The promising improvement of the labour market since the end of the nineties slowed down in 2000. Employment grew more modestly than in the previous year, by 38 thousand instead of 114 thousand. Although the number of the unemployed continued its steady decrease, this time it dropped by 22 thousand only, from 284.7 thousand in the previous year to 262.5 thousand. Owing to the low proportion of the economically active, the ratio of the inactive has remained high; after a more marked decline in 1999, it only moderated by 0.4 percentage point in 2000.

Hence the achievements are rather modest, although the balance is still positive.

In international comparison (based on statistical accounting covering the population of the 15-64 year old, in accordance with the definitions of the ILO) Hungary's performance in 2000 relative to the results of the Member States of the European Union in 1999 was as follows:

⇒ At 56.4 %, the employment rate lagged far behind the 62.1 % average of the EU: Hungary would rank among the last four Member States of the Union, between Belgium occupying the 12th and Greece the 13th place, preceding Spain and Italy only.

The employment rate of men is lower than in any of the Member States of the European Union. Hungary has also a significant deficit compared to the European rate of female employment, deemed low as well: less than half of Hungarian women aged 15-64 are in employment. (Note that the low employment rates of both sexes are due to a significant extent to the still significantly shorter active-age period, i.e., lower retirement age, than that of most EU Member States.)

⇒ Its unemployment rate of 6.4 % - as opposed to the 9.2 % average of the European Union - would put Hungary among the eight highest-ranking EU countries, between the United Kingdom (7th) and Sweden (8th).

Youth unemployment has also shown positive development: in contrast with the 8.5 % average unemployment rate of the 15-24 year-old in the EU, in Hungary, 5.2 % of young people were looking for a job actively. In 2000, some 40 % of the registered unemployed youth participated in labour market training or received assistance for placement for a longer or shorter period.

The unemployment rate of women is lower at 5.6 % than the EU average of 10.9 %, and, in contrast with the situation in most of the EU member states, it is still lower than the corresponding rate for

men. (However, a significant proportion of the women is absent - temporarily or permanently - from the labour market.)

Parallel with the decline in unemployment, the proportion of the long-term unemployed has also moderated: in the EU, their average rate compared to the economically active population was 4.3 %, while in Hungary it was 3.1 %. More than half of the unemployed had been looking for a job for a maximum of twelve months. The average job search period shortened from 17.1 months in the previous year to 16.8 months.

- ⇒ Similarly to many countries of Europe, Hungary has a significant reserve pool for employment expansion, first of all among those near (Hungarian) retirement age and especially among women. Students not included, approximately 1.5 million members of the Hungarian working-age population are absent from the labour market. Two-third became inactive due to early retirement or child care, while one third have no (visible) income at all. In order to further their employment, it is inevitable that suitable forms of flexible employment be created, and in order to do so, high labour costs in the atypical services jobs in the first place must be reduced decisively.

Employment

- ⇒ In 2000, the employment rate remained rather low, with persons of prime working age representing the bulk of earners: almost three-fourth of the 4.2 million men and women aged 25-54 (73 %) was employed and, within that, almost 80 % of men.
- ⇒ Most new jobs - 54 thousand - were created in the services sector, and the proportion of those employed there reached almost 60% (59.7 %). The industry registered growth by 2 thousand, equivalent essentially to stagnation (the proportion of industrial employees was 34 % in 1999 and 33.8 % in 2000). The employment weight of agriculture has kept decreasing, in line with the trend of the past century; to date, 6.5 % only of earners are employed there.
- ⇒ 85 % of those in employment are employees; 15 % self-employed, sole proprietors or members of unincorporated partnerships.
- ⇒ 60 % of earners are manual workers, and some 30 % of non-manual workers making up the other 40 % have jobs requiring a degree. More than 60 % of non-manual workers are women.
- ⇒ Almost 60 % of the employed have a job in the private sector, 36 % in the public one and the rest in units of mixed ownership.
- ⇒ The system of the organisations of the economy expanded further by more than one hundred thousand, mainly self-employing, units. 99.6 % of all active business organisations are micro enterprises

(with a staff of no more than 9); a significant proportion among them operate exclusively with second job holders. Around half of earners are employed by large companies. In 1999, 15 % of earners worked at companies in foreign ownership.

⇒ So far economic restructuring, the preponderance of the tertiary sector, the modernisation of the business activities and the massive spread of micro-enterprises has not been accompanied by the spread of non-conventional - atypical - forms of work. Part-time employment is a sporadic phenomenon. Fixed-term employment is increasing slowly in the seasonal branches. Temporary work for a short period (a few days) has not been regulated successfully so far, and any modest results achieved are likely to be threatened by the rise in mandatory taxes and contributions following the significant increase of the minimum wage, making employment much more expensive than before.

⇒ Employment policy offers programmes of different kinds, partly managed centrally and partly through the nation-wide employment service, to promote the employment of the jobless. The main source of funding of active labour market programmes is the fund generated on a continuous basis by employer and employee contributions. The government assists job creation directly, from budgetary sources, through the public works programme promoting employment as well and through central funds to promote investments. Non-profit organisations also have assistance programmes.

Hundreds of thousands took part in this vast array of programmes in 2000, too; almost 300 thousand for a shorter or longer period of time - a hundred thousand on annual average - in those managed by the labour service; part of this number is included in the employment data as well.

⇒ Relatively few Hungarian employees work abroad. Some 30 thousand were registered on the basis of individual licenses and international agreements and approximately the same number, 35 thousand, of foreign citizens worked (legally) in Hungary in 2000. Apart from those with qualifications in demand everywhere (IT specialist, nurse), most Hungarians work in Germany and Austria, typically in the professions/activity lines in demand there (e.g. catering, tourism, seasonal work in agriculture).

Hungary also receives guest workers in accordance with the demand ever, mainly in diverse manufacturing activities, construction and trade and catering. The decisive majority of foreigners working in Hungary consists of ethnic Hungarians.

⇒ Almost 40 % of the Hungarian labour demand manifests itself through the labour market organisation. Its major clients are mostly

foreign-owned companies making large investments in Hungary, requiring several dozens and occasionally even hundreds of workers in one or another region. Programmes to promote the employment of the unemployed (public works, public benefit work, labour experience acquisition) represent an essential part of employment promotion. Part only of the labour demand on the rise for years can be met by the registered unemployed; as for the long-term unemployed, mostly having deficient or low qualifications, their placement is very difficult indeed.

Unemployment

- ⇒ With the attenuation of the economic crisis and the consolidation of the economy, since 1994, unemployment has been declining steadily year on year. According to the Labour Force Survey, in 1993, there were almost 520 thousand unemployed involved in active job search; by 2000, their number had halved, dropping to 262 thousand. (However, another 107 thousand passive unemployed indicated their willingness to work, although they did not look for a job actively. The number of the passive unemployed has been steady at around 100 thousand for years.) In 1993, the number of those registered as unemployed according to the relevant Hungarian legal regulations was 672 thousand; in 2000, the corresponding number was 390 thousand.
- ⇒ According to the Labour Force Survey, men represented 60 % of those looking for a job and 54 % of the registered unemployed.
- ⇒ Labour force survey data indicate a relatively low proportion of active job seekers among the 15-19 year-old, and even less among 55 plussers.
- ⇒ More than half (56 %) of those looking for a job lost theirs within a period of one year. Around half of these were services jobs and more than 40 % industrial/construction ones; agriculture emitted less than 7 % of those looking for a job in 2000. More than 50% became unemployed due to the liquidation of the workplace; almost one quarter (23 %) were fresh school-leavers or persons looking for a job again after a period spent on parental leave or in military service.
- ⇒ More than 40 % of those registered as unemployed according to the relevant Hungarian regulations have finished eight-year elementary school or less, and almost half (47 %) are unskilled or semi-skilled workers. Skilled workers represent somewhat more than one third of the unemployed. The proportion of those having higher educational qualification is permanently below 3 %.

- ⇒ Relatively few among the unemployed are newly registered: almost 80% have already been registered during the year. The high recurrence rate is probably not due to repeated job losses but to the termination of the courses/subsidised employment for a shorter or longer period of time of those concerned, at the end of which they get registered as unemployed again. (Presumably, the discrepancy between the registration and the data of the Labour Force Survey is also due in part to multiple entries and exists during the year.)
- ⇒ In 2000, an average monthly 54 thousand had themselves registered as unemployed, and close to 57 thousand left the register. A minor part of the exits (approximately 13 %) was due to placements in (partly subsidised) jobs with the assistance of the labour service. The majority, however, left the register due to the expiry of entitlement to benefits or income supplementing allocation. The reduction of the period of entitlement to unemployment benefits and the cancellation of the income supplement accelerated the tendency to break with the labour service.
During the year, around one third of the registered unemployed were granted unemployment benefits and another more than one third income supplementing allocation. The average amount of the unemployment benefit corresponds to around one quarter of the average earnings, 37 % of the average earnings of manual workers, less than 90 % of the minimum wage; the income supplementing allocation corresponded to 52 % of the minimum wage in effect in 2000. Municipal aid replacing the income supplement was equivalent to 46 % of the HUF25,500 minimum wage at HUF11,620 per month.
- ⇒ From among the social groups in need of special attention, the youth rank first. Almost 90 % of the 15-19 year-old are not present yet on the labour market; the majority are in education, and another 8 % are working. 3 % are pursuing active job search - mostly persons with poor qualifications, if only due to their age.
The rate of those still in education among the 20-24 year-old is lower in Hungary than in the majority of the Member States of the EU. 60 % are already present on the labour market, 52 % among them as earners. 60 % of the, mostly fresh-school-leaver, members of the age group have a vocational qualification of some sort. As indicated already, from among those registered as fresh school leavers by the employment service, some 40 % received some sort of assistance from the labour service in 2000 in order to improve their labour market chances (training, subsidised employment etc.).
- ⇒ Within the context of general unemployment decline, the unemployment rate of women reduced from 6.3 % in 1999 to 5.6 %

in 2000, and it was lower than the corresponding rate for men in every age group.

While the Labour Force Survey indicated 103 thousand unemployed women aged 15-64, the statistics of the registered unemployed showed a much higher number of 181 thousand on monthly average among the 15-57 year-old, but their rate was lower than that of the men (46.3 %) in the latter age-group as well. In December 2000, almost three-quarter of registered unemployed women were manual workers, two-third semi- or unskilled workers. At the end of the year, 41 % of the benefit recipients and 46 % of those receiving income supplement were women.

- ⇒ As for the employment of persons with changed working ability, the relevant measures and programmes have produced modest but improving results. In 2000, the registered unemployed included nearly 9 % (33 thousand) persons with changed working ability; 9.8 thousand found a job (mostly a subsidised one).
- ⇒ Several new initiatives were taken in order to promote the employment of the Rom, based on the recognition that, within the circle of active programmes, special assistance embodying a different philosophy and bases than before and better suited to their endowments and possibilities is required. Obviously, the social assimilation of the Rom can only be achieved by wide-scale, deep-ranging and consistently implemented programmes.
- ⇒ The economy is subject to developments exerting a forceful influence on the labour market. The main source of unemployment - for years - has been the sensitiveness to the economy to the international economic trends and the need to adapt to the processes of the global economy. In 2000, job gains exceeded the corresponding losses in several branches due to the modernisation of the domestic economy and especially the intensifying international downtrend. Hence, despite the many redundancies, unemployment continued to decline.

The economically inactive

- ⇒ Given the low proportion of the economically active, the percentage rate of inactivity has remained as high as it used to be: it only dropped relative to 1999 by a few decimals. The population of the 15-64 year-old included 4 million economically active and 2.7 million inactive.
- ⇒ From among those of active age as defined by the Hungarian legislation, 2.2 million, i.e., more than one third of the generations concerned, were inactive. The absence of women is especially marked: almost 30 % of men and more than 40 % of women were

not present on the labour market. (In 2000, as a result of the increase in retirement age, one more generation of both men and women remained active.)

- ⇒ Three-quarter of the 2.2 million were inactive due to socially well-justifiable reasons: 700 thousand were regular students; 300 thousand exited the labour market to raise children; 714 thousand retired for various reasons (age exemption, permanent illness or disability, employment policy reasons). However, more than 500 thousand stayed away from the labour market for reasons other than those listed above, having no (visible) source of income at all.
- ⇒ Every age group includes inactive persons not in education and having no (visible) income, but their rate is highest in the age group of 35-44. Beside women and young persons in household dependent status, whose permanent or temporary absence from the labour market is due to personal/family reasons above all, there are probably some, mainly men, who earn a living in the unorganised economy.
- ⇒ 560 thousand in the total population of the inactive would like to work; their number exceeds by far the population of 262 thousand identified as unemployed by the Labour Force Survey. The decisive majority is of active age according to the Hungarian specification; in each age group, some 20-40 % of the inactive would like to work, independent of the reason of inactivity. 51 % of those awaiting a job opportunity are women.
- ⇒ One quarter of the inactive willing to work indicated as the main reason keeping them back from job search the lack of job opportunities matching their endowments (qualification, age etc.). The second most important cause related to family obligations (young child, illness etc.). Less than 2 % of those referring to specific hindrances judged their opportunities according to the prospective salary.

Regional differences

- ⇒ Differences in employment/unemployment by planning statistical regions, still significant in the beginning of the last decade, started to ease in 1996-1998, but changed but little in the past two years.
- ⇒ A comparison of regional data, however, conceals significant differences in a labour market segmented into relatively small, closed, local markets. Regional differences at the level of the smaller units - counties, small regions - increased: the three-fold difference between the highest and lowest unemployment rates has increased to an eight-fold one since 1993. The initial positions of the small regions, both the better ones and the more deprived ones

constituting the majority, have remained by and large unchanged. The highest unemployment rates are registered in villages (14.8 %) and in small settlements with less than 500 inhabitants (17.2 %).

- ⇒ In the disadvantaged regions, in addition to the high unemployment and inactivity rates, the composition of the unemployed is also unfavourable, with higher-than-average rates of persons with eight-year elementary school qualification only and of the long-term unemployed.
- ⇒ The discrepancies between the developing and the backward regions are mainly due to regional differences in labour demand. The bulk of direct capital investments, including foreign investments, creating the decisive majority of new jobs, concentrated in the urbanised regions; backward regions characterised by higher labour supply concurrent with lower wage levels cannot compete with the advantages of urbanisation.
- ⇒ Although some people move from the regions characterised by a high unemployment rate to those that are better off in this respect, no fast levelling is to be expected even in case of a considerable increase in migration. Moreover, the circumstances and costs of commuting restrict the space of motion of the relatively low-wage, unqualified village labour even further.

Development of earnings

- ⇒ The gross earnings of employees subject to CSO's regular monitoring of earnings, i.e., those employed by companies with at least 5 staff and by public institutions, increased on annual average by 13.5 %, to HUF87,650. Net earnings increased by 11.4 %, and as a result of the 9.8 % increase of the consumer price index, real earnings increased at a modest rate of 1.5 %. In 2000, the gross average monthly earnings of manual workers was HUF61,930 and that of non-manual workers HUF121,779.
- ⇒ Earnings scattered in a broad band. Non-manual workers in the chemical industry earned most at HUF205,480, and manual workers in hotels and catering least at HUF43,190.
- ⇒ In the circle of non-manual workers, those involved in financial activities ranked second in terms of earnings (HUF192,130); and those employed in health care and social work and education ranked lowest (at HUF76,900 and 87,980, respectively).
- ⇒ The discrepancies are somewhat smaller in the manual occupations. Earnings in excess of HUF90 thousand in mining, electricity, gas, steam and water supply contrast with earnings of HUF35-40

thousand in numerous services branches occupying the bottom of the earnings range.

- ⇒ Not independent of the branch structure and in close correlation with organisation size, the bottom of the earnings list is typically occupied by the smallest organisations and the top by the largest ones. In 2000, the gross average earnings of those employed by organisations with more than one thousand staff exceeded those of organisations with 5-9 staff 2.3 times.
- ⇒ NEO's survey of individual earnings reflects the growing role of the qualification factor: in the competitive sector, degree-holders earn approximately five times more than those having elementary qualifications only.

I. ECONOMIC ACTIVITY OF THE POPULATION

1. EMPLOYMENT - UNEMPLOYMENT - INACTIVITY IN HUNGARY IN 2000

Developments indicative of the improvement of the labour market situation continued in 2000, albeit at a slower pace than in the previous year.¹ In line with the successes of the economy, the number of those in employment has been increasing for the third consecutive year: it rose by around 51 thousand in 1998, another 114 thousand in 1999 and more than 37 thousand in 2000.² Despite the growth of employment by a total of nearly 203 thousand, the country is still a long way from recovering from the loss of around one million jobs over 2-3 years in the beginning of the decade. The 56.4 % employment rate of the population of the 15-64 year-old is nearly 6 % lower than the 1999 average of the EU Member States.

Men predominate among the employed, partly due to their higher retirement age than that of women. The employment rate is still highest among those of prime working age (25-49), at 75-82 %.

The number of the unemployed has been declining steadily since the 546.5 thousand peak in early 1993 corresponding to an unemployment rate of 12,5 %. In 2000, according to CSO's Labour Force Survey, 263 thousand persons aged 15-74 (active job-seekers) qualified as unemployed, 22.2 thousand less than one year earlier. This corresponds to a rate of 6.4 %, 2.8 percentage points better than the 1999 average of the EU.

The proportion of the long-term unemployed as well as the average duration of the period of unemployment reduced a little, from 44.9 to 44.2 % and 17 to 16.8 months, respectively. The rate of the long-term unemployed to the labour supply is 3.9% (as indicated already, the EU average was 4.2 % in 1999).

Despite the growth of employment and the decrease of unemployment, the rate of the economically inactive has remained constantly and lamentably high. Almost 40 % of the 15-64 year-old (35.4 % according to calculations based on the Hungarian definition of active age) was absent, voluntarily or involuntarily, from the labour market in 2000 as

¹ The summary relies to a large extent on CSO's assessment *{Munkaerőpiaci jellemzők 2000. IV. negyedévében és a 2000. évben, (Labour Market Characteristics, QIV 2000 and 2000), CSO, 2001.}*.

² Source of data: CSO's Labour Force Surveys. CSO has collected data by personal interviews on a quarterly basis since 1992. Respondents represent the 15-74 year-old population of the country. The figures quoted here are *annual averages* based on quarterly data. The survey is based on the uniform international conceptual system, different in many respects from the applicable national regulations, based on the recommendations of the International Labour Organisation (ILO). The key elements of the conceptual system shall be described under the relevant topics.
The figures quoted here mostly refer to the 15-64 year-old population used for the purpose of international comparisons.

well. Women represented a major part (some 60 %) of those who were not employed and not looking for a job either.

It is a welcome development that, within the 2.2 million population of the economically inactive, the proportion of those remaining in education after the age of fifteen continued to increase somewhat in 2000 (daytime students represented 18.6 % of the 15-24 year-old in 1959/60, 27.4 % 1969/70, 25.4 % in 1979/80, 36.8 % in 1989/90 and 46.4 % in 1999/2000). In 2000, the 700 thousand students represented almost one quarter of the inactive population.

Beside the approximately 10 % having left the labour market (occasionally temporarily only) to take care of young children, a major part of the inactive are persons having retired either after having reached retirement age, lower in Hungary than in the European countries, or in active age due to diverse reasons. Another more than half a million (506.8 thousand) men and women were inactive in 2000 for reasons unknown.

Figure 1.

Economic activity of the 15-64 year-old

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

The tables below provide numerical data on the development of the number and rates of the employed, the unemployed (together: the economically active) and of the economically inactive.

As of 1992, CSO surveys, in accordance with the recommendation of the ILO, the economic activity of the population of the 15-74 year-old. In

order to highlight the longer-term trend, we shall first review data covering this circle.

Table 1.1.

Economic activity of the population aged 15-74

Year	Ages 15-74 '000 (100.0%)	of which								Unemp- loyment rate (%)
		Employed		Unemployed		Economically active		Economically inactive		
		'000	%	'000	%	'000	% (=activity rate)	'000	%	
Male										
1992	3,723.8	2,218.2	59.6	265.9	7.1	2,484.1	66.7	1,239.7	33.3	10.7
1993	3,737.1	2,077.3	55.6	316.0	8.4	2,393.3	64.0	1,343.8	35.9	13.2
1994	3,731.7	2,055.0	55.1	274.8	7.3	2,329.8	62.4	1,401.9	37.6	11.8
1995	3,747.0	2,049.6	54.7	261.5	7.0	2,311.1	61.7	1,435.9	38.3	11.3
1996	3,733.0	2,036.3	54.5	243.7	6.5	2,280.0	61.1	1,453.0	38.9	10.7
1997	3,740.3	2,043.5	54.6	214.1	5.6	2,257.6	60.4	1,482.7	39.7	9.5
1998	3,720.6	2,041.7	54.9	189.2	5.0	2,230.9	60.0	1,489.7	40.0	8.5
1999	3,704.3	2,103.1	56.8	170.7	4.6	2,273.8	61.4	1,430.5	38.6	7.5
2000	3,688.5	2,122.4	57.5	159.5	4.4	2,281.9	61.9	1,406.6	38.1	7.0
Female										
1992	4,005.1	1,864.5	46.6	178.3	4.4	2,042.8	51.0	1,962.3	49.0	8.7
1993	4,026.2	1,750.0	43.5	202.9	5.0	1,952.9	48.5	2,073.3	51.5	10.4
1994	4,047.9	1,696.5	41.9	176.4	4.4	1,872.9	46.3	2,175.0	53.7	9.4
1995	4,072.7	1,629.2	40.0	155.0	3.8	1,784.2	43.8	2,288.5	56.2	8.7
1996	4,075.0	1,611.8	39.6	156.4	3.8	1,768.2	43.4	2,306.8	56.6	8.8
1997	4,059.7	1,602.8	39.5	134.7	3.3	1,737.5	42.8	2,322.2	57.2	7.8
1998	4,035.2	1,656.0	41.0	123.8	3.1	1,779.8	44.1	2,255.4	55.9	7.0
1999	4,012.7	1,708.4	42.6	114.0	2.8	1,822.4	45.4	2,190.3	54.6	6.3
2000	3,997.4	1,726.7	43.2	103.0	2.6	1,829.7	45.8	2,167.7	54.2	5.6
All										
1992	7,728.9	4,082.7	52.8	444.2	5.8	4,526.9	58.6	3,202.0	41.4	9.8
1993	7,763.3	3,827.3	49.3	518.9	6.7	4,346.2	56.0	3,417.1	44.0	11.9
1994	7,779.6	3,751.5	48.2	451.2	5.8	4,202.7	54.0	3,576.9	46.0	10.7
1995	7,819.7	3,678.8	47.0	416.5	5.4	4,095.3	52.4	3,724.4	47.6	10.2
1996	7,808.0	3,648.1	46.7	400.1	5.1	4,048.2	51.8	3,759.8	48.2	9.9
1997	7,800.0	3,646.3	46.7	348.8	4.5	3,995.1	51.2	3,804.9	48.8	8.7
1998	7,755.8	3,697.7	47.7	313.0	4.0	4,010.7	51.7	3,745.1	48.3	7.8
1999	7,717.0	3,811.5	49.4	284.7	3.7	4,096.2	53.1	3,620.8	46.9	7.0
2000	7,685.9	3,849.1	50.1	262.5	3.4	4,111.6	53.5	3,574.3	46.5	6.4

Source: *LFS, Time Series, 1992-2000*, CSO, 2001.

Data used for international comparisons, i.e., covering the economic activity of the age group of the 15 to 64 year-old, considered indicative by assessments of the Hungarian labour market situation, are also available to us for 2000.

Table 1.2.

Economic activity of the population aged 15-64, 2000

	15-64 year old	Of which:				Employment rate	Unemployment rate
		Employed	Unemployed	Economically active	Economically in active		
‘000							
men	3,332.9	2,108.8	159.2	2,268.0	1,064.9	-	-
women	3,451.5	1,716.9	102.7	1,819.6	1,631.9	-	-
All	6,784.4	3,825.7	261.9	4,087.6	2,696.8	-	-
%							
men	100.0	63.3	4.7	68.0*	32.0	63.2	7.0
women	100.0	49.7	3.0	52.7*	47.3	49.7	5.6
All	100.0	56.4	3.8	60.2*	49.8	56.4	6.4

* Activity rate

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

Finally, let us review the relevant distributions considering the Hungarian definition of working age. As is well-known, Hungary started to raise the retirement age of women - 54 years of age earlier - in 1997 and that of men in 1999, and the process is to continue for both sexes until the retirement age target of 62 is reached. (Those meeting all other conditions become eligible to full pension in the year following retirement age.)

The gradual increase of retirement age in recent years has brought no perceptible change in the decisive processes of the labour market. In 2000, however, the number of the inactive increased by almost 250 thousand in the course of the year relative to the Labour Account figure for 1 January 2000, a marked and somewhat unexpected development; but only 33 thousand within this population were sent to retirement at active age. The increase was probably due among others to the total of around 200 thousand men and women remaining within the working-age brackets officially in 1999 and 2000, many of whom were no longer employed but did not have themselves registered as unemployed either. The fact that in 2000 65 % of the 55-59 year-old, 48 % of men and 79 % of women, were inactive, is indicative of the same. (We shall return to this topic under Chapter 5.)

Table 1.3.

Economic activity of the Hungarian working-age population, 2000

	Population concerned	Of which				Employment rate	Unemployment rate
		Employed	Unemployed	Economically active	Economically inactive		
‘000							
men	3,213.8	2,099.0	159.0	2,258.0	955.8	-	-
women	3,053.3	1,690.2	102.4	1,792.6	1,260.7	-	-
All	6,267.1	3,789.2	261.4	4,050.6	2,216.5	-	-
%							

men	100.0	65.3	5.0	70.3*	29.7	65.3	7.0
women	100.0	55.4	3.3	58.7*	41.3	55.4	5.7
All	100.0	60.4	4.2	64.6*	35.4	60.4	6.5

* Activity rate

Source: *LFS, Time Series, 1992-2000*, CSO, 2001.

As can be seen, economic activity rates differ depending on the reference base and the limits (duration) of working age. In terms of the number of the employed and the unemployed, the difference is relatively small: the extension of the Hungarian working-age limit to 74 years of age implies 60 thousand more employed, but among them only 36.5 thousand more go on working until the age of 64 after having reached retirement age; the difference in the number of the unemployed is only one thousand. As for the inactive, the difference is, understandably, in the order of magnitude of one million.

In what follows, we shall present the typical developments of the labour market primarily on the basis of data referring to the population of the 15-64 year-old and to those of working-age according to the Hungarian definition. The comparison is meant, in the first place, to give a clear picture of the similarities and differences of the Hungarian and the European labour market, and of the tasks to ensure catching up in this area as well.

Figure 2.

Economic activity of 15-64 population, 2000

Employed = 56.4 %
Unemployed = 3.8 %
Economically inactive = 39.8 %

Source: *LFS, Time Series, 1992-2000*, CSO, 2001.

1.1 Measurement methods of economic activity

Our previous annual reports reviewed labour market developments on the basis of two main sources a.) the national Labour Account and b.) the a Labour Force Survey, both released by CSO. The present Report relies on the same but, for the sake of international comparability, it focuses on the data of the Labour Force Survey.

Note that the same tendency prevails all over Europe. Similarly to Hungary, most European countries have two systems of statistical accounting: one conforming to the national labour legislation (in Hungary, this is the Labour Account) and another, parallel one, the Labour Force Survey (LFS), based on uniform international principles and methods. The countries of the European Union tend to use LFS data domestically as well, in order to guarantee the uniform measurement and comparability of the results of their joint employment policy efforts.

Although apparently a methodological issue, the gradual predominance of LFS data actually inaugurates the prospective uniform regulation of national labour markets: although not an official agenda item yet, sooner or later every country will adjust its employment policy concepts codified by the national employment legislation to the commonly accepted international definitions.

As for the Hungarian methods of the measurement of economic activity:

- a.) The Labour Account presents the economic activity of the working-age population on 1 January of the given year, according to the Hungarian legal regulations (applying to working-age, registered unemployment, etc.).

It is an important advantage of the annual Labour Accounts prepared since the beginning of the fifties that they allow to monitor long-term trends of the Hungarian labour market (ever since 1870, basically, taking into consideration the by-and-large identical conceptual system of population censuses taken every ten year).³ Another advantage is that the bulk of the data concerned originates from organisations subject to mandatory statistical data provision – from business organisations to the National Health Insurance Fund, the national labour service (NEO), to the National Pension Insurance Directorate, and can hence be called to account and checked.

³ The comparison, of course, has its limits, due among other things to changes in the conceptual system reflecting the social/economic circumstances ever (“active earner” for example had a different meaning from “employed”, or “inactive earner” from the “economically inactive” etc.). Historically, the country frontiers were different as well as the population counts, etc. Therefore, CSO releases its long time series from time to time interpreted according to the more recent concepts as well.

However, because of its close links to the national legislation, the Labour Account is less suitable for international comparisons (due, among other things, to the marked difference in working age as defined by the Hungarian regulations and those of the majority of the European countries, or differences in many elements of the conceptual system).

- b.)** On the basis of the recommendation of the International Labour Organisation (ILO), the countries of the OECD - and hence those of the European Union - have measured the economic activity of the population using the same conceptual system and data collection methodology since the beginning of the nineties.⁴

For reasons to be discussed later on, ILO recommended to survey the economic activity of the 15-74 year-old. As indicated already, in Hungary, the economic activity of the population has been surveyed by CSO on a quarterly basis, in the circle recommended by the ILO, since 1992, based on personal interviews with 65 thousand members of some 32 thousand households representative of the total population.

Data collected this way make it possible to identify age-group-specific data for those under the age of 74, including data for the 15-64 year-old used in international comparisons.

LFS has the disadvantage that the truth value of interviewee communications could only be checked with considerable extra work and, moreover, that the depth of the analysis is limited by the size of the representative sample.

It has the definite advantage, on the other hand, of using an up-to-date conceptual system that can take into account diverse new phenomena on the labour market and indicate changes quickly.

The above is probably sufficient to indicate the difference, quite marked in many respects, between the contents of the two sources, and the inevitable potential difference in results and conclusions they offer. Mixing the two sources or using data taken out of their system of reference would inevitable lead to erroneous and misleading conclusions.

In what follows, we shall present the data concerned in their own context and indicate the essential differences in their contents as well.

⁴ The Labour Force Survey was designed in the thirties in the USA, in order to measure labour market tensions generated by the crisis. Ever since, the relevant data have been released on a monthly basis by the statistical organisation of the American Labour Department. The survey has become common the world over, and since the nineties, it has become the most important source of information regarding the economic activity of the population in the countries of the European Union as well. {J. Lakatos.: *A foglalkoztatás szintje és szerkezete az uniós csatlakozás tükrében (Level and structure of employment in the mirror of Hungary's accession to the European Union)*, 2000.}

1.2 Definitions of working age

A hundred years ago, in Hungary as well as in other countries of the world, the concept of „working age”, i.e., artificial age limits of taking up work and of retirement for the individual and of employability for the employer, was completely unknown. Children worked from the time they

could be made to work and old persons worked until they were able to.⁵

Mainly as a result of international conventions initiated by the ILO, in the course of the decades, 15 years of age came to be accepted as the minimum working age in every country - to date, compulsory schooling already keeps children in education at least until that age.

The upper age limit was mostly set by the pension systems, common and mandatory from the middle of the past century on, prescribing the age limit of eligibility to full pension. The year preceding retirement age is the (official) closing year of working age. Retirement ages, different by country (and often by sex as well), have tended to approximate to one another in the past decades. The official age limit was raised in Germany, Greece, Italy, Portugal and Great Britain, and hence in 14 of the 15 Member States of the EU, the upper limit of working age for men is 64 years of age; and in one, Denmark, it is, traditionally, 66 years. In ten Member States, the working age limit of women is identical with that of men, in three (Belgium, France, Great Britain) it is being raised gradually until it reaches that of men, and it is lower than that at 59 years in two countries only (Austria, Italy).

In Hungary, the general and mandatory pension system introduced in the 1940s (and extended to the co-operative peasantry as well after the forced creation of agricultural co-operatives) defined the upper limit of working age at 59 for men and 54 for women. The same limits were in effect in most of the former socialist countries, with the exception of the GDR, where the respective age limit were 65 and 60, and in Romania, where they were 62 and 57. *{Source of the latter data: János Tímár: Idő és munkaidő (Time and Working Time), KJK, 1988, p. 215.}*

Hungary, as mentioned already, started to increase pension age gradually from 1997 on, and working age changed - and will change in the years to come - accordingly.⁶ The upper working-age limit for women was raised to 55 from 1997 to 1999, to 56 in 1999 and 57 in 2000. That of men,

⁵ The first acts governing the age and working time of children employed in masses all over Europe in mines and factories after the industrial revolution were codified in the early 1800s. In Hungary, the first so-called Factory Act ordered in 1840 that children below the age of 12 be employed at factories exclusively to do work that is not detrimental to their health and development. Nevertheless, the census of 1900 registered almost half a million child-workers, 70 % of them in agriculture. In 1920, there were still more than 200 thousand children aged 7-14 employed in production; 150 thousand in agriculture, 28 thousand in industry and 15 thousand working as servants in households. The act concerning the minimum age of employability, 14 years of age, was codified in 1928. However, the employment of children younger than 10 survived - especially in the village communities - up to the thirties. *{Heller Farkas: Közgazdaságtan (Economics), Vol. II., 1947, p. 247.}*

⁶ CSO's labour account and the Labour Force Survey calculate active/retirement ages slightly differently. The Report uses the data in accordance with the relevant CSO survey.

60, was raised to 61 in 2000.⁷

The upward extension of working age is closely related both to the pension systems and to the higher life expectancy of the population.

In Hungary, at the turn of the 20th century, average life expectancy at birth was 36.6 years for men and 49.5 for women. Although both were well below the corresponding rates of several developed European countries, in the course of the century, the gap has narrowed significantly - at least for some time.⁸ Despite Hungary's still considerable backlog (to be described numerically as well below), the number of the potential years of activity indubitably increased thanks to the increase of life expectancy by more than 30 years. National upper limits of working age are defined in view of numerous factors typical of the economic situation and social endowments of the given country; essentially, however, the active-age definition ever is the result of social consensus based on demographic processes and codified by the law.

The reference base for determining the potential labour supply of a given country is its adult population defined in terms of age.

1.2.1 Labour force according to the Hungarian definition of working age

On 1 January 2000, the total population of Hungary was 10,043.2 thousand (including 4,791.8 thousand men and 5,251.4 thousand women), 48.6 thousand less than one year earlier. (In 1980, the total population still numbered 10,710 thousand, that is, it diminished by nearly 700 thousand over twenty years. Note that the population census of 2001 may modify the population count based on annual extrapolations governed by the demographic data ever since 1990.)

Despite the decrease of the population count, the number of those of working age nevertheless increased quite significantly, by more than

⁷ In Europe, the further increase of retirement age is advocated mainly in order to make the pension system sustainable. Demographic calculations suggest that in Hungary, retirement age should be increased to 65 years by 2020, 69 by 2040 and 72 by 2050 to make provisions for people of old age representing a growing proportion of the population financable. {László Hablicsek: *A népesség öregedése (The ageing of the population)* In.: E. Daróczy-Zs. Spéder: (eds.) *A korfa tetején (At the top of the age tree)*, Demographic Research Institute, Kutatási jelentések 64., 2000.}

⁸ According to the calculations of a Dutch/Hungarian comparative demographic survey, at the turn of the century, the expected average life expectancy of the Dutch was 10-11 years higher for both sexes than of the Hungarians (Dutch: men 46.6 years, women 49.5 years). By 1960, the difference reduced to 4 years for both sexes (men: Dutch 71.0, Hungarian: 67.5 years - women: Dutch 76.5, Hungarian 72.5 years). Subsequently, however, the mortality rate of Hungarian men started to deteriorate, and the backlog relative to the corresponding Dutch figures increased to 9 years. {Hablicsek, op.cit.}

90 thousand, and hence their rate to the total population also went up.⁹ All in all, on 1 January 2000, a total of 6,207.5 thousand qualified as persons of working age; 51.5 %-of them men and 48.5 % women. (The proportion of men and women has been relatively stable, with minor fluctuations.)

Table 1.4.

Number of the working-age population and its rate to the total population

Year 1 January	Population count '000	Working-age population		Of which: women	
		'000	% rate	'000	%
1949	9,204.8	5,608.2*	60.9	2,818.7	50.3
1960	9,961.0	5,754.4*	57.8	2,831.5	49.2
1970	10,322.1	6,029.4*	58.4	2,902.1	48.1
1980	10,709.5	6,172.8*	57.6	2,947.3	47.7
1990	10,374.8	5,956.8	57.4	2,849.6	47.8
1991	10,354.8	5,997.4	57.9	2,872.0	47.9
1992	10,337.2	6,031.4	58.3	2,889.7	47.9
1993	10,310.2	6,056.5	58.7	2,903.9	48.0
1994	10,277.0	6,071.6	59.1	2,912.3	48.0
1995	10,245.6	6,082.0	59.4	2,918.5	48.0
1996	10,212.3	6,080.7	59.5	2,916.1	48.0
1997	10,174.4	6,144.8	60.4	2,977.3	48.5
1998	10,135.4	6,136.9	60.5	2,970.7	48.4
1999	10,091.8	6,116.9	60.6	2,957.1	48.3
2000	10,043.2	6,207.5	61.8	3,009.3	48.5

* Vol. 3. of the *Census of 1990* includes data referring to the working-age population in 1949-1980 in accordance with the regulations in effect since 1982. Data for the period since 1997 refer to working age as defined now.

Source: *Census, 1990*, Vol. 4., p.22. (Years 1949-80.), 1991-2000: Labour Account

Although the working-age population, on the rise since 1990, was larger than ever in 2000,¹⁰ its rate to the total population is still lower than in the Member States of the European Union.

⁹ As a result of the permanently low birth rates, within the total population, the number and rate of those younger than 15 continued to decrease, although by 27 thousand only (from 1,744.6 thousand to 1,717.2 thousand) from 1 January 1999 to 1 January 2000, but compared to 1990, there are 413 thousand less children. In 1990, they represented 20.5 % of the population, in 2000 17 % only.

Partly owing to the increase of working age, the number of those past working age also declined relative to 1999, by almost 112 thousand. Their rate, however, only declined in the past 10 years by one percentage point, from 22 % to 21 %.

¹⁰ Note that the figure reflecting the average number of persons of working age based on CSO's Labour Force Survey deviates somewhat from the corresponding data of the labour account referring to 1 January of the given year. The Labour Force Survey indicated around 70 thousand more persons of working age in 1999 and 60 thousand more in 2000 than the labour account.

In 1999, the rate calculated for the population of the 15-64 year-old was 65.8 % on EU average, but it exceeded 67 % in Luxembourg, Portugal, the Netherlands, Italy and Greece; it was lowest in France at 63 % and in Great Britain at 64.2 %. Calculated in a similar way, in Hungary, the rate of the working-age group to the total population would also exceed 67 % at 67.6 %.

The size of the working-age population is shaped by the number of those entering and leaving this group every year.

The number of those entering working age in a given year depends on the demographic processes, that is, essentially the number of births 15 years earlier.

Table 1.5.

Number of persons entering working age, 1949-2000

thousand persons, %

Year 1.January	Men	Women	All	% rate		
				to the population	to the Hungarian working-age population	to the 15-64 year-old
1949	76.8	75.4	152.2	1.7	2.7	2.4
1960	81.8	79.8	161.6	1.6	2.8	2.5
1970	107.4	100.3	207.7	2.0	3.4	3.0
1980	66.4	62.0	128.4	1.2	2.1	1.9
1990	93.3	88.6	181.9	1.8	3.1	2.6
1991	97.5	92.5	190.0	1.8	3.2	2.8
1992	91.7	86.8	178.5	1.7	2.9	2.6
1993	87.6	83.6	171.2	1.7	2.8	2.5
1994	83.1	79.1	162.2	1.6	2.7	2.4
1995	79.0	75.7	154.7	1.5	2.6	2.2
1996	73.4	70.4	143.8	1.4	2.4	2.1
1997	70.4	67.6	138.0	1.4	2.3	2.0
1998	66.3	62.9	129.2	1.3	2.1	1.9
1999	62.8	60.2	123.0	1.2	2.0	1.8
2000	61.6	59.2	120.8	1.2	1.9	1.8

Source: CSO, *Census, 1980*, Vol. 36., pp. 195-198. *CSO Yearbooks*, Tables „Népesség száma nemek és életkor szerint” (Population number by sex and age); 2000: *Labour Account*, 1 January 2000, CSO, 2001.

Owing to the declining number of births for decades, the rate of those entering working age to the total population tends to decrease in Hungary; in 2000, it was hardly more than 1 % - less than 121 thousand persons, corresponding to 1.9 % only of the Hungarian working-age population.

The drop in the number of those entering working age by around 60 thousand during the decade was counterbalanced to some extent by the constantly lower number of exits due to demographic reasons as

well as the increase of the upper limit of working age. In the nineties, somewhat more than 1.5 million youth entered the labour market and somewhat more than one million persons left working age.

Table 1.6.

Number of persons leaving working age, 1949-2000

thousand persons, %

Year 1.January	Men*	Women**	All	% rate		
				to the population	to the Hungarian working-age population	to the 15-64 year-old
1949	35.4	52.8	88.2	1.0	1.6	1.4
1960	49.9	61.7	111.6	1.1	1.9	4.7
1970	58.7	73.1	131.8	1.3	2.2	1.9
1980	51.4	69.1	120.5	1.1	2.0	1.7
1990	54.6	64.0	118.6	1.1	2.0	1.7
1991	55.8	63.3	119.1	1.2	2.0	1.7
1992	51.7	62.3	114.0	1.1	1.9	1.7
1993	51.3	62.2	113.5	1.1	1.9	1.6
1994	50.6	63.2	113.8	1.1	1.9	1.7
1995	49.0	62.3	111.3	1.1	1.9	1.6
1996	47.5	65.8	113.3	1.1	1.9	1.6
1997	44.7	-	44.7	0.4	0.7	0.7
1998	45.2	62.6*	107.8	1.1	1.8	1.6
1999	46.2	66.6*	112.8	1.1	1.8	1.7
2000	***	-	-	-	-	-

* 1949-1999: men reaching the age of 60, 2000: men reaching the age of 61

** 1949-1996: women reaching the age of 55, 1997-99: the age of 56, 2000: women aged 57

*** men reaching the age of 61

Source: CSO, *Census, 1980*, Vol.36., pp. 195-198., *CSO Yearbooks*; 2000: *Labour Account, 1 January 2000*, CSO, 2001.

The number of persons of working age is reduced by the number of deaths. Although the mortality rate of the 15-60 year-old, high for years, moderated somewhat in the past 2-3 years, still an annual 30 thousand or so (almost 80 % among them men) do not live to see pension age. In 2000, 22.4 thousand men and 6.8 thousand women died at active age.

All things considered, on 1 January 2000, the Hungarian labour supply - calculated according to the Hungarian definition of working age - totalled 6.3 million.

1.2.2 Labour supply based on the population of the 15-74 year-old

Several countries were at a loss at the time of the introduction of working age extended to 74 years into the statistical accounting system of the LFS upon the recommendation of the ILO - especially those with a much lower limit (such as Hungary, where the corresponding limits were 20 years less for women and 15 years less for men).

Since then, public opinion has changed considerably due to the relevant national experiences and demographic forecasts. Today it is more self-evident that many members of the higher age groups are both willing and able to work, or need their labour income. It is similarly obvious, however, that the increased/increasing average life expectancy and concurrently the maintenance of the pension system imply new requirements to society.

In Europe, average life expectancy increased by 10 years over the last five decades - a study by the ILO calls this one of the greatest achievements of the 20th century. {*Európa lakossága öregszik (Europe's population is ageing)*, Munkaügyi Szemle, February 2001, pp. 42-44.}

Life expectancy keeps increasing. According to the relevant calculations of the UN's Population Division, the life expectancy of children born in 1995-2000 is more than 75 years in every Member State of the European Union; that of those born between 2000-2005 is around 77-78 and of those to be born in 2010-2015 around 80.

Table 1.7.

Life expectancy at birth*

	Year of birth		
	1995-2000	2000-2005	2010-2015
	life expectancy, year		
World average	65.0	66.0	68.7
EU Member States			
Sweden	79.3	80.1	81.1
Italy	78.2	78.7	79.7
France	78.1	79.0	80.3
Spain	78.1	78.8	79.7
Greece	78.0	78.5	79.5
Belgium	77.9	78.8	80.2
The Netherlands	77.9	78.3	79.3
Austria	77.7	78.5	80.1
Germany	77.3	78.2	79.7
United Kingdom	77.2	78.2	79.8
Finland	77.2	78.0	79.7
Luxembourg	77.0	77.9	79.5
Ireland	76.1	77.0	78.3
Denmark	75.9	76.6	78.2
Portugal	75.2	76.2	77.6
US	76.5	77.5	79.2
Japan	80.5	81.5	83.3
Hungary	70.7	72.0	74.3

* Calculations covering the life expectancy of both sexes

Source: United Nations Population Division, 2000.

Simultaneously, the rate of the young and middle-aged generations is decreasing.

The ILO paper referred to above considers the alteration of the age structure of the population an elementary fact, making it necessary for the European Union as well to re-consider and alter its current practice and adjust to the new development: „The biggest challenge to every active society now is to devise such strategy and implement such systems as will both motivate and allow the older generation to remain in the world of labour and to remain active participants of social life, or re-direct those who happened to leave this active environment.”

Ever since the Luxembourg Summit of 1977 of the European Union, the task to keep the old in the world of labour or to re-direct them there has been considered a crucial task. Results achieved so far are modest, although the relevant more forceful expansion of the employment of 55 plussers has been stimulated, with special regard to part-time employment assisted by various reliefs (implying no pension reduction). Nevertheless, from 1997 to 1999, the employment of men aged 55-64 decreased significantly in Germany, Greece, France and Italy, and in Germany that of women of the same age did as well. In the Netherlands, on the other hand, employment increased in the older age groups of men, and the country has succeeded in reversing the trend having emerged in the beginning of the decade due to early retirement. *{Employment in Europe, 2000, p. 47.}*

In Hungary, within the population under Hungarian retirement age, a large proportion of men are present on the labour market (the activity rate of men aged 15-60 is 70.1 %, that of women aged 15-56 is 59.5 %). Participation, however, drops sharply at around the retirement age limit, and in 2000 only somewhat more than half of men aged 55-59 and only 20 % of women of the same age remained active, that is, only 208 thousand of a population of nearly 600 thousand (35 %). As for the 60-69 year-old, practically the whole generation disappeared from the labour market: 56 thousand, 5.7 %, only of a population of 973 thousand were working or looking for a job.

Hence in Hungary the age-groups of the 50-57 and 58-61 year-old mean a potential labour force of more than 770 thousand, somewhat more than the active population of the same age (693 thousand).

With the expansion of the labour market and provided that appropriate measures are taken, the members of these generations could also be engaged in employment. The extension of statistical coverage up to the age of 74 indicates, similarly to the increase in life expectancy, the prospects of the extension of active age in Hungary as well.

1.2.3 Comparison based on the population of the 15-64 year-old

The population of the 15-64 year-old used for the purpose of international comparisons tends to coincide to a growing extent with those of working age according to the respective national legislations in the Member States of the European Union and hence serves to assess the real situation. (The surveys, nevertheless, cover the population of the 15-74 year-old everywhere, and data for those aged 15-64 are extracted from those.)

In Hungary, the number of the 15-64 year-old was 6,784.4 thousand in 2000; it has been declining since 1970 with minor fluctuations.

Table 1.8.

The population of the 15-64 year-old

Year	Population aged 15-64, '000			% rate to the total population		
	men	women	all	men	women	all
1949	2,956.4	3,265.2	6,221.6	66.8	68.9	67.6
1960	3,140.4	3,400.9	6,541.3	65.4	65.9	65.7
1970	3,391.6	3,569.5	6,961.1	67.8	67.1	67.4
1980	3,396.0	3,522.8	6,918.8	65.4	63.8	64.6
1990	3,367.0	3,503.3	6,870.3	67.5	65.0	65.4
1991	3,383.1	3,515.4	6,898.5	68.0	65.3	66.6
1992	3,383.4	3,514.9	6,898.3	68.2	66.6	66.7
1993	3,383.6	3,512.1	6,895.7	68.4	65.4	66.9
1994	3,370.2	3,515.3	6,885.5	68.5	65.7	67.0
1995	3,374.2	3,517.2	6,891.4	68.8	65.8	67.3
1996	3,359.9	3,517.5	6,877.4	69.4	66.0	67.3
1997	3,369.4	3,507.1	6,876.5	69.3	66.0	67.6
1998	3,346.6	3,485.1	6,831.7	69.1	65.8	67.4
1999	3,334.9	3,468.2	6,803.1	69.2	65.8	67.4
2000	3,332.9	3,451.5	6,784.4	69.6	65.7	67.6

Source: 1949-1991: Censuses, yearbooks, 1992-2000: *LFS, Time Series, 1992-2000*, CSO, 2001.

Hence in 2000, depending on the generations taken into account, the potential labour supply is as follows:

- * Hungarian definition of working age 6,267.1 thousand
- * ages 15-64 6,784.4 thousand
- * ages 15-74 7,685.9 thousand.

Table 1.9.

**Number of the working-age population in Hungary according to the
different age limits**

	1992	1993	1994	1995	1996	1997	1998	1999	2000
TOTAL									
Population, total	10,337.2	10,310.2	10,277.0	10,245.6	10,212.3	10,174.4	10,135.4	10,091.8	10,043.2
<i>of which: Working age, '000</i>									
A	6,075.3	6,010.7	6,012.2	6,029.7	6,026.6	6,106.5	6,187.9	6,187.9	6,267.1
B	6,898.3	6,895.7	6,885.5	6,891.4	6,877.4	6,876.5	6,831.7	6,803.1	6,784.4
C	7,728.9	7,763.3	7,779.6	7,819.7	7,808.0	7,800.0	7,717.0	7,717.0	7,685.9
in %									
A	58.8	58.3	58.5	58.9	59.0	60.0	60.5	61.3	62.4
B	66.7	66.9	67.0	67.3	67.3	67.6	67.4	67.4	67.6
C	74.8	75.3	75.7	76.3	76.5	76.7	76.5	76.5	76.9
MEN									
Male population	4,960.5	4,943.4	4,923.0	4,903.6	4,883.9	4,863.3	4,841.9	4,817.6	4,791.8
<i>of which: Working age, '000</i>									
A	3,203.3	3,130.6	3,122.9	3,130.4	3,121.6	3,139.7	3,166.2	3,179.1	3,213.8
B	3,383.4	3,383.6	3,370.2	3,374.2	3,359.9	3,369.4	3,346.6	3,334.9	3,332.9
C	3,723.8	3,737.1	3,731.7	3,747.0	3,733.0	3,740.3	3,720.6	3,704.3	3,688.5
in %									
A	64.6	63.3	64.0	63.8	63.9	64.6	65.4	66.0	67.1
B	68.2	68.4	68.5	68.8	69.4	69.3	69.1	69.2	69.6
C	75.1	75.6	75.8	76.4	76.4	76.9	76.8	76.9	77.0
WOMEN									
Female population	5,276.7	5,366.8	5,354.0	5,342.0	5,328.4	5,311.1	5,293.5	5,274.2	5,251.4
<i>of which: Working age, '000</i>									
A	2,872.0	2,880.1	2,889.3	2,899.3	2,905.0	2,966.8	2,970.7	3,008.8	3,053.3
B	3,514.9	3,512.1	3,515.3	3,517.2	3,517.5	3,507.1	3,485.1	3,468.2	3,451.5
C	4,005.1	4,026.2	4,047.9	4,072.7	4,075.0	4,059.7	4,035.2	4,012.7	3,997.4
in %									
A	54.4	53.7	54.0	54.3	54.5	55.9	56.1	57.1	58.1
B	66.6	65.4	65.7	65.8	66.0	66.0	65.8	65.8	65.7
C	75.9	75.0	75.6	76.2	76.5	76.4	76.2	76.1	76.1

A = According to the Hungarian regulations

B = Ages 15-64

C = Ages 15-74

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

The largest proportion of the potential labour supply should be put to use. The European Union targets an employment rate of 70 % at least in the Member States by 2010. After accession, the same requirement will apply to Hungary, that is, the current employment rate of 56.4 % will have to be raised to 70 %. The fullest possible use of the potential labour force is in the essential interest of the country itself, irrespective of the expectations of the European Union.

In what follows, we shall review in detail the typical features of employment, unemployment and inactivity in Hungary, as well as the development of short- and long-term trends and the main factors shaping them.

2. EMPLOYMENT, THE EMPLOYED

2.1 Employment in Hungary

According to the definitions of the ILO - and hence the data of the Labour Force Surveys - a person in employment is someone having performed a minimum of one hour of income-generating activity in the week preceding the survey or had a job from which he/she was temporarily absent. Conscripts are also taken into account among those in employment.

Although this definition extends the limits of employment considerably, presumably, only persons working in an organised context, registered somewhere regard themselves as being in employment and say so at the time of the quarterly survey. In Hungary, for example, the everyday experience - documented in detail in the Reports of the previous years - is that members of groups of certain well-defined economic statuses will not declare themselves employed even if they work for pay for others. One such case is student work. It is well known that a significant proportion of those in higher education regularly work while studying, in an organised framework (student co-operatives), legally, with authorisation. Such work may be temporary or regular, depending on the available opportunities; their working time may extend from a few hours to certain days etc. In the strict sense, according to the definition of the ILO, their income-generating activity would rank them among the employed, but they typically consider themselves students, not employed, and do not necessarily report their (secondary) earning activity.

The group of inactive arable-land owners (pensioners and other earners) exceeds several times that of students. Of course, it is difficult to tell to what extent work on the mostly small farms serves exclusively household consumption or, if part of the produce is sold, what would be the equivalent of one hour of paid work. However, as shown by the relevant surveys as well, in hundred thousands of village households, the formally inactive work for at least 90 days a year.¹¹ Presumably, at least a few hours of that could be qualified as income-generating activity. However, those concerned typically regard themselves not as earners but as inactive/pensioner.

¹¹ According to the experiences of the micro-census of 1996, some 250 thousand pensioners and 40 thousand dependants performed non-registered agrarian activity for at least an annual 90 days - and occasionally throughout the year. For the detailed report (the paper by János Fóti and Miklós Lakatos), see {“*A munkaerőpiac keresletét és kínálatát alakító folyamatok, 1998 (Processes shaping labour market supply and demand)*” (pp. 101-109.)}.

Obviously, beside the above, the members of many other kinds of social groups (e.g., households) work for others on a temporary/short-time basis, for remuneration. In most countries, work of this type is not subject to mandatory registration (taxation). This is one of the reasons why we may assume that in Europe, the same as in Hungary, employment is understood, especially by the economically inactive, as being limited to work performed in the organised economy. That is, the relevant data include a certain distortion elsewhere as well.

The essential difference, however, lies in the degree of organisation of the economy. As noted in several of our publications in previous years, the most prosperous economic are highly organised, and the majority of services - provided in less well-to-do countries on a personal, inter-household, basis -, is delivered by companies for a charge. Hence the decisive segment of economic activities and hence of employment is taking place within the framework of the organised economy.

In Hungary, on the other hand, the range of the statistically identified employed is probably limited to those subject to an employment relation and to registered entrepreneurs (the self-employed) operating in the organised economy.

After a period of severe job losses in most of the decade (essentially until 1996), and stagnation in 1997, 2000 was the third consecutive year when the number of those in employment increased, albeit at a modest rate this time.

3,825.7 thousand of the 15-64 year-old were employed and some 24 thousand more, 3,849.1 thousand of the 15-74 year-old.

Table 2.1.

Number of the employed among the 15-64 year-old, 1992-2000

'000

Year	Employed	of which:			
		Men	%	Women	%
1992	4,022.9	2,184.6	64.6	1,838.3	52.3
1993	3,782.2	2,051.4	60.6	1,730.8	49.3
1994	3,712.3	2,033.0	60.3	1,679.3	47.8
1995	3,646.2	2,030.7	60.2	1,615.5	45.9
1996	3,622.5	2,021.4	60.1	1,601.1	45.5
1997	3,627.4	2,033.2	60.3	1,594.2	45.4
1998	3,679.0	2,029.7	60.6	1,649.3	47.3
1999	3,789.1	2,089.2	62.6	1,699.9	49.0
2000	3,825.7	2,108.8	63.3	1,716.9	49.7

Source: *Labour Market Characteristics, QIV 2000 and 2000*, CSO., 2001.

2.1.1 Distribution by gender and age

As in many other countries, women predominate within the total Hungarian population (1900: 51.2 %; 1949: 51.7 %; 2000: 52.3 %) and men among those in employment.

Essentially independent of demographic developments but in accordance with the relevant social conventions, in most of the 20th century, the role of provider for the family, of earner, was assigned to men.¹² And although women became earners in growing number as the century progressed, by 1980 their rate among the active earners had increased to 43.4 % and in 1990, in the beginning of the recession period, the rate of men and women to all earners was 54.3:45.7 %, in the course of the same decade, great masses of women were forced out of the labour market.

This tendency is less visible in the current employment rates of men and women than in their inactivity rates. In the contracted economy, the gender distribution of the employed hardly changed (in 2000, among the 15-64 year-old, the rate of men was 55.1 % and that of women 44.9 %.) However, in the same age group, 63.3 % of men and only 49.7 % of women were in employment.

Calculated according to the Hungarian definition of working age, the rates in question modify somewhat: in 2000, 65.3 % of men and 55.4 % of women of working age were earners.

Despite the achievements of the past three years, the employment rates of men and women are still lower than the respective European Union averages. The employment rate of men is lower than in any of the Union countries, the Southern European members included.

Neither does the employment rate of women attain the EU average, but the corresponding rates of several EU Member States (Spain, Italy, Luxembourg) are even lower. At the same time, several Union countries have already achieved and surpassed the target of a minimum employment rate of 60 % for women set for 2010, but the EU overall has a considerable backlog compared to the 68 % female employment rate of the USA.

¹² Characteristically, in the beginning of the 20th century, at the time of the population census of 1910 when more than half of the population earned their living in agriculture, and women, although engaged in different work, took part in farming activities the same as men, the census mentioned them as assisting family members at best, and that also only if, according to the surveyor, this could be “assumed”. {*J. Timár: Magyarország népessége nemek és korcsoportok szerinti gazdasági aktivitásának alakulása 1910-től 1970-ig (The development of the economic activity of Hungary's population by gender and age), MKKE Department of Labour Science, Closing paper of the research, MS.*}

A survey by age groups reveals the uneven distribution of employment growth. The number of those in employment declined somewhat among the 15-24 year-old, but increased in every generation of the 25-54 year-old and even among those above 55 this time, although the increase of retirement age is still hardly perceptible.

Table 2.2.

Age and gender distribution of the employed, 1998-1999*thousand persons*

Age group	No. of persons in the age group		of which: employed			
			no.		%	
	1999	2000	1999	2000	1999	2000
15-19						
men	343.2	325.1	40.9	31.7	11.9	9,8
women	328.1	311.4	28.9	24.9	8.8	8,0
all	671.3	636.5	69.8	56.6	10.4	8,9
20-24						
men	451.2	439.9	277.3	264.2	61.5	60,1
women	430.3	419.8	206.6	192.2	48.0	45,8
all	881.5	859.7	483.9	456.4	54.9	53,1
25-29						
men	367.6	381.3	304.7	314.9	82.9	82,6
women	351.5	364.1	190.8	204.6	54.3	56,2
all	719.1	745.4	495.5	519.5	68.9	69,7
30-39						
men	630.1	640.0	517.2	538.5	82.1	84,1
women	622.0	629.0	414.5	418.9	66.6	66,6
all	1,252.1	1,269.0	931.7	957.4	74.4	75,4
40-54						
men	1,076.4	1,065.0	810.6	799.5	75.3	75,1
women	1,140.5	1,130.8	791.9	796.9	69.4	70,5
all	2,216.9	2,295.8	1,602.5	1,596.4	72.3	72,7
55-64						
men	466.4	481.6	138.6	160.0	29.7	33,2
women	595.8	596.4	67.2	79.4	11.3	13,2
all	1,062.2	1,080.0	205.8	238.4	19.4	22,1
15-64						
men	3,334.9	3,332.9	2,089.2	2,108.8	62.6	63,3
women	3,468.2	3,451.5	1,699.9	1,716.9	49.0	49,7
all	6,803.1	6,784.4	3,789.1	3,825.7	55.7	56,4
65-74						
men	369.4	355.6	13.9	13.6	3.8	3,8
women	544.5	545.9	8.5	9.8	1.6	1,8
all	913.9	901.5	22.4	23.4	2.5	2,6
Total						
men	3,704.3	3,688.5	2,103.1	2,122.4	56.8	57,5
women	4,012.7	3,997.4	1,708.4	1,726.7	42.6	43,2
all	7,717.0	7,685.9	3,811.5	3,849.1	49.4	50,1

Source: LFS, Time Series, 1992-2000, CSO, 2001.

The low rate of employment among the 15-24 year-old is partly explained by education. In 2000, almost 80 % of the 15-19 year-old were in education, but for the 20-24 year-old, the corresponding rate was 20 % only. Both the number and rate of employed youth declined in 2000, due in part only to the modest growth by 12 thousand of those in education.

At the other extreme of the age scale, in the generations of the 55-64 year-old, despite growth by 32.5 thousand, the employment rate is still low, with employment limited in all probability mostly to those of working age according to the Hungarian regulations. As for those above 65, employment is quite rare in this group.

According to the data of the Labour Account, the number of those employed after (Hungarian) working age decreased again in 2000. The 488-thousand-strong group of earners past active age as defined at that time identified on 1 January 1990 reduced forcefully not only in the crisis years, but subsequently as well, to a mere 74 thousand by the 1st of January 2000. (As it is known, the Labour Account takes into account as extra labour supply employed persons past Hungarian retirement age; while the Labour Force Survey includes, up to the age of 74, all employed, making no distinction by retirement age.) In 2000, the Labour Force Survey recorded on annual average 59.9 thousand employed past Hungarian working age. That is, the ousting of the older workers from the labour market continued even in 2000.

As a matter of fact, similarly to several Member States of the European Union, employment is highest among those of prime working age in Hungary as well.

Figure 3.

Age-group distribution of the employed, 1992-2000

thousand persons

As for the expansion of the employment of the youth, of women and of members of the older generations, the conditions facilitating their employment, first of all the reduction of the relevant labour costs, i.e.,

taxes and contribution payments on wages, as well as the stimulating regulation of atypical forms of work such as part-time employment are still missing in Hungary. (Experts are of the opinion that Spain, still the lagman of the EU, has managed to increase its employment rate by 3.6 and 3.4 percentage points respectively in 1998-99 and to cut its unemployment rate in excess of 20 % in the major part of the nineties to nearly the same extent by implementing such reforms. Apart from the amendment of the former regulations limiting labour recruitment and redundancies, the state encourages the employment of the long-term unemployed, of persons younger than 30 and older than 45 by tax cuts and by assuming 40-60 % of their social insurance contribution. Ireland, another country having overcome its underdeveloped status in recent years succeeded in increasing the activity rate of women, 44 % in the beginning of the decade, to 55% by 1999 partly by introducing new taxation regulations and partly by a large-scale child allowance system. The countries implementing National Action Plans, by the way, launched several programmes to promote the steady expansion of employment.)

2.1.2 Distribution of employment by sectors and branches of the economy

As a by-product of economic modernisation, the relative proportions of the three broad sectors have modified further: almost 60 % of earners are employed in the services sector, one third in the industry and 6.5 % in agriculture.

In 2000, most new jobs - 54 thousand - were created in the services sector. Growth by 2,000 in industry essentially corresponded to stagnation, and organised employment has continued to decline in agriculture, in line with the trend of the whole century.

It is general tendency of economic development that agriculture demands a decreasing number of labour, industry employs around one third of earners (at its current level of development) and communities, the business world and individuals exhibit a growing demand for services of all kinds and, consequently, the number and proportion of service providers keeps rising.

The century-long trend of changes in the relative proportions of the broad sectors allows to identify many typical features of the development of the Hungarian economy, such as its transformation over several decades from an agricultural to an industrial economy (in the seventies), and from an industrial to a service-provider economy (in the nineties).

Table 2.3.

Shifts in employment by broad sectors, 1900-2000

thousand persons

Year 1 January	Agriculture, forestry		Industry, construction		Services		Employed	
	no.	%	no.	%	no.	%	no 100 %	rate to the 15-74 year-old
1900*	1,734.6	61.1	422.5	15.0	684.2	23.9	2,841.3	64.8
1910*	1,684.7	59.7	558.1	18.3	810.1	26.5	3,053.0	62.7
1920*	2,127.2	59.7	562.9	15.8	875.3	24.5	3,565.4	65.7
1930	2,030.2	54.3	754.5	20.2	952.8	25.5	3,737.5	60.9
1941	2,165.1	51.5	919.3	21.8	1,118.7	26.7	4,201.9	62.7
1949	2,197.5	53.8	884.0	21.6	1,003.4	24.6	4,084.9	60.6
1960	1,830.0	38.5	1,617.7	34.0	1,311.9	27.5	4,759.6	65.6
1970	1,246.0	23.2	2,379.2	44.3	1,747.5	32.5	5,372.7	69.0
1980	1,109.0	19.3	2,386.1	41.6	2,238.5	39.1	5,733.6	72.7
1990	955.0	17.5	1,976.8	36.1	2,540.1	46.4	5,471.9	71.4
Annual average:								
1992	460.1	11.3	1,431.0	35.0	2,191.6	53.7	4,082.7	52.8
1993	349.4	9.1	1,292.2	33.8	2,185.7	57.1	3,827.3	49.3
1994	327.6	8.7	1,237.3	33.0	2,186.6	58.3	3,751.5	48.2
1995	295.1	8.0	1,198.1	32.6	2,185.6	59.4	3,678.8	47.0
1996	302.4	8.3	1,190.1	32.6	2,155.6	59.1	3,648.1	46.7
1997	287.8	7.9	1,207.9	33.1	2,150.6	59.0	3,646.3	46.7
1998	278.8	7.5	1,264.3	34.2	2,154.6	58.3	3,697.7	47.7
1999	270.4	7.1	1,296.1	34.0	2,245.0	58.9	3,811.5	49.4
2000	251.7	6.5	1,298.4	33.8	2,299.0	59.7	3,849.1	50.1

* Data referring to the current territory of the country

Source: 1900-1990: *Censuses*, from 1992: *LFS, Time Series, 1992-2000*, CSO, 2001.

Figure 4.

Employment by broad sectors, 1990-2000

Source: *LFS Time Series, 1992-2000*, CSO, 2001.

Sector-specific national employment data allow to trace the permanent process of economic restructuring.

Agriculture lost much of its previous employment capacity (in most countries, the ratio of agricultural employees halved or even reduced to one third), and in the great majority of the countries, industry did the same. Both broad sectors demand a decreasing amount of labour as their production processes, subject to incessant technical modernisation, integrate a growing amount of knowledge and capital investments to output a higher quantity of products than ever before.

Although there are serious differences by country, in 1999, in the European Union, hardly more than 4 % of earners worked in agriculture and less than 30 % in the industry.

The constantly increasing sector is the services sector including a vast array of activities other than production. With the increase of financial prosperity, countries and individuals tend to spend more on education, the protection of their health, property and environment, on sports, tourism etc., and in response to their demand, the number of services workers increases. The rate of employment in the services sector is a fundamental indicator of prosperity, of economic development today. In five of the 15 Member States of the European Union, the rate of this sector employees exceeds 70 % already.

Although in Hungary the development of services seems unbroken, one must not forget that the almost 60 % rate attained in 2000 is based on the given, low, level of employment, and the number of those in employment in the sector is still significantly lower than it was in 1990. Moreover, obviously, at the given national income level, both the government and the population can only afford to spend a much smaller proportion of their income on services than their peers in the well-to-do countries. (According to the evaluation of the OECD, in Hungary, the per capita GDP rose from 46 % to 51 % of the OECD average from 1996 to 2000, and the country is catching up at an even speed, but this rate is still hardly more than half of the average there. {Quoted by *Világgazdaság*, 30 March 2001.} This circumstance in itself has a significant effect on the employment-promoting capacity of services, the same as the fact that more than one third of services jobs are funded by the central budget.

Beside job creation in the services branches in the first place, Hungary can expect the expansion of industrial jobs mainly through the further influx of foreign capital investments.

In Hungary - in opposition with the developed Western European countries - the broad-sector structure is still subject to significant changes.

In the event of Hungary's accession to the European Union, the weight, main line of activity and consequently the employment capacity of the agricultural branches will change in line with the agricultural policy of the EU.

As for the industrial branches, the planned large-scale streamlining of coal-mining has essentially been finished. A major part of the iron and steel production has been liquidated after the collapse of the COMECON market in the beginning of the decade. Several light industrial branches, currently involved mainly in outworking, are still subject to forceful changes. The situation of certain branches of food processing is uncertain. On the other hand, some new branches, typical of modern industry, have been deployed, such as the manufacture of motorcars, mobile phones, electronic instruments, sub-units etc., and these have created new jobs in Hungary.

In 2000 - as part of the above developments - a total of 43.5 thousand jobs were liquidated in five branches (agriculture: 18.7 thousand, mining: 5.2 thousand, electricity, gas, steam, water supply: 9.7 thousand, public administration: 2.9 thousand, and other communal, social and personal services not classified under other branches: 7 thousand).

On the other hand, a total of 81.1 thousand new jobs were created. Within industry, manufacturing created a total of 2.4 thousand only, and construction another 14.8 thousand. Growth was more marked in the services sector. The employment capacity of the branch including trade, the repair/maintenance of vehicles and consumer goods increased by 23.4 thousand. Real estate, renting and lease and business support (a branch gathering in Hungary typically those active in the last area, i.e., designers, organisers, accountants etc.) also created more than 20 thousand new jobs. Education increased by more than 10 thousand. Financial services, transportation, storage, post and telecommunications, health care and social work also registered increase, albeit on a smaller scale.

Table 2.4.

Number and distribution of the employed by sectors of the economy

Industry *	1992	1993	1994	1995	1996	1997	1998	1999	2000
A-B '000	460.1	349.4	327.6	295.1	302.4	287.8	278.8	270.4	251.7
%	11.3	9.1	8.7	8.0	8.3	7.9	7.5	7.1	6.5
C '000	52.7	42.2	39.2	34.0	32.8	27.2	25.7	24.4	19.2
%	1.3	1.1	1.0	0.9	0.9	0.7	0.7	0.6	0.5
D '000	1,053.5	937.8	888.8	850.2	850.8	864.1	912.1	928.9	931.3
%	25.8	24.5	23.7	23.1	23.3	23.7	24.7	24.4	24.2
E '000	108.0	105.1	108.3	96.6	88.8	97.4	96.5	89.8	80.1
%	2.6	2.7	2.9	2.6	2.4	2.7	2.6	2.4	2.1
F '000	216.8	207.1	201.0	217.3	217.7	219.2	230.0	253.0	267.8
%	5.3	5.4	5.4	5.9	6.0	6.0	6.2	6.6	7.0
G '000	480.4	469.5	467.4	459.9	486.9	496.8	472.2	517.5	540.9
%	11.8	12.3	12.5	12.5	13.3	13.6	12.7	13.6	14.1
H '000	115.6	110.4	110.6	116.6	114.1	120.9	121.6	133.2	133.3
%	2.8	2.9	2.9	3.2	3.1	3.3	3.3	3.5	3.5
I '000	346.4	336.3	314.5	319.6	321.2	310.0	301.9	308.3	311.8
%	8.5	8.8	8.4	8.7	8.8	8.5	8.2	8.1	8.1
J '000	68.7	72.6	72.9	82.2	83.3	83.3	81.8	80.9	83.7
%	1.7	1.9	1.9	2.2	2.3	2.3	2.2	2.1	2.2
K '000	140.3	137.6	125.6	130.6	128.2	146.3	163.0	183.9	204.6
%	3.4	3.6	3.3	3.6	3.5	4.0	4.4	4.8	5.3
L '000	293.7	299.5	320.2	318.1	306.6	293.8	294.3	301.9	299.0
%	7.2	7.8	8.5	8.6	8.4	8.1	8.0	7.9	7.8
M '000	311.8	342.8	338.6	335.4	319.6	296.9	305.5	306.9	317.8
%	7.6	9.0	9.0	9.1	8.8	8.1	8.3	8.1	8.3
N '000	236.3	241.6	239.0	231.4	225.6	232.1	237.8	239.2	241.7
%	5.8	6.3	6.4	6.3	6.2	6.4	6.4	6.3	6.3
O-Q '000	198.4	175.4	197.8	191.8	170.1	170.5	176.5	173.2	166.2
%	4.9	4.6	5.3	5.2	4.7	4.7	4.8	4.5	4.3
1, '000	4,082.7	3,827.3	3,751.5	3,678.8	3,648.1	3,646.3	3,697.7	3,811.5	3,849.1
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2, '000	1.1	0.4	-	-	-	0.1	-	-	-

A-B = Agriculture, hunting, forestry, and fishing; C = Mining; D = Manufacture; E = Electricity, gas, steam, and water supply; F = Construction; G = Wholesale and retail trade, repair of motor vehicles, motorcycles, personal goods; H = Hotels and restaurants; I = Transport, storage and telecommunications; J = Financial intermediation; K = Real estate, renting, and business support; L = Public administration and defence, compulsory social security; M = Education; N = Health care, social care; O-Q = Other services; 1 = Total; 2 = Unknown.

Source: LFS, Time Series 1992-1999, CSO 2000

2.1.3 Employment status, major employment groups

Earners are assigned to certain typical categories on the basis of the nature, controlled or independent, of their employment.

The largest group is that of persons in employment: of the employees. Historically, the weight of this group, including 85 % of earners already in 2000, started to increase in the 20th century and actually

from the fifties on only. At the time of the census of 1949, the

independents (and their assistant family members assigned to the same category) predominated; they represented 55 % of earners due mainly to the large number of family farms and of handicrafts and other industrialists working without employee in the industry and in the services sector. Although with the process of industrialisation since the second half of the 19th century, and the general development of the economy associated with it, the number of employed persons (wage and salary earners) also increased steadily, in 1940, in the manufacturing industry, employees still numbered less than 430 thousand, and the rate of non-independent earners in industry/construction - as well as that of services workers - was less than 17-20 % of all earners. In the period in question, the industrially developed countries of Europe have already deployed their mass-production industries employing a growing number of workers, as well as the large services branches of the economy providing a broadening framework for the unfolding of „employee societies”.

In Hungary, instead of organic development, it was the political power and economic system of the fifties that has made the employee (and co-operative member) status universal. In the nationalised economy, practically every worker became the employee of the state, or formally the member, but actually worker in employee status, of industrial or agricultural co-operatives, also established forcibly.

The „independent” status, that of the majority of earners in the first half of the 20th century yet, started to spread again, cautiously, in the mid-eighties only; and it was only from the nineties on that it became the voluntarily or involuntarily chosen legal form of subsistence of a growing number of people.

Under the impact of numerous factors, by 2000, the proportion of co-operative members had reduced to 1 %. Most industrial co-operatives transformed into business companies, in accordance with their actual activity. As for the agricultural co-operatives, only those survived whose members engaged in co-operation on a voluntary basis.

For numerous reasons again, the proportion of those registered as helping family members of independents keeps shrinking. The reasons include previous employment giving entitlement to health insurance or pension, for example, and also the current high cost of the acquisition of eligibility to independent social insurance rights.

Table 2.5.

Number of persons in employment* and their distributon by the nature of the employment

Nature of employment	1992	1993	1994	1995	1996	1997	1998	1999	2000
Employed '000	3,203.4	3,087.6	3,045.2	2,978.9	2,961.2	2,989.7	3,088.5	3,201.3	3,255.5
%	79.6	81.9	82.5	82.2	82.1	82.8	84.0	84.4	85.0
Co-op, member '000	225.0	134.1	103.3	84.2	79.0	68.9	55.8	42.5	37.1
%	5.6	3.6	2.8	2.3	2.2	1.9	1.5	1.1	1.0
Member of partnership '000	257.9	197.1	174.7	167.9	151.8	137.4	132.5	111.8	129.4
%	6.4	5.2	4.7	4.6	4.2	3.8	3.6	2.9	3.4
Sole entrepreneur '000	290.1	309.1	328.9	351.7	372.2	373.3	369.1	407.7	381.0
%	7.2	8.2	8.9	9.7	10.3	10.3	10.0	10.8	9.9
Family member '000	49.3	42.4	40.4	40.1	40.9	41.0	28.8	28.2	26.1
%	1.2	1.1	1.1	1.1	1.1	1.1	0.9	0.7	0.7
Total '000	4,025.7	3,770.3	3,692.5	3,622.8	3,605.1	3,610.3	3,674.7	3,791.5	3,829.1
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* 15-74 year-old, conscripts not included

Source: *LFS, Time Series, 1992-2000*, CSO, 2001.

Since 1994, CSO has surveyed the structure of employment using the Uniform National System of Occupations, matching the classification system in effect in the European Union.

The classification system organises occupations by the typical features of the job positions they are associated with. In most cases, a position is associated with a given educational qualification, that is, there is a close connection between the level of schooling and the occupation. However, the occupations of some are to be defined on the basis of the position they occupy instead of their educational qualification.

The employment structure changes but little year on year; the shift in the proportions by major groups of employment from 1999 to 2000 corresponds to no more than a few decimals.

In the longer term, however, it is possible to discern certain development tendencies.

CSO released the analysis presenting the changes of the employment structure form 1994 to 1999 in the summer of 2000. In what follows, we shall compare the data for 1994 with those for 2000:

Table 2.6.

Number of the employed by major employment groups, 1994-2000

Major job groups		1994			2000		
		y e a r					
		all		women	all		women
		‘000	%	%	‘000	%	%
1.	Legislators, senior officials and managers	240.8	6.4	36.8	265.4	6.9	33.9
2.	Professionals	383.3	10.2	56.7	450.0	11.7	58.2
3.	Technicians and associate professionals	448.6	12.0	64.5	509.5	13.2	64.3
4.	Clerks	318.9	8.5	91.2	261.3	6.8	92.2
Non-manual workers, total		1,391.6	37.1	63.7	1,486.2	38.6	61.9
5.	Service workers and shop and market sales workers	517.0	13.8	56.8	585.1	15.2	55.4
6.	Skilled agricultural and forestry workers	132.4	3.5	31.3	133.6	3.5	27.3
7.	Craft- and related workers	852.3	22.7	21.3	841.4	21.9	19.3
8.	Plant and machine operators and assemblers	390.1	10.4	21.1	440.4	11.4	27.0
9.	Elementary occupations	359.9	9.6	57.1	297.6	7.7	53.2
Manual workers, total		2,251.7	60.0	35.7	2,298.1	59.7	34.8
10	Armed forces	108.2	2.9	5.6	64.8	1.7	9.4
National economy, total		3,751.5	100.0	45.2	3,849.1	100.0	44.9

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

Over the seven years under study, the proportion of non-manual workers continued to increase, especially that of persons employed in positions requiring a degree and especially of degree-holder women. However, in spite of this last circumstance, hardly more than one third among those at the top of the employment hierarchy are women, and their proportion even declined somewhat relative to 1994. In the area of non-manual occupations, the steadily declining office and administrative jobs, on the other hand, are becoming female jobs to a growing extent: there are hardly any men in such positions.

From among the manual occupations, industrial/construction jobs still carry the largest weight, but services jobs underwent a remarkable increase. On the other hand, the number and rate of simple occupations requiring no vocational qualification declined significantly.

2.1.4 Employment by legal form of the organisation

The ownership relations of employer organisations have been surveyed regularly since 1992 by TÁRKI's queries based on personal interviews. According to the 2000 survey, ownership changes have decelerated in the economy. Private-owned entities became

predominant in 1998, with the closure of the main phase of privatisation.

Table 2.7.

Distribution of the employed by owner of the workplace

	1992	1993	1994	1995	1996	1997	1998	1999	2000
State-owned*	60.8	51.3	49.4	46.1	41.3	40.8	37.9	36.4	36.1
Mixed	8.7	12.5	13.0	12.2	12.0	10.1	9.7	8.5	6.5
Private**	30.5	36.1	37.6	41.7	46.7	49.1	52.4	55.1	57.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
N=	2,083	1,849	1,841	1,779	1,696	1,650	1,494	1,521	1,528

* In state, budgetary, municipal ownership

** Sole proprietorship, business organisation or co-operative in private ownership

Source: TÁRKI, *Monitor* reports. Growth, bottom view (Eds: Péter Szivós-István György Tóth), December 2000.

The state (the central budget, the municipalities) employs 36 % of earners at the public administration, health care and education. The state essentially withdrew from the competitive sector, but has a major share still in transportation (as owner of MÁV, Volán, Malév, the national railway, bus and air transportation companies, respectively); and the post is also state-owned. The situation has not changed relative to 1999: 60 % of those employed in the transport, storage, post and telecommunications branch are public employees. Moreover, the state still has assets awaiting privatisation for the most in practically every branch of the economy (e.g., in agrarian companies having resulted from the transformation of the large state farms into business partnerships or in the canning factories privatised without success, etc.). The companies managed by the State Privatisation and Assets Management Holding (ÁPV Rt.) or the State Development Bank, although of considerable value, employ relatively few staff.

All in all, however, mixed (public and private) ownership entities included, the state still has a considerable share of around 40% in employment.

In recent years, the proportion of public employees has shown steady decline - but changes may accelerate in this domain in function of the decisions of the state owner, partly with the successful sale of assets intended for privatisation, and especially the implementation of the long-planned but repeatedly postponed budgetary reforms, the transfer of appropriate public functions into the competitive sector or, in line

with the plans of several European countries, the privatisation of such major service-provider companies as the post.

Private-owned companies, co-operatives included, employ an increasing share of earners year on year.

The companies are owned by domestic or foreign owners. Foreign capital plays an important role in the economy: some 40 % of Hungarian company assets is owned by foreign investors; companies with foreign participation produce around half of value added and 57 % of investments. Hungary is integrated into international trade first and foremost through them: the companies in question realise 76 % of imports and 80 % of exports.¹³

Contrary to the general assumptions, foreign capital investment, of decisive importance for the operation and modernisation of the economy, has a relatively small impact on (direct) employment: in 1998, they employed 580,701, in 1999 some 3.4 thousand more, a total of 584,259 workers (this is the last figure available to us), 27 % of earners taken into account in the competitive sector and 15 % of all earners in 1999. That is, the decisive majority of earners is employed by companies in domestic ownership. Although foreign property is present to a smaller or greater extent in every branch, its employment weight is significant in manufacturing alone: in 1999, 62.9 % of earners in this branch were employed by foreign-owned entities. Within manufacture, the rate in question exceeded 10 % in the manufacture of electrical machinery and precision engineering, where 14% of earners were employed by foreign owners.

As for the other branches, 14.5 % of those employed in distribution and repair were employed by foreign companies; the employment weight of the latter is much smaller in the other areas, a circumstance indicative of the fact that large-scale capital investments, mostly modern technical infrastructure can usually do with a moderate amount of labour.

The 3,849 thousand earners are employed by 928 thousand organisations, more than 90 % among them business enterprises. In 2000, the number of the latter increased by a hundred thousand,

¹³ According to "World Investment Report 2000", in 1999, almost 68% of foreign capital the world over went to the developed, 30% to the developing and hardly more than 2% to the East and Central European countries, the most FDI to Poland (at almost 30% of the total FDI influx to the 14 countries taken into account); Hungary ranks second, with a share of less than 19% in 1999. The per capita capital stock, on the other hand, was highest in Hungary at USD1,896, whereas in the Czech Republic it was USD1,580, in Poland USD775, and in Russia USD113 only. {*A külföldi működő tőke Magyarországon 1998-1999 (Foreign direct investment to Hungary, 1998-1999)*, CSO, 2001.}

almost exclusively in the category of enterprises with less than 10 staff.

Table 2.8.

Number of active organisations*

	1 January 2000		31 December 2000		Change	
	org.	%	org.	%	org.	%
Companies	311,743	37.4	359,325	38.7	+ 47,582	+ 15.3
<i>of which</i>						
--incorporated	138,842	16.9	157,981	17.0	+ 19,139	+ 13.8
-- unincorp. (partnership)	172,901	21.0	201,344	21.7	+ 28,443	+ 16.5
sole proprietorship	432,603	52.6	487,699	52.6	+ 55,096	+ 12.7
Total	744,346	90.5	847,024	91.3	+ 102,678	+ 13.8
Public and social insurance organisation	15,300	1.9	15,436	1.7	+ 136	+ 0.8
Non-profit organisation	62,121	7.5	65,335	7.0	+ 3,214	+ 5.2
ESOP organisation	272	-	263	-	- 9	- 3.0
Total	822,039	100.0	928,058	100.0	+106,015	+ 12.9

* APEH and CSO record registered and active organisations differently. According to APEH, at the end of December 1999, more than 1 million, at the end of December 2000, 1.1 million organisations qualified as active.

Source: *Number of active business organisations, QIV 2000*, CSO, February 2001.

More than 18 thousand of the 19 thousand new incorporated companies created during the year were limited liability companies; the number of companies limited by shares and of co-operatives increased more modestly. As for the unincorporated companies, the growth of the number of limited partnerships by almost 28 thousand was of decisive importance. It is worth noting the growth of sole proprietorships by more than 55 thousand - corresponding to more than half of all new enterprises - once again after stagnation for several years.

More than three-quarter of all enterprises active in 2000 operated in different areas of the services sector, and 10 % only in the industry, 8 % in construction and a mere 4.6 % in agriculture. Within the services sector, the two most populous branches are business activities (including real estate as well in international statistics), and distribution and repair activities assigned to the same category. Both the business support activities (from planning to accounting, market research and organisation) and the repair of motor vehicles and household appliances (and partly distribution as well) are ideal terrains for sole proprietorships and micro enterprises. It is no accident, therefore, that of the 650 thousand enterprises of the services sector, more than 440 thousand (69 %) are active in these two branches.

However, not every one of the 900 thousand active organisations offer a main job as well. It is quite frequent especially in the most popular forms of business entities, unincorporated partnerships and sole proprietorships representing almost three-quarter of the population

concerned, that their activity is performed by second job holders or in supplementary status.

This circumstance, however, is explicitly recorded for sole proprietorships only, where it is a lasting tendency that hardly more than half (2000: 57 %) of those having an entrepreneurial license are main job holders, while another 13 % are pensioners and some 30 % second job holders. As for the partnerships, the corresponding rates are not known, but there are obviously many second job holders here - for example, there is not a single main job holder among the members of the multitude of limited partnerships.

As a result of the frequent separation of „enterprise” and „occupation”, the organisations are small. 84 % of incorporated companies, 98 % of unincorporated ones and practically every one of the sole proprietorships are micro enterprises with no more than 9 staff. What is more, according to CSO's records, 86 % of partnerships had less than 5 staff at the end of the year, and according to the self-declarations, 80 % of sole proprietors operate alone and 10 % have one employee or assisting family member only.¹⁴ (One of the complex reasons for the formation of a large number of very small entities often operated by second job holders is capital shortage. The floatation of incorporated companies requires a certain (prescribed) amount of capital, while unincorporated ones and sole proprietorships can be founded without capital.)

¹⁴ The Hungarian organisational structure is not very different from that in the United Kingdom. Among a total of 3.7 million enterprises, there are 2.3 million sole proprietorships or partnerships with no employee; within that, the rate of those without employees is nearly 90% in education, more than 80% in construction, nearly 80% in transportation, storage and telecommunications. A comparison of the Hungarian data with those of the UK provides the following rates (the first figure is the Hungarian, the second the British one): no employee: 65.1-63.2%; 1-49 staff: 34.2-35.9%; 50-249 staff: 0.6-0.7%; 250+ staff: 0.1-0.2. More than one third of the British enterprises operate in London and in the adjoining south-eastern region. {*Labour Market Trends, January 2001.*}

Table 2.9.

Distribution of business organisations by legal form and staff category,
31 December 2000

Legal form	Staff category						Total
	0*	1-9	10-19	20-49	50-249	250 +	
	micro		small		medium-size	large	
<u>Incorporated</u>							
LLC	43,951	80,416	10,320	6,468	3,016	485	144,656
CLS	770	862	339	436	851	542	3,800
co-operative	2,587	1,393	418	702	770	52	5,922
Total	47,308	82,671	11,077	7,606	4,637	1,079	154,378
in %							
LLC	30.4	55.6	7.1	4,5	2,1	0,3	100,0
CLS	20.2	22.7	8.9	11.5	22,4	14,3	100,0
co-operative	43.7	23.5	7.1	11.8	13,0	0,9	100,0
Total	30.6	53.6	7.2	4.9	3,0	0,7	100,0
84.2%							
<u>Unincorporated</u>							
partnership							
general	2,580	4,229	167	67	9	-	7,052
limited	77,043	87,577	2,154	532	107	21	167,434
other**	814	818	52	25	14	5	1,728
Total	80,437	92,624	2,373	624	130	26	176,214
in %							
general	36.0	60.0	2,4	1,0	-	-	100.0
limited	40.0	52.3	1,3	0,3	0,1	-	100.0
other	47.1	47.3	3,0	1,5	0,1	-	100.0
Total	45.6	52.6	1,3	0,4	0,1	-	100.0
98.2%							
Sole proprietorship	404,845	80,779	1,612	409	54	-	487,699
in %	83.0	16.6	0.3	0.1	-	-	100.0
99.6%							
TOTAL:***	532,590	256,074	15,062	8,639	4,821	1,105	818,291
in %	65.1	31.3	1.8	1.1	0.6	0.1	100.0
96.4%							

* Including enterprises without employee, operated by the owner alone, unknown staff

** Forms subject to mandatory transformation/termination, e.g. earlier forms of business partnerships

*** The 28,733 building societies, block-of-flats communities etc. not included

Source: *Number of active business organisations, QIV 2000, CSO, 2001.*

Of the more than 800 thousand business enterprises in the competitive sector, CSO monitors the development of employment and earnings in 71 thousand. These do not include the smallest entities, those employing less than 5 staff, although, as we have seen, these represent the decisive majority of enterprises overall, but also the highest number of second job holder entrepreneurs.

Within the population subject to monitoring, the real employment weight of the business entities is quite discernible: the many micro enterprises taken into account employ 9 % only of all earners, and the larger entities, corresponding to 2 % of all entities, almost half of them.

Table 2.10.

Employment by business units with more than 5 staff

Staff category	Business unit		Employed	
	no.	%	no., '000	%
Micro				
5-9 staff	31,548	44.3	172.8	9.1
Small				
10-19	17.566	24.7	180.3	9.5
20-49	12.505	17.6	236.1	12.5
Medium-size				
50-99	5.345	7.5	186.5	9.9
100-199	2.248	3.2	186.2	9.8
200-249	437	0.6	60.8	3.2
Large				
250-499	827	1,2	196,8	10,4
500-999	412	0,6	199,6	10,6
1000 +	229	0,3	472,0	25,0
TOTAL	71.117	100,0	1.891,1	100,0

Source: CSO data provision based on financial balance statements

2.2. Atypical jobs

One of the essential developments restructuring the economies of the most developed countries since the seventies is the transformation of employment relations/forms. With the increase of prosperity and welfare, permanent changes in consumer demand and the boom of services consumption, the century-long employment traditions typical of mass-producer big industry such as work contracts for an indefinite period of time, mandatory general weekly or daily working time, wages and occasionally minimum wage specified by collective contract etc. were gradually relegated into the background. Thanks to the decades-long struggle of the trade unions, workers' rights - from paid holidays, leaves, notice periods and severance pay to persons laid off in the interest of the company etc. - have become widespread and guaranteed by the state.

Parallel with the increase of prosperity, labour has also become more expensive partly due to the increase in wages and partly to the increase in wage-related taxes and contributions to be paid to the state. Companies forced to cut expenses in the context of global competition made serious efforts to use labour sparingly, and were assisted in doing so by the development of technology.

With the sudden increase and stagnation at a stubbornly high rate of unemployment in the eighties and nineties, less and less „traditional” jobs were created. On the other hand, the so-called atypical forms of employment started to spread. The International Labour Organisation (ILO) noticed their ever more extensive appearance in the early eighties. (The term „atypical” employment, to distinguish such forms from the typical traditional jobs, dates from this period.)

The new forms in question have been spreading ever since. In the European Union, new, extra, jobs have been created for years exclusively in one of the atypical forms. 1999 was the first year when the majority of new jobs beside those replacing lost ones required full-time, not part-time work, the most widespread form of atypical work.

The European Union monitors the development of three forms of atypical work: part-time work, fixed-term employment and self-employment. Their rate increases year on year, albeit to different extents by country. In 1999, 45.3 % of all earners in the European Union worked under one of these forms (in 1985, the corresponding rate was 36.5 %).

a.) Part-time work

In the countries of the European Union, part-time work has several definitions, some more specific, others more general. The common denominator is that part-time work implies a shorter working time than „full-time” work specified by the law. Within that, many variants of daily, weekly or even longer-term agreements are feasible, with specific local solutions assigned to the competence of collective contracts for the most. It is an essential principle, moreover, that part-time workers be judged in every respect on equal footing with those employed full-time, although there are numerous rights due in function of the working time.

Although, mainly in the absence of full-time jobs, part-time work is on the rise among men as well, it is typically a form of employment of women: in the European Union, one third of female earners were part-time workers in 1999, and some 80 % of all part-time workers were women. Some 15 % only considered this a second-best solution to full-time work, while the rest deemed it an ideal way to belong to the world of labour and supplement the family income.

The demand for part-time work is typical in the diverse services areas - industrial plants seldom have recourse to it, except in case they need supplementary work.

In Hungary, for years, a fraction only of earners have worked shorter hours than the legal/mandatory working time, although some

would have liked to choose this form. Mária Frey's surveys repeatedly investigated the propensity of labour to work part-time.

Accordingly, in Hungary, prior to the change of the economic and political regime, many would have liked to work part-time, especially mother with small children. Even in 1995, parallel with the drastic decline in real wages, 10 % of working women, some 100 thousand

persons, would have undertaken part-time work; and more than one third - especially persons of pension age - worked under such forms anyway.

In QIV 1999, in connection with CSO's Labour Force Survey, a total of nearly 20 thousand women aged 15-49 were asked questions on the harmonisation of child-raising and employment. The interviewees represented 2.4 million women. Nearly 70 % agreed that women should work and the great majority (76 % of manual workers and 78 % of non-manual ones) were in favour of the part-time (4-6-hour) employment of women. 51 % would have liked to work part-time, but only 2.2 % actually did so. *{M. Frey: Status report on the situation of women at the turn of the millennium, September 2000 }*

Despite the obvious demand, in practice, part-time employment is almost non-existent. According to the regular short-term labour market forecast prepared by NEO, in August 1997, the total of more than 4,700 incorporated business entities covered by the survey (employing almost 30 % of those belonging to this circle) registered 2.1 % workers not employed full time, including 1.8 % employed part-time. In August 1998, the corresponding rates were similar at 2.2 % and 1.7 %, respectively, and in August 2000, they were 2.8 % and 2 %, respectively. *{Judit Székely: Short-term labour market forecast, 1st half 2001, Ministry of Economy, 2001.}*

As of now, the Labour Force Survey reflecting the labour market situation of the adult population of the country makes no distinction allowing to identify those employed part time.

Firstly, the „usual weekly working time” specified in the range of 1-15 hours does not allow to separate part-time and temporary workers. (Let us recall that LFS considers as employed anyone having performed a minimum of one hour of income-generating work in the week preceding the survey, and one may have a few hours of temporary work each week and still not be employed part-time.) Secondly, the experience is that that mostly pensioners tend to be employed part-time, but the survey disregards the Hungarian limit of working age. Thirdly, part of employers registers workers at minimum wage and also at a much shorter working time than the actual one in order to minimise taxes and contributions associated with employment.

Consequently, the table below is not about part-time employment, but employment in reduced working time, coinciding in all likelihood to an unspecified extent with part-time work.

Table 2.11.

Employment in reduced working time

%

Usual working time	1995			1999			2000		
	Men	Women	All	Men	Women	All	Men	Women	All
Changing	12.8	6.0	9.5	13.5	5.6	9.7	14.0	5.3	10.0
Constant	87.2	94.0	90.5	86.5	94.4	90.3	86.0	94.7	90.0
<i>of which:</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1-14 hours	0.6	0.6	0.6	0.3	0.4	0.4	0.3	0.4	0.3
15-35 hours	2.5	7.5	4.8	2.9	8.4	5.5	2.2	7.6	4.6
36 hours	0.6	1.1	0.8	0.5	0.9	0.8	0.5	0.9	0.7
37-39 hours	0.1	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.1
less than 40 hours	3.8	9.3	6.3	3.8	9.9	6.8	3.1	9.0	5.7
40 hours	65.1	72.3	67.9	70.6	74.6	72.3	61.5	72.5	66.4
40+ hours	31.1	18.4	25.8	25.6	15.5	20.9	35.4	18.5	27.9
Employed, '000*	2,049.6	1,629.2	3,678.8	2,083.1	1,708.4	3,791.5	2,102.4	1,726.7	3,829.1

*1999 and 2000: conscripts not included

Source: CSO LFS, Annual Data in: M. Frey: „A munkaidőrendszerek rugalmassá válása” (Flexible working time systems), *Közgazdasági Szemle*, Dec. 2000, pp. 1008-1026.; supplemented with LFS data for 2000.

CSO regularly investigates the reasons for working less than the regular (40-hour) working time in main jobs. As shown by the following table, most of the 6 % of earners working shorter hours are persons whose regular working time is less than a weekly 40 hours for some reason.

Table 2.12.

Reasons for working shorter hours, 1996-2000

%

	1996			1999			2000		
	Men	Women	All	Men	Women	All	Men	Women	All
The regular working time is less than 40 hours in the given job	39.6	48.8	46.1	38.7	45.4	43.4	41.3	45.1	44.0
Cannot be employed full-time for lack of work	19.0	17.0	17.6	16.6	15.1	15.5	13.3	13.3	13.4
Will not work full time	17.0	17.2	17.1	15.7	20.7	19.2	20.4	20.4	19.3
For reasons of health	7.7	3.8	5.0	13.0	5.7	7.9	7.5	7.5	9.3
Due to participation in education/further education	-	-	-	2.4	3.4	2.2	2.2	2.2	2.3
For other reason	16.6	13.3	14.3	13.6	11.1	11.9	11.5	11.5	11.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
'000 persons:	61.1	143.0	204.2	69.9	161.6	231.4	62.6	155.8	218.4
% rate to the employed:	3.0	8.9	5.6	3.4	9.5	6.1	3.0	9.0	5.7

Source: CSO, LFS, annual data, in: M. Frey (2000), quoted under Table 2.11., supplemented with data for 2000.

Statistical uncertainties, however, simply reflect the fact that in Hungary the promotion of part-time work has so far not been included among the employment measures. In order to boost (registered) part-time employment, the factors acting against it should be eliminated or at least moderated significantly. Employees are held back by low pay associated with part-time work, and employers by the burdens of employment, first and foremost the growing health insurance contribution, of a fixed amount, counter-motivating the employment of part-time workers.¹⁵

Job expansion is as important as assistance to job preservation. For example, assistance should be provided to unemployed persons wishing to be employed part-time and the labour market should be enriched by part-time jobs to allow a growing number of the inactive to rejoin the world of labour. 10 thousand of the almost 350 thousand inactive covered by CSO's Labour Force Survey in 1997 declared that they wanted exclusively a part-time job and 8 thousand wanted that in the first place. 70 % among them were women.

In 1999, of a total of 284 thousand unemployed only by that time, still more than ten thousand would have preferred to have a part-time job and some 5 thousand wanted that only. The corresponding rates were similar in 2000 at 10 and 5 thousand, respectively, while another 87 thousand considered part-time employment a second-best solution to a full-time job. 16.6 thousand were looking for work of any type. That is, more than half (53 %) of those looking for a job insisted on having a full-time job, while the rest would have accepted a part-time one either voluntary or for lack of a better alternative.

Part-time jobs may represent a job opportunity in the first place to those who are not earners today, lower wage for shorter hours of work being an improvement over their situation. Some - not very many - among those in employment today would also choose part-time work and lower earnings for personal, family, health etc. reasons.

¹⁵ For a detailed overview of the reasons hindering progress and the desirable solutions, see: *Mária Frey: A részmunkaidős foglalkoztatás lehetőségei és korlátai Magyarországon (Possibilities and constraints of part-time employment in Hungary)*, background paper of the project implemented jointly by the Dutch Ministry of Social Affairs and the Hungarian Ministry of Economy, October 2000.

Although part-time employment is sporadic yet, some employers already use this form.¹⁶

Part-time work, however, will not make significant progress so long as the public burdens of the employer are independent of whether he employs a full- or a part-time worker.

The international practice is to motivate employers by the full or partial assumption of wage contributions - a feasible alternative under the Hungarian Employment Act as well. However, on the individual's side, the propensity of employment may be hindered by lower wages associated with part-time work, especially in the case of the benefit-recipient unemployed. This problem could be eliminated if the labour offices continued to extend the benefits in question after placement, until the stabilisation of the employment relation (in the Netherlands, this means three years with a gradually decreasing benefit amount).

b.) The self-employed

According to the definition of the ILO, the self-employed are persons doing business activities, earning their living by their own work, not employed by a company or by another person. Self-employed small entrepreneurs (employing occasionally others, employees, assisting family members, etc.) are distinguished from other enterprises of the economy in the first place by the fact that they have no *firm* with a legal personality acting as an independent market agent, having its proper assets and independent financial accounting; in their case, the assets, the cash flow merges with those of the household. Typical representatives of this circle are family enterprises in agriculture, small artisans, retail traders and the widespread group

¹⁶ In answer to the circular question of the supplement of *Világgazdaság's* Menedzserkalauz (Managers' Guide), respondents at Hotel InterContinental said the following: in countries with an advanced hotel industry, it is established practice to have the work of an eight-hour employee done by two persons employed for four hours each, who can agree when discussing weekly schedules whether to work four hours daily or eight hours for a few days alternately. The management of InterContinental is ready to use this form. The Hungarian McDonald's also uses part-time work. The fast-food chain currently employs some 3,700-4,000 workers, 35% among them part-time. Their part-time workers are either students working 4 hours while studying, or persons starting their work career as part-time workers as a first step, intending to work full-time later on. The international experience is that it would be ideal to raise the proportion of part-time workers to 50%, hence it is to be expected that the American-owned company will make progress in this direction in the years to come. Part-time is also an established practice at the Tesco shopping malls chain where 15% of the nearly 5,700 workers work shorter hours than the legal one. In general, workers are employed 4 or 6 hours as shop assistant, goods replenisher, cashier, invoice auditor and data administrator. In some cases the initiative comes from the employee, in others Tesco is definitely looking for part-time employers. {27 January 2000. }

of freelance workers such as foreign language teachers, translators, photographers, journalists, travel guides, etc.

In Europe, the proportion of the self-employed is high in those countries where agriculture still carries a large weight (Greece, Portugal, Italy) and where travel is important (the same countries supplemented with Spain). The great many residential hotels, restaurants, shops etc. serving the tourists keep the rate of the self-employed high in the southern countries in the first place. In several countries, such as England, a continuous supply is provided by immigrants – persons unable yet to create an independent firm can create a financial existence for themselves and their family this way.

In most European countries (with the exception of the southern countries referred to above), self-employment is a low-prestige activity: the more prosperous the country, the lower its prestige. With the exception of few professions, mainly those of the intelligentsia, whoever has the opportunity will sooner or later operate through their own firm.

Self-employment used to be considered an important employment expansion means at many places in the period of unemployment growth. The relevant hopes have waned since then, and the rate of the self-employed has moderated in most countries of the European Union.

According to the latest assessment, the moderating tendency is essentially associated with the decline in agricultural employment, while in the other areas, the degree of self-employment has remained by and large unchanged. More precisely, since 1994, self-employment increased at an identical rate with employee jobs. *{Employment in Europe, 2000, p.37. }*

Most countries have special programmes to assist those creating an independent financial existence and hence a job at least for themselves, but the experiences of the past decade have dispelled the illusion of the massive job creating capacity of this form.

In Hungary, the statistically demonstrated rate of the self-employed (14 %) approximately corresponds to the European Union average of 1999 (14.4 %). CSO's Labour Force Survey assigns 510.4 thousand sole proprietors and members of unincorporated business partnerships as well as 26.1 thousand assisting family members to this circle. (The rate would probably be much higher if the working members of certain social groups - such as hundred thousands of working members of pensioner agrarian households - would be included among the employed, for they would all belong to the category of the self-employed.)

Of the more than half million (registered) self-employed, more detailed data are available on the 344.2 thousand main job holder and retired (according to the Hungarian legislation) sole proprietors. Their number, around 200 thousand in the early nineties, increased by 144 thousand by the end of the decade, and in 2000, 30 % (11.5 thousand) of the increase of the number of the employed by a total of 37.6 thousand was due to the proliferation of sole proprietorships. Growth is overshadowed to some extent by the fact that a decisive part of new entities was formed by pensioner entrepreneurs, while the number of first job holder entrepreneurs increased by a thousand only.

The number of main job holder entrepreneurs has shown moderate growth for years.

Table 2.13.

Number of sole proprietors by employment status

thousand persons

Year	main job holder		pensioner		second job holder		Total
	thousand persons	%	thousand persons	%	thousand persons	%	thousand persons = 100%
1990	159.0	65.7	21.5	8.9	61.4	25.4	241.9
1991	184.5	58.2	28.8	9.1	103.9	32.7	317.2
1992	184.2	54.4	30.5	9.0	124.1	35.6	338.8
1993	218.2	54.2	36.7	9.1	148.0	36.7	402.9
1994	258.9	54.1	44.3	9.3	175.6	36.6	478.8
1995	257.0	58.6	39.9	9.1	141.8	32.3	438.7
1996	259.5	56.4	47.0	10.2	153.6	33.4	460.1
1997	276.7	59.5	56.3	12.1	132.0	28.4	465.0
1998	270.7	59.1	55.6	12.1	132.1	28.8	458.4
1999	278.7	59.6	54.0	11.6	134.8	28.8	467.5
2000	279.7	57.3	64.5	13.2	143.5	29.5	487.7

Source: 1990-199.: APEH; number of tax-payers in the given year;
1996-2000.: CSO, number of sole proprietorships active on 31 December

Although some 80 % of sole proprietors work alone and another 10 % employ one employee or assisting family member, the total number of their employees still exceeds 200 thousand.

Three-quarter of main job holder and pensioner entrepreneurs worked in the services sector (most, 86 thousand, in distribution and the repair of consumer goods, another almost 70 thousand in real estate and business services). One quarter of sole proprietors was active in the production branches. Approximately the same number worked in industry and in construction (32-34 thousand); and less than 20 thousand in agriculture.

As for the unincorporated partnerships, also belonging to the circle of the independents, according to calculations based on the data

of CSO, 166.2 thousand main job holder persons of retirement age worked there. (In 1998, the corresponding number was 138 thousand.) The number of employees is of a similar order of magnitude as that of

members.¹⁷

Of the more than 200 thousand unincorporated partnerships, 167 thousand were limited ones.

Although there is a growing number of limited partnerships in every branch of the economy, their activity has focused in certain well-defined areas for years. As mentioned already, some 80 % are active in services, especially in the distribution and repair of consumer goods, in hotels and catering, and in real estate and business support. Of the more than 167 thousand limited partnerships, 164 thousand are micro enterprises and in almost half the owner works alone.

In Hungary, in contrast with the tendencies observed in the European Union, self-employment still plays a significant role. According to the relevant calculations, main job holder and pensioner independents, their assisting family members and employees total around 900 thousand, that is, the small enterprise sector employs almost one quarter (23.4 %) of the employed.

c.) Fixed-term jobs

In contrast with the traditional forms of employment applying to an indefinite period, many activities throughout the economy require employment that is not permanent or continuous, but is limited to a certain period. In agriculture, for example, nature marks out, so to say, certain periods of plant cultivation and harvesting when a much larger amount of labour is needed than at other times. Industry, too, includes certain so-called seasonal branches, such as food processing related to the agricultural cycle (sugar industry, canning etc.). Many of the construction activities also depend on the weather, on the changing seasons. Many of the services branches are also characterised by fluctuating labour demand; first of all catering and accommodation related to travel and the related trade activities. Within trade, the labour demand may change several times during the year: for example, more than the usual amount of labour is needed at the time of sales or the Christmas fairs, etc.

Occasionally, entrepreneurs whose activity is typically independent of seasonal changes may also need additional labour, to realise larger-than-usual orders, for example.

¹⁷ The quantification of employees of unincorporated partnerships may imply a wider error margin than that of the other forms of organisation, because, under the Companies Act, members are allowed to take part personally, for remuneration, in the activity of the partnership, and the partnership can also employ members recruited from outside the circle of its members. Therefore, the member's ("entrepreneurial") and contributor's and the employee statuses are sometimes difficult to identify precisely. The mostly small-size enterprises, however, typically create a job opportunity for their members.

Employers are obviously interested in employing additional labour (made highly expensive all over Europe by the taxes and contributions imposed on wages) strictly for the period they need them. It is important to note that the labour law of practically every Union country indicates those (special) cases under which labour can be employed under a fixed-term work contract, and employers attempting to avoid notice periods and severance pay due to persons employed for an indefinite period by concluding fixed-term contracts are subjected to severe penalty. The organisations of European employers and employees intend to conclude a joint European-level agreement as well to that effect.

Fixed-term employment has always existed, but its share is increasing steadily concurrently with the growing weight of services and the steady increase of the price of labour. (By the way, its rate was highest in the countries still having a significant agriculture, especially Spain, in 1999. In summer 2000, in the United Kingdom, where fixed-term employment is on the lowest scale, 1.8 million employees (861 thousand men and 960 thousand women) worked under fixed-term contracts, and their number corresponded to 7 % of all employed at that time. Their rate was smallest in manufacture (4.5 %) and highest, in excess of 10 %, in agriculture, state administration, education and health care assigned to the same aggregate category there, and in other services. {*Labour Market Trends, January 2001*})

In 1999, almost 40 % of new jobs created in the European Union (and almost half of those created since 1994) were fixed-term ones. Since 1994, nearly 70 % of new jobs employing men belonged to this category (but less than 35 % only of those employing women).

According to the evaluation of *Employment in Europe, 2000*, in 1999, fixed-term jobs focused at the two extremes of the range of qualifications. Almost 40 % of the 25-64 year-old employed this way - and especially men among them - had compulsory elementary school qualification at best; among those in permanent employment, the corresponding rate is less than 30 %. Persons with low qualifications are typically manual workers. At the other extreme, the rate of persons with high qualifications, with university degree, is somewhat higher than that of persons with low qualification and even that of persons employed with fixed-term contract. The latter assign little value to employment security implied by employment for an indefinite period as they can easily find a new job, often one with a better pay, once their contract expires.

The experience is that in many countries of Europe, with the large-scale decrease of the number of agricultural employees, seasonal work in agriculture (and to some extent also in construction) tends to be done by foreign labour employed for that purpose. Despite its

permanently high unemployment rate, Germany, for example, receives more than 300 thousand seasonal workers annually, 90 % among them from Poland. {*Trends in International Migration, OECD, SOPEMI 2000.*}

It is common practice in the USA and less common in Europe that workers employed for a fixed term are hired through job exchange companies specialised in that. Companies employing (or only registering and mediating) labour already play an important role in co-ordinating the demand and supply for persons employed for a fixed time.

In Hungary, too, there exist several areas and forms of temporary (fixed-term) employment.

The relevant Hungarian legal regulations essentially correspond to the European standards, and the court will sanction an employer if it is established that it concluded a fixed-term contract instead of one for an indefinite period in order to curb the rights (notice period, severance pay, notice protection etc.) of the employee. (In Hungary, a more frequent form of evasion is employment with an entrepreneur's license.)

The short-term labour market forecasts of NEO give an indication as to the spread of fixed-term employment. In August 1997, 19.8 % of the total full-time staff subject to statistical accounting, employed pensioners not included, and one year later 20.7 % of the same population was employed by fixed-term contract. According to the relevant estimates, their number „may total 600 thousand”. The fixed-term contracts in effect at the time typically covered a period of 180-210 days.

The forecast for the first half of 2001 indicates the slight decline of the proportion of fixed-term employees (August 1999: 20.2 %, February 2000: 17.4 %, August 2000: 16.7 %).

The typical duration of the contracts in question hardly changed: in August 2000, it was 180-220 days. Two-third of fixed-term employees has no vocational qualification.

The forecast for the first half of 2001 covered intentions regarding labour having become superfluous in the seasonal branches in the second half of 2000. Agriculture intended to lay off one third of the labour that could no longer be employed or employed satisfactorily any more, manufacture 44.5 %, construction half and trade 28 % - obviously those in the first place whom they hired for the season, for a fixed period.

The hiring of labour is not widespread among the companies covered by the forecast. Only 4.8 % of the respondent companies had

recourse to the services of the job exchange agencies, mainly large enterprises. As for their branch affiliation, mostly companies in the food processing, metal working and metal basic material producer industrial and engineering companies. Hiring appeared typically in the areas characterised by labour shortage and was often concurrent with the labour management of multinational companies. *{Short-term labour market forecast, 1st half 2001, NEO, 2001, p. 43. }*

The experience is that, in the organised economy, fixed-term employment coincides to a significant extent with seasonal employment. Other forms, however, also exist, but probably a small part only of these actually appears in the organised economy.

d.) Temporary jobs

The members of certain social strata - especially those with lower educational qualification, young persons with no work experience, older people finding no traditional job opportunity in the organised economy, etc. - often find work lasting for a few days or hours only. Work opportunities of different kinds occurring from time to time in households, on family farms and at small enterprises tend to appreciate in the absence of traditional full-time jobs.

In Hungary, CSO's Labour Force Survey registers a small but slightly growing number of temporary workers representing a very small fraction only of all earners. Self-declared temporary workers were usually not employed by an employer; their work was mostly seasonal and associated to seasonal demand in agriculture, travel or trade

Table 2.14.

Number of temporary workers, 1992-2000

Year	QI	QII	QIII	QIV	Annual average
1992	4,866	9,083	10,479	9,824	8,563
1993	12,740	14,637	18,391	14,758	15,132
1994	13,148	17,611	19,956	18,415	17,283
1995	13,782	17,949	20,805	19,001	17,884
1996	17,825	23,842	27,866	24,363	23,474
1997	20,450	25,232	27,667	29,472	25,705
1998	25,903	31,332	31,332	29,505	28,524
1999	22,484	26,407	27,369	24,974	25,315
2000	19,385	24,375	28,407	24,680	24,212

Source: Data released by CSO.

An attempt was made in Hungary, too, to register temporary work - the relevant legal regulation came into force on 1 September 1997.¹⁸ The main objective of the regulation was to allow the unemployed and especially those receiving income supplementing allocation to earn further entitlement to unemployment benefits and health and accident provisions by certifying employment for a certain period of time.

The Act allowed private employers to employ temporary workers for no more than 5 consecutive days, a maximum of 90 days per year, while paying the relevant public burdens through a simplified procedure.

The Act wanted to encourage employers by making it possible among other things to have half of the public burdens to be assumed by the Labour Market Fund in case the employer employed a person receiving income supplement (having exhausted entitlement to that) or a persons registered by the labour market organisation and not entitled to benefits. As of 1 January 1998, those employing long-term unemployed persons having a TEB (temporary employee's booklet) or entitled to no provision could request the assumption of the health care contribution payment obligation imposed on the employer, and private employers could also request subsidy for the payment of the public burdens involved.¹⁹

Beside their acquired eligibility, under the Act, employees were granted relief from filing tax returns on income earned with the TEB provided that their annual income was less than HUF250 thousand.

Employees can get a TEB valid for one year free of charge at the labour centres and pay public burdens associated with employment by sticking so-called public-burden stamps of an amount depending on the daily wage ever into the booklet.

So far this incentive, and the considerable extension by the amendment of 1999 of the range of potential employers limited originally to private individuals, has had modest results only.

¹⁸ Act LXXIV of 1997 on Employment with Temporary Employee's Booklet and the Simplified Payment of Related Public Burdens. The legal regulation has been amended several times.

¹⁹ What is more, if the temporary employee nevertheless filed a tax return on his annual income not subject to reporting (i.e., less than HUF250 thousand at that time), the *employer* could get back part or all of the tax advance paid through the public burden stamp, because it was entitled to tax credit on such wage income corresponding to 20% of the wage, but no more than HUF4,200 per month of eligibility in 1998. (In 1999, the corresponding figures were reduced to 10% and HUF3,000, respectively.)

As could be expected, around 60 % of those requesting a TEB were registered unemployed and persons receiving income supplement among them.

Of the registered unemployed, whose group numbered more than 400 thousand even in 1999, 1-1.5 % only made use of this opportunity from the start, despite the fact that, until the cancellation of the income supplementing allocation, in principle this gave those benefiting from such assistance a chance to keep maintain it.

On the other hand, the members of other groups - non-registered unemployed, fresh school-leavers, household workers, persons on child-care leave and even a modest number of persons in employment - too, have called on the labour centres from the start, but the initiative

met with little interest in general: the employed included, in 1999 4,277, in 2000 5,574 students, pensioners and persons on child-care leave actually used the temporary employee's booklet.

TEB booklets were taken out by 11.4 thousand in 1997, after the Act became effective, in the last four months of the year, by 21 thousand in 1998, nearly 18 thousand in 1999 and 23.5 thousand in 2000, but hardly more than half were actually used (1997: 56 %, 1998: 52 %, 1999: 55.8 %, 2000: 55.3 %).

The average number of work-days - distributed in 5-6 occasions a year - was 1.6, and the great majority, almost 90 %, was employed with minimum wage, at least according to the public-burden stamps.

It was likely that interest in the TEB scheme will decrease with the cancellation of the income supplementing allocation in May 2000. In 2000, although 60 % of users still came from the circle of the registered unemployed, the number of income supplement recipients did in fact diminish. On the other hand, the number of the non-registered unemployed, the economically inactive, increased somewhat; and that of persons in employment doubled (from 586 in 1999 to 1,108).

All in all, however, neither the extension of the circle of employers, not the preferences associated with TEB proved sufficient to achieve a breakthrough; the households and small organisations treat temporary work independent of the bureaucratic provisions and minimum wage regulations that cannot be interpreted in this circle.

2.3 Subsidised employment

There is still a great demand for employment assistance to young persons having no work experience, to the long-term unemployed, the Rom and the members of some other social groups. Several forms of assistance have become institutionalised.

- a.) Active employment promotion programmes are mainly funded by the Labour Market Fund (MPA) generated by the regular

contributions paid by the employers and the employees.²⁰ Job-creating investments that used to be part of the active programmes are also funded by MPA. As of 1999, the utilisation of the Fund is managed by the Ministry of Economy in the framework of applications. The National Public Fund for Employment (OFA), supporting the local employment efforts/initiatives of non-profit organisations in the first place, is also assisted by MPA - also by annual tendering.

In 2000, with the alteration of the functions and scope of authority of the ministries, the right of disposal over MPA changed as well. In July 2000, MPA was transferred to the competence of the Ministry of Economy and decisions regarding its allocation to the competence of the Minister of Economy.²¹

Proposals concerning the utilisation of MPA are made by MAT, MPA's Management Body consisting of delegates of the interest representation organisations of employers and employees.

- b.) Beside the Fund's sources, the government has a special budget for public works programmes intended to have priority communal tasks performed while creating job opportunities as well.
- c.) Another special fund, of HUF4.6 billion, is granted under the central budget under the title of employment promotion to the municipalities. In 2000, the municipalities had to offer at least an annual 30 days' work opportunity - so-called *public purpose work*

²⁰ At the end of the eighties, the expenses of unemployment, a phenomenon having emerged as a result of the Bankruptcy Act issued at that time (and affecting no more than three or four business entities), were financed by the general government budget. The Employment Fund as extra-budgetary fund was created in 1988, first of all to finance re-training to prepare for the expected changes in an economy still characterised by labour shortage at the time. From January 1991 on, financial instruments originating from the privatisation proceeds were also transferred to the Employment Fund. The Solidarity Fund was created in January 1991, with employers paying 1.5% of gross wages and employees 0.5% of the same to it. The contribution rates were altered several times; as of 1 January 1999, employers pay 3% of the gross wage expenditure and employees 1.5% of their gross earnings. The name of the Fund, including budgetary sources as well, was changed to Labour Market Fund (MPA) in 1995. Today, MPA unites several funds that used to be managed separately: beside the Employment Promotion (so-called Employment) fund segment, the Solidarity Fund covering the unemployment provisions, a fund generated by the vocational training contributions, to promote vocational training; the fund generated by the contributions of employers to promote the rehabilitation of workers with changed working ability; and the wage guarantee fund, also generated by the payments of employers, to cover wages due to workers of companies having become insolvent.

²¹ The Minister of Economy makes decisions regarding the rehabilitation fund segment jointly with the Minister of Social and Family Affairs and regarding the vocational training fund jointly with the Minister of Education.

- to persons having exited the provision system and receiving social allocation in case of need.

- d.) Beside the above, occasionally supplemented with OFA's support or individually, several non-profit organisations, mostly focusing on specific target groups, provide assistance from domestic and external sources to those in need (e.g. disadvantaged youth, the Rom etc.) to help them get a job or create an independent financial existence.

a.) Programmes covered by the Labour Market Fund

In 2000, some HUF34 billion was spent from the Labour Market Fund on active programmes (HUF2.1 billion on job-creating investments and HUF1.4 billion on the programmes of OFA).

a.1. Programmes implemented through the labour service

After the appearance of massive unemployment, the weight of employment promotion programmes has gradually increased in Hungary. In the course of the years, in accordance with the changing situation, new programmes were designed, earlier initiatives were modified or they disappeared completely if they had not proved efficient enough or fulfilled their task.²²

In 2000, in consideration of the changed circumstances, the Employment Act and its order of execution approved in 1991 and modernised several times during the years were modified. The changes affected the so-called active measures and the rules of their application in many respects.

The earlier major programmes have not changed, but the extent of eligibility and the system of conditions were subject to numerous modifications.

In 2000, in addition to the programmes rolling over from 1999²³, several central training programmes were launched.²⁴

²² This is how wage subsidy to those forced to work reduced hours, the second largest group, disappeared in 1992: in the crisis years, many companies sent their employees on forced leave in the hope that, in case of economic revival, they will again be able to use their full capacity in full working time. Part of the companies concerned actually survived the most difficult times, while others had to lay off their workers. By 1998, the *raison d'être* of this instrument disappeared.

²³ The training of regional development experts with Phare support was finished in 2000; MPA assisted the employment of the new experts by providing them wage subsidy. The programme to improve the situation of those having become unemployed due to the shut-down of the mines in Borsod (1,922 persons by the end of 2000) continued, etc.

²⁴ For example: Quick Start – training to ensure the further employment of employees whose position is endangered by restructuring taking place at the employer's. In the programme finishing in 2001, 600 persons will acquire new qualification; training to promote the economic/social re-integration of those confined to penal institutions prior

Although training programmes are occasionally difficult to distinguish from those aiming at job preservation and placement, the latter objectives are given priority emphasis in central programmes to promote the employment of the homeless. (In 2000, 19 social organisations undertook to investigate the situation of a total of 1,178 homeless persons and to draw 317 people to the programme.) The programme to manage reductions at the Diósgyőr Steel Plant (DAM) and the lay-off of some 15 thousand in connection with the reform of the military forces also began as a complex programme providing assistance of many kinds.

The majority of the employment promotion programmes, matching the local needs, was launched in the counties, with 80% of the assistance funds used by the same.

The most important forms beside training are still public benefit employment and subsidised employment.

Since 1996, the programmes concerned have provided assistance to the shorter- or longer-term employment of an annual more than 200 thousand unemployed. (The annual figures, varying to some extent, do not include the participants of training courses considered economically inactive during the training period, and persons having retired with age exemption during the decade with pension expenses covered from the Labour Market Fund.)

Table 2.15.

Participants of active programmes*

Active measures	<i>persons</i>						
	1994	1995	1996	1997	1998	1999	2000
Public benefit employment	69,674	86,496	141,258	101,208	116,113	120,575	93,441
Wage subsidy	47,772	37,214	29,700	38,497	49,596	51,741	50,971
Subsidy to job-creating investment**	26,115	25,459	25,518	23,418	17,498	17,462	12,420
Subsidy to start entrepreneur's career	12,621	5,609	4,619	4,674	4,343	4,364	4,979
Reduced working time	9,418	3,397	5,663	1,375	-	-	-
Travel expense***	3,414	4,624	4,820	6,000	8,062	10,973	10,094
Programmes for school-leavers			5,850	15,565	23,330	21,073	18,288
Job creation by self employment				1,209	3,027	4,450	5,325
Job preservation				2,299	4,587	9,953	7,157
Contribution payment				574	1,805	2,339	3,876

to release, to 658 persons in 2000; training associated with the public works programmes, to be discussed in more detail elsewhere. Experimental foreign language/IT training will be launched, targeting degree-holder unemployed persons of around 50 years of age.

obligation							
Other	2,014	-	-	-	-	-	-
Total	171,028	162,799	217,428	194,819	228,361	242,930	206,551
Labour market training	93,927	71,182	71,980	75,993	79,604	84,764	88,173
Retirement with age exemption	7,222	6,562	5,382	3,576	1,914	828	133
Total	272,177	240,543	294,790	274,388	309,879	328,522	294,857

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

** Number of those employed at jobs created with subsidy (1991: number of new jobs promised in return for the subsidy.)

*** From 1998 on: mobility subsidy

Source: NEO

Of course, the average number of those qualifying as employed during the year is much smaller than the number of those concerned in some way, and it has also declined a little in recent years.

Table 2.16.

Annual average number of participants of active programmes

<i>persons</i>							
Active measures	1994	1995	1996	1997	1998	1999	2000
Public benefit employment	27,021	24,971	34,094	30,780	30,877	28,867	23,705
Wage subsidy	20,422	14,371	12,268	25,762	29,313	31,369	27,524
Subsidy to job-creating investment*	23,051	23,123	20,694	16,195	12,291	9,433	3,192
Subsidy to start entrepreneur's career	3,668	1,289	1,378	1,410	1,307	1,374	1,506
Employment in reduced working time	1,781	363	899	269	-	-	-
Travel expense reimbursement (mobility subsidy from 1998 on)	1,147	1,955	1,747	2,618	2,926	3,765	4,091
Programmes for school-leavers			2,314	6,096	10,302	8,685	7,816
New measures introduced in 1997**				2,056	4,076	7,149	8,789
Other***	760	-	-	-	-	-	-
Total	77,090	60,072	73,394	85,186	91,092	90,642	76,623
Labour training	30,662	24,059	20,829	22,750	23,039	25,004	26,307
Retirement with age exemption	6,283	5,934	4,406	2,791	1,348	449	45
Total	114,795	96,065	98,629	110,727	115,479	116,095	102,975

* Number of new jobs filled during the year to meet employment obligation

** Cf. assumption of contribution payment obligation, job preservation, subsidy to self-employment and creation of up-to-date jobs, etc.

*** As of 1999, several measures referred to in our earlier publications (e.g., mobility subsidies, massive redundancy and assistance to public benefit organisations) are not registered among the active measures.

Source: NEO

However, a comparison of the rate of those employed with the help of social solidarity to the annual employment growth rate makes it obvious that, at the current job-creating capacity of the economy, employment expansion cannot do without society's support. Since 1992, around 30 % of the Labour Market Fund has been allocated to active measures to promote employment, in 1999 31.9 %, in 2000 27 %. *(Report on the implementation of the Labour Market Fund budget for 2000, ME, MPA Division for Planning and Controlling.)* Without this vast array of programmes, the rate of the registered unemployed, not considered unemployed during their programme participation, would also be higher (by around 2.5 % in 2000 according to the estimates)

a.2. Job-creating investments

The so-called Active Employment Target Appropriation (AFC) to encourage the creation of new jobs, managed by the Ministry of Economy, was appropriated from the Labour Market Fund.

In 2000, AFC was used in three main forms:

- ⇒ To cover tenders announced by the Ministry of Economy. (In 1999 16, in 2000 15 of the enterprises creating most jobs received partly non-refundable assistance and/or credits of a significant amount.)
- ⇒ To cover tenders under the budgets transferred to the five economically most deprived counties. Counties Békés, Borsod-Abaúj-Zemplén, Nógrád, Somogy and Szabolcs-Szatmár-Bereg had special budgets for job creation: in the five counties in question, a total of 81 companies were granted investment support in 2000.
- ⇒ Budgets were decentralised from AFC to every labour centre to provide assistance for job creation locally. A total of 276 applicant companies were granted support, of rather different extents by county, from the county budgets.

Since according to the tender specifications the investment must be terminated within two years, and the new (extra) staff be hired within 90 days starting from the termination of the investment project, the number of labour newly hired in 2000 mostly reflects the results of earlier job creations for the most (cf. Tables 2.15. and 2.16.).

a.3. Programmes of the National Public Fund for Employment (OFA)

OFA continued its programmes to create jobs and improve employability in 2000, targeting mainly the circles of the unemployed, persons with changed working ability, disadvantaged persons - including the Rom and fresh school-leaver youth. 400 applications were submitted to its old and new programmes, and 186 among these were granted support of a total of HUF1.7 billion, supplementary resources attracted for this purpose included²⁵. Part of the programmes (e.g., the ones promoting the employment of the long-term unemployed and the Rom, respectively) directly created a few hundreds of jobs, while others (such as the programme to assist the

²⁵ Such as the subsidy granted by the British Know How Fund. According to the agreement concluded by the British Ministry of Labour and the Hungarian Ministry of Labour in 1993, with the support of the Know How Fund, the "I Work Anew" programme operating with success in Brandford, England, to promote the re-employment of the long-term unemployed will be naturalised in Hungary with the support of the Fund.

agricultural enterprises of settlements damaged by the extraordinary rains and storms) helped preserve jobs. Most people, however, were granted support - mainly with the mediation of non-profit organisations - to enhance their employability. OFA's programmes reached around 30 thousand in need in 1999, and 26.3 thousand in 2000.²⁶

b.) Public works programme

The government has for years provided special funding for programmes targeting communal maintenance/renewal activities of priority importance and creating a temporary job opportunity for the multiply disadvantaged unemployed at the same time.

In 2000, the same as in 1999, the government allocated HUF2 billion to public works. In 1999, the relevant central decision-making process was replaced by regional-level decision-making. Co-ordination functions are performed by labour centres appointed for this purpose, and the regions have their own public works fora consisting of delegates of the county labour centres, the municipalities, the chambers of commerce and the National Gypsy Self-Government.

154 applications were submitted to the central call for applications for assistance to public works, and 52 programme among them were granted support. The programmes employed a total of 6,700 unemployed.

As of 1999, public works programmes can be supplemented with training. In 2000, HUF40 million out of the Labour Market Fund was allocated for catching-up and vocational training programmes. 18 of the subsidised programmes included training, and the Regional Centres for Labour Development and Training trained 1,477 unemployed through employment. The catching-up programmes are intended to improve the labour market chances of the multiply disadvantaged unemployed; and the vocational training programmes (park-keeper, assistant guard, dam and canal keeper, pumping plant machine operator, shelter forest belt planter, etc.) their employment chances subsequent to the public works programme.

²⁶ Maatwerk, a Dutch company having operated in Hungary for years also pursued its activity with OFA's help. So far 300 long-term unemployed found a job with their help in three districts of County Szabolcs-Szatmár-Bereg hit hardest by employment problems. The company has been providing assistance in Szabolcs to promote the job exchange of unemployed persons difficult to place since October 1998. It has offices at Fehérgyarmat, Nyírbátor and Vásárosnamény, employing 3 consultants at each place. It uses a special method implemented with success to assist the long-term unemployed whom they try to place at the employers in the region. {*Világgazdaság*, 1 February 2000. }

In addition to the above, in 2000, the government announced a special public works programme to restore buildings owned by the municipality and used for mandatory functions, and not covered by insurance or in other ways, having suffered damage due to flood and inland waters between November 1999 and May 2000. *{Gov. Order No. 1058/2000. (VII.1.)}*

MPA undertook to organise public works programmes worth HUF1.125 million accompanying the public works programme of HUF125 million of the government. (Cover for that was also provided from the central budget, while the municipalities received 40 % of labour costs.)

The programme affecting more than 400 settlements involved around 4,800 workers, nearly 3,100 among them registered unemployed, for 2-6 months in general.

c.) Public purpose work

The legal regulations amending the system of provisions for the unemployed having become effective on 1 May 2000²⁷ cancelled the income supplementing allocation. No new eligibility could be established after that date, but the allocation was to be disbursed, to a decreasing number of recipients entitled to it month by month, until the end of the period established earlier.

On the other hand, those in need were granted access to the system of social provisions instead of provisions for the unemployed, in accordance with their real situation. In order to assert, in part at least, the principle of „work instead of aid”, the local self-governments responsible for social provisions have to provide those concerned employment for at least 30 days per annum as well. The employment obligation can be realised via public works, public benefit work, or other (public purpose) work organised to have some common task of relevance for the settlement performed. (There is no difference of merit between these forms of employment except for their funding.)

The extension of social provisions to cover those no longer entitled to unemployment benefits, but in need of financial support due to lack of labour income implies new tasks to the settlement self-governments. According to the assessment of the Ministry of Social and Family Affairs (MSFA)²⁸ a monthly average of 31,743 exit some form of unemployment benefits, and some 10 thousand among them

²⁷ Amendment of Act III of 1993 on Social Administration and the Social Provisions.

²⁸ Report on public purpose employment by the municipalities in the year 2000. *{Ministry of Social and Family Affairs, Family Policy Division, 2001.}*

(31 %) enter the local social provision system or remain in it, partly as employed and subsequently as regular social allowance recipient.

Initially, the activity of the local self-governments fell short of expectations. In the beginning of the period concerned, a mere 6% among them launched public purpose employment programmes for a total of 1,200 persons. In May, the programme began in every county (with the exception of the capital), and by December, half of the settlements had already made use of the possibility of public purpose employment. (The settlements still used but a fraction of the budget available in 2000.) More than half of settlements met their 30-day employment obligation through public benefit work and some 700 by organising public works.

Public purpose employment was organised on the largest scale in Counties Baranya, Borsod-Abaúj-Zemplén and Somogy, and used to the largest extent in Counties Borsod, Szabolcs and Hajdú. Counties and regions boasting high employment rates had recourse to this option the least.

It is worth highlighting from among the many experiences described in detail in the relevant report of the Ministry of Social and Family Affairs that, from a population of ten thousands of employed, 2,313 persons only had their entitlement to regular social benefits cancelled due to the violation of the co-operation obligation. Moreover, although part-time work was also available, participants wanted to be employed full-time, because employment for six-hour work-days would have meant a net income hardly exceeding the level of the regular social benefits.

d.) Non-profit organisations

Of the more than 65 thousand non-profit organisations (societies, foundations etc.) active in Hungary at the end of 2000, relatively few were involved in labour market services and assistance to promote the re-employment of the long-term unemployed or members of other disadvantaged groups.²⁹

Even if of a limited scope, the activity of non-profit organisations, mostly founded jointly by the municipality today and hardly known to the wider public, provides irreplaceable help for the management of the twin - social and employment - problems. Numerical data on their

²⁹ The activities of some non-profit organisations having a national network – such as Jóléti Szolgálat Alapítvány (Welfare Service Foundation), Non-profit Vállalkozásokért a Népjóléti Szférában (For Non-Profit Enterprises in the Public Welfare Sector), or the Autónia Alapítvány (Autonomy Foundation) taking an outstanding part in assistance provision to the Rom – are discussed in detail by *Mária Frey's* book: *Munkahelyteremtés a munkaerőpiac fő áramlatán kívül (Job-creation outside the mainstream of the labour market)*, {Budapest, 1997.}

activity are patchy or non-existent, but it is a fact that labour centres rely on their contribution wherever possible to a growing extent.

Assistance of many kinds and of a significant extent based on social solidarity manifests itself in the development of the annual employment data and hence modest growth achieved in 2000 as well. However, beside financial support provided by earners and the efforts of helpers implementing the programmes concerned, often on a voluntary basis, it is increasingly obvious that new approaches must also be adopted to prevent the break-away of the most vulnerable social groups. There are many initiatives throughout Europe and beyond its confines centred on the crucial issue of significant cuts of taxes and contributions associated with the employment of those most in need.

2.4 Employment of Hungarians abroad and foreign labour supply in Hungary

With the progress of the enlargement of the European Union, arguments against the free employment in Europe of residents of the would-be accessor countries, including Hungary, have gathered strength. Although the most ardent protesters, Germany and Austria, suffer from labour shortage in several areas, and would like to receive, among others, highly qualified IT specialists and have needed hundred thousands of seasonal workers in agriculture for many years, they insist on making the employment of third-country residents conditional on authorisation in the future as well.

Limits imposed on the free movement of labour - equivalent to restricting one of the four basic freedom rights of the EU (free movement of goods, capital, services and labour) - intend to maintain the relevant prohibitions *in spite of* the European migration experiences of the past two decades. *SOPEMI Report 2000*, an annual publication presenting the migration processes of the countries of the OECD, indicates the growth of migration at the end of the nineties (considering as migrant a persons leaving his/her regular place of residence and intending to settle down permanently or temporarily in another country for the purpose of studies, family reunion, to find asylum, employment etc.). The Report, analysing inter-continental migration from many aspects, concludes, among other things, that in spite of the growing number of asylum seekers mainly from Asia and certain parts of Africa hit by war, famine, etc., often without papers, “undocumented”, and of labour movement concurrent with the economic upswing, family re-union still represents the mainstream of migration. Although residents of other Member States work in every country of the European Union, with the exception of Luxembourg, their rate is no higher than 0.1-5.4 % of the labour supply of the host country. {*SOPEMI Report, 2000, p. 32.*}

Residents of the prospective accession East and Central European countries, Hungary included, can still undertake work abroad and hence in the Member States of the EU as well exclusively with the authorisation of the host country.

a.) Employment of Hungarians abroad

According to the Labour Account data of 1 January 2000, the number of Hungarians employed abroad (as diplomats, scientific and cultural workers, employees of multinational companies, and persons employed by contract or as seasonal workers included) was 28 thousand in 1998 and 30 thousand in 1999. The majority of those working abroad (legally) did so under bilateral international

agreements.³⁰

Over the past decade, Hungary concluded agreements on the mutual admission of individual workers with several European countries, most recently, in 2000, with France and Romania, but these have not become effective yet. The main objective of the agreements concerned applying occasionally to a few, occasionally to several hundreds of persons is to promote the vocational and foreign language upgrading training of the youth. (The agreement concluded with Slovakia is the only one aiming at mutual employment.)

With the exception of the agreement concluded with the Netherlands, the documents concerned specify quotas to be reviewed annually and to be modified according to the state ever of the host country's labour market.

Most Hungarian workers are employed in Germany and Austria.

In the framework of the organised form established in the early nineties, Germany offers Hungarians an annual ten thousand or so work opportunities of a shorter or longer duration. Part of these apply to individual guest workers (skilled workers exclusively); construction and assembly companies are allowed to work with their own (Hungarian) employees on service contracts won by them; and a total of 3.5-4 thousand seasonal workers can be employed, in function of the relevant demand, in agriculture, in vegetable and fruit processing and in catering. IT specialists have been in demand for years, and some 100-200 university students are received as extra help in the summer months.

Owing to the terms and conditions of the agreements (age, foreign language skills, limits prescribing single occasion, twelve months etc.), it has been impossible to use the German quota to the full for years. (No limits apply to IT specialists, but in spite of the spectacularly announced demand, the number of applicants is hardly more than it used to be.)³¹

³⁰ No information is available on Hungarians working illegally abroad. Presumably, some among those visiting relatives for a shorter or longer period of time, travelling as tourists or using neighbourly or friendly contacts in borderline regions etc. engage in employment occasionally, mainly for other households, depending on the opportunities offered by the given environment. Their number, however, is probably not significant.

³¹ According to the estimate of the head of a company mediating Hungarian IT specialists to German-speaking areas, to the USA and to Ireland, less than one thousand Hungarian programmers are actually working abroad. The head of another company involved in job exchange with Germany since the eighties estimated the number of Hungarian IT specialists working legally or legally in Germany on the basis of a survey carried out in 1997 at two or three hundred. The fast-growing research bases of multinational companies relocated to Hungary tend to offer specialists such conditions as are competitive with those abroad. {HVG, 9 December 2000.}

Under the agreements concerned, in 2000, a total of 12,200 Hungarians worked in Germany. (By way of comparison: of a total of around 2 million foreign workers employed in Germany, in 1998, 33 thousand worked under service contracts, including 5 thousand Hungarians; and there were 200 thousand seasonal workers, including 2.8 thousand Hungarians. {SOPEMI Report 2000, p. 187.}

In Austria, almost 10 % of the employed are foreigners: the Austrian economy needs an annual 300 thousand extra labour, and some 9-10 thousand among them are Hungarians.

The annual 9.5 thousand labour permits use several quotas, from individual work permits to seasonal work. The apprentice exchange scheme quota of 300 was raised to 400 in 2000 and it is used to employ young persons with confectioner's, cook's, waiter's qualification in Austria for 12-18 months. In 2000, the quota applying to daily commuters from the three Hungarian borderline counties typically to Burgenland was raised from 600 to 900.³²

The Austrian economy is more and more dependent on foreign labour,³³ the same as certain Hungarian regions on labour from the neighbouring counties. One of the objectives of the integrating economy of the EU is exactly to allow labour to migrate freely to wherever it is needed. The experience of the European migration trends is that migration is simplest and most frequent between the borderline regions.³⁴

³² In 1999-2000, several studies were prepared on presumed migration scenarios to assist accession to the EU. One paper investigating the Austro-Hungarian relations surveyed labour demand registered with the Austrian labour offices and published in Austrian newspapers. Demand at that time targeted – beside skilled workers of different kinds – especially employees for office occupations requiring higher qualification and for jobs with the lowest pay and prestige, requiring no qualification (e.g., public cleaning). The latter especially, representing around one third of the demand, have been filled in the more well-to-do countries by guest workers from more backward countries in the absence of domestic candidates so far as well. {É. Balogh.-Gy. Pósn: *Munkaerőpiac Ausztriában (Labour Market in Austria)*, *ISM Workshop Papers*, under publication} Otherwise, Austrian employers would be willing to open up. According to a survey by the Fessel market research institute covering 500 companies, 75% of companies suffering from labour shortage would employ labour from the EU Member States and 60% from third countries as well. {*Világgazdaság*, 22 March 2001.}

³³ The commuter quota was raised as of 2001 to 1,200 and that of apprentice employment to 600.

³⁴ One element of the expanding relations between Austria and Hungary – beside joint development projects under the Phare programme, Austrian capital investments to Hungary, Austrian shopping/service-purchase tourism to Hungary etc. – is the teaching of Hungarian pupils, since 1995, at Austrian schools close to the border. Several hundred Hungarian secondary-school pupils commute to these; children are taken to some of the schools by a school bus. {*Világgazdaság*, 6 March 2001.}

The employment agreement concluded between Hungary and Slovakia testifies to the same. The intention to mutually authorise the employment of 800-800 persons, however, has so far resulted in a unilateral process, as Hungarians have not made use of their Slovakian opportunities. (Similarly to the apprentice exchange schemes with several countries, the residents of the more prosperous countries typically do not wish to work under worst income conditions.)

As for the rest of agreements concluded with the other European countries, these have a contact-building role in the first place. Anyway, apart from a few niche markets, the foreign employment of Hungarians plays a marginal role in Hungarian employment overall. Work abroad for some time, involving less than 1 % of the employed, may be highly useful for the individual in several respects (in terms of work experience, higher income, familiarisation with a different culture, foreign language acquisition etc.), but it also has its price, from the expenses of living abroad to the many difficulties of integration. It is not surprising that members of a few social groups only (desperate Rom, adventurous youth etc.) undertake such ventures without weighting the chances. The low Hungarian mobility propensity registered by public opinion polls for years is indicative of the fact that potential Hungarian labour would only engage in work abroad in case of appropriate job offers, taking carefully into account the other circumstances involved as well, in the future also.

b.) Foreign workers in Hungary

Despite the generally low level of employment in Hungary, in the past decade, certain areas and activities have emerged that cannot or can only partly be supplied by domestic labour. Although since the early nineties, Hungary, too, has taken measures to protect its labour market and to reserve domestic labour opportunities to its own citizens in the first place, the economy had a need for extra labour from abroad even in the most difficult years. The Hungarian economy hosted some 20 thousand foreign workers annually in the course of the decade. 1999 was the first year when their number approximated 30 thousand (at 28.5 thousand), and in 2000, it exceeded that level: 35 thousand foreigners were employed legally in Hungary. (This order of magnitude is obviously as modest as that of Hungarians employed abroad, and the authorisation procedure is not simpler either.)

As in the previous years, foreign workers mostly came from the neighbouring, former socialist, countries, mainly, traditionally, from Romania. Foreigners assigned to the category of „others” by statistics - of a modest number anyway, and somewhat less numerous in 2000 than in the previous year - came all over the world, around half of them (2,374) from the Member States of the EU.

Table 2.17.

Number of valid labour permits*

Nationality of the employee	Distribution of valid labour permits				in 2000			
	1999		2000		manual worker		non-manual worker	
	no.	%	no.	%	Total	of which: skilled worker	Total	of which: degree-holder
Romanian	14,132	49.7	17,235	49.2	12,382	6,866	4,853	2,335
Polish	544	1.9	294	0.8	221	189	73	32
Chinese	1,397	4.9	2,054	5.9	1,667	1,062	387	130
former Yugosl.	1,238	4.4	1,400	4.0	898	531	502	232
former Soviet	4,028	14.1	5,157	14.7	4,206	2,666	951	670
Czech	34	0.1	56	0.2	24	12	32	15
Slovak	972	3.4	2,856	8.2	2,629	1,402	227	156
Vietnamese	435	1.5	726	2.1	587	274	139	52
other	5,689	20.0	5,236	14.9	2,469	1,678	2,767	2,129
Total	28,469	100.0	35,014	100.0	25,083	14,680	9,931	5,751
%	-	-	-	-	71.6	58.5	28.4	57.9

* On 31 December, extensions included.

Source: Data released by NEO.

The provisions governing the employment of foreigners in Hungary having come into force on 1 January 2000 alleviated further the previous strict principles and procedures.³⁵

Despite the persistence of the basic principles (e.g., Hungarian labour must be given priority in filling a vacancy), as well as of many minute stipulations of the authorisation procedure, obviously, an effort was made to adjust to the current demands of the economy.

For example, the range of activities not subject to mandatory authorisation was extended. In accordance with the relevant international standards, no labour permit is needed for the Hungarian employment of entrepreneurs, independents, senior staff of business companies with foreign participation, for refugees possessing documents authorising permanent residence or asylum seekers with documents authorising temporary residence, and for immigrants. Certain persons - e.g., key personnel of companies in foreign ownership, university professors, artists, sportsmen - obtain the permit automatically if the relevant conditions are met. This circle has been

³⁵ The foundation of the regulations concerned was laid by the Employment Act in 1991. The specific provisions have been subject to modification several times in the meanwhile, partly to facilitate foreign investments and partly in line with the requirements of Hungary's accession to the European Union. The most recent, comprehensive, modification is the one under MSFA Order No. 8/1999.(XI.10.).

extended to other areas of sports and education as well and also to close relatives of foreign workers in employment in Hungary for at least 8 years having lived in the country for at least 5 years, etc.

The easing of the constraints, the slight simplification of the authorisation procedure obviously contributed to the abatement of tensions having manifested themselves in certain areas of the economy.³⁶

The demand for labour permit holders is keenest in three areas: first in diverse areas of manufacturing, then in construction and almost on the same level at commercial and catering companies. Three-quarter of foreign workers was employed in these three areas, and while the relevant demand decreased relative to 1999 in several other branches, the three priority areas employed ten thousand more than in 1999.

Table 2.18.

Branch distribution of labour permit holder foreign workers,
31 December 2000

persons

Branch*	Citizenship									Total
	Romanian	Polish	Chinese	former Yugoslav	former Soviet	Czech	Slovak	Vietnamese	other	
A+B	1,691	-	5	47	65	-	7	-	28	1,843
C	568	-	-	3	74	-	-	-	16	661
D	4,064	124	10	331	913	6	2,470	3	1,452	9,373
E	62	1	2	2	10	2	-	-	24	103
F	5,509	50	43	99	2,592	-	63	2	154	8,512
G+H	3,298	107	1,655	387	964	29	97	702	1,077	8,316
I	105	-	6	61	27	-	20	-	414	633
J	157	1	4	40	46	2	4	1	69	324
M	380	6	1	91	218	3	74	2	542	1,317
N	492	-	3	43	99	-	33	-	105	775
O	909	5	325	296	149	14	88	16	1,355	3,157
Total	17,235	294	2,054	1,400	5,157	56	2,856	726	5,236	35,014

*: **A+B** = Agriculture, forestry, fishing; **C** = Mining; **D** = Manufacture; **E** = Electricity, gas, steam, water supply; **F** = Construction; **G+H** = Trade, catering; **I** = Transport, post, telecommunication; **J** = Financial intermediation; **M** = Education; **N** = Health and social care; **O** = Sports, cultural and other services.

Source: Data released by NEO

³⁶ Of course, labour permits allow to ease the chronic labour shortage of several areas in part only. According to the estimates, one third of the necessary nursing staff is missing: 52 thousand of the necessary 80 thousand are working. Although in 2000, several nurses have been "imported" from ethnic Hungarians living abroad, but the gaps could not be filled this way either, especially considering the significant outward migration from this line of occupation. {*Világgazdaság*, 24 January 2001.}

Except for Polish workers, not numerous anyway, whose number continued to decrease in 2000, guest workers from every country covered by the registration became more numerous. The fastest to grow (by more than 3 thousand) was the number of Romanian guest workers, typically ethnic Hungarians whose employment in Hungary is facilitated considerably by information/assistance received from those having resettled here, as well as familiarity with the language. Members of this group are to be found in every branch of the economy, especially construction, manufacturing and trade/catering.

The second largest foreign group came from the former Soviet Union, essentially the borderline regions of Ukraine populated ethnic by Hungarians who also speak the language for the most. The majority is employed in construction.

The third largest group consists of those having come from Slovakia, whose number suddenly increased in 2000. The Hungarian employment of this group, having numbered less than one thousand earlier, and also recruited from borderline settlements, was boosted by the employment agreement concluded between the two countries in 1999. The employment of those living across the border was most important to companies located in County Győr-Sopron, having experienced labour shortage for years. Beside the labour permits issued earlier and extended, in 2000, 400 permits valid for one year (and optionally extendable for another year) could be issued to the citizens of one country intending to work in the other, and an additional 400-400 could engage in seasonal work for a period of six months. (On the basis of the experiences, the agreement was modified as of 2001: the annual employment quota was raised to 800 persons, while the number of seasonal work permits, less in demand, was reduced to 200.)

Although Hungarians did not grasp the opportunity to work in Slovakia (in 2000, five persons only applied for authorisation), Slovakian guest workers were welcome especially in the newly established, larger, foreign-owned plants of the manufacturing industry.

Within the economy requiring both skilled and unskilled labour, labour permit holders coexist with those employed illegally.

Although the risks of illegal employment are increasing - employers run the risk of serious penalties, employees can be expelled from the country, APEH may close down a business employing workers illegally etc. - growing wages and employment costs increase the temptation to evade the regulations.

The inspections held by the National Occupational and Labour Safety Chief Inspectorate (OMMF) in 2000 identified more illegally

employed persons, including several foreigners, than before. OMMF checked some 48 thousand employers. The inspections covered many areas, from the labour contracts to the safety of the instruments of labour and compliance with working-time regulations, and irregularities of a smaller or larger scale were found at around one third of employers, including the illegal employment of 2,363 foreign workers. (In 1998, 1,956 such cases were revealed and in 1999 1,774.) This is a modest rate compared to the 35 thousand strong population of labour permit holders, but the experience is that the inspections reveal but a fraction of such cases. All the more so since the majority of the employers concerned are small construction, agrarian, catering and commercial businesses that are seldom inspected.³⁷

2.5 Registered labour demand

The semi-annual short-term forecasts prepared by NEO in March and September and referred to already predicted marked staff changes in 2000 (decrease by 167 thousand in the second half, and growth by 3 thousand more, i.e., 170 thousand).

The slowly but steadily growing demand typical in the first place of manufacturing companies with more than 300 staff occasionally meets with labour shortage. More than 18 % of the companies visited in the course of the survey indicated labour shortage, present for years in certain jobs, and gradually increasing through the years. According to the report: „Structural tensions are still most marked in the manufacturing industry, where every fourth organisation faces this problem. According to our estimate, there are around 35-36 thousand permanently unfilled vacancies at the level of the national economy, 5 thousand more than one year ago”. *{Short-term labour market forecast, 1st half 2001, NEO, p.76.}*

Nearly 40 % of the companies preparing the forecast have been unable to use their capacities to the full for years, in the first place owing to insufficient domestic demand, but labour shortage was also a priority cause. Labour shortage, representing 11 % of all causes, is globally 3-4 % in the priority branches of the economy. The shortage of skilled labour is highest in manufacturing, at 11 %, and in the textile industry within it, where it is more than 40 %.

³⁷ Unregistered employment is, of course, not limited to the employment of foreigners; according to the relevant experiences, pre-eminently Hungarians are employed this way. According to the figures of the National Trade Association of Construction Entrepreneurs (ÉVOSz), 25% of the inspected construction industrial companies conclude no contract with their employees and 27% do not even pay them the minimum wage, and do not pay the State taxes and social insurance contribution. *{Napi Gazdaság, 27 December 2000. }*

Business organisations try to satisfy more than one third of their labour demand (36.5 %) through the labour service. The second most frequent way is by job announcements (25.3 %) and recruitment in other ways (25.5 %). 11 % of jobs are filled by application, and 1.6 % only by private job exchange.

The most stable clients of the labour service are agricultural and construction companies, obviously not independent of the considerable demand in these branches for workers with no skills, available in large numbers in the registration system of the unemployed.

According to the forecast for the first half of 2001, in the second half of 2000, balanced economic growth has rendered the companies net labour absorbers on average.

2.5.1 Development-related labour demand

The labour demand was enhanced, as in previous years, by the development projects realised by (mainly foreign) companies at their established business premises and in connection with greenfield investments.

The foreign capital influx continued in 2000. Foreigners - this time mainly Dutch, German and American companies - invested EUR2,13 billion, i.e., more than the EUR1.85 billion in 1999, to Hungary.

As mentioned already, foreign-owned companies employed a total of 584 thousand in 1999, 3.4 thousand more than one year earlier. Although no data are available on 2000 yet, the newspapers report investments, mainly by foreigners, to launch/upgrade all sorts of activities every day from all over the country. (Beside the already mentioned government subsidy, job creating investments are often supported by the municipalities and the regional development funds as well.)

As has been the case for years, the majority of the sometimes hundreds, sometimes a few or a few dozen new jobs was created by developments in three almost fully foreign-owned branches: computer, motorcar and telecommunications equipment manufacture.³⁸ New production units typically manufacture sub-units

³⁸ According to the assessment of Ecostat, the dynamic growth of industrial productivity is due to the results of these three branches above all, having contributed 47% of the industrial output in 1999, while employing 9% only of industrial workers. Despite forceful output growth (office machinery and computer manufacture increased by almost 300 in the nineties, the manufacture of public road vehicles by 9, that of telecommunications equipment to 14), the staff increase was not significant, for internationally competitive technology is highly labour-saving. {*Napi Gazdaság*, 29 November 2000. }

or do assembly work. As before, many multinational companies have been followed by their traditional suppliers relocating their manufacturing activity as well.³⁹ Smaller Hungarian companies can mostly co-operate by supplying such suppliers.

The new jobs mostly require skilled labour, but the higher the labour demand of the company, the more likely it is that real demand will focus on work typical in the context of mass production, that is, assembly-line work reduced to a few repetitive motions that can be trained quickly. In the areas showing dynamic development such jobs have been relocated in masses to Hungary, replacing the former products of the domestic large companies having gone bankrupt in the beginning of the decade by technically more demanding products requiring, however, essentially the same type of work.

At the other extreme of the qualification scale, the demand for highly qualified professionals has continued to increase, too.⁴⁰

The economy - and typically investments serving the modernisation of the industry - is highly sensitive to the economic trends. Occasionally, competition, shrinking demand or simply business policy considerations may make the owners implement, even parallel with development, staff reduction, plant closure or relocation to some other place.⁴¹

³⁹ Relocation occasionally involves the liquidation of earlier production bases. Átag, a Dutch company, relocated the manufacture of stoves to Hungary, transferring the production lines from the Netherlands. *{Napi Gazdaság, 1 June 2000.}* The American steel construct manufacturer Butler Manufacturing relocated its European manufacturing centre from Scotland to Nyíregyháza in the framework of a USD2 million investment project. *{Napi Gazdaság, 3 July 2000.}* In early 1999, Mustang, a jeans manufacturing company, laid off 150 workers and terminated production at its plant in Germany and started to invest in production at their Hungarian plant. *{Napi Gazdaság, 14 February 2000.}* FAG, developing the manufacture of motorcar bearing parts at Debrecen, Hungary, reduced its staff in Germany by 40, relocating the manufacture of such products to Hungary as could no longer be manufactured profitably in Germany. *{Világgazdaság, 2000. január 27.}*

⁴⁰ The American Compaq relocated its international development base to Budapest. The already established and the planned development centres together will demand several thousands of mainly freshly graduated engineers. *{Világgazdaság, 25 January 2000.}* FESTO-AM Kft., a German family enterprise making continuous developments in Hungary and employing a total of 270 staff already is permanently short of well-trained engineers having foreign language skills. *{Világgazdaság, 6 March 2000.}* General Electric Hungary intends to employ 400 manual and 200 non-manual workers at its new plant at Veresegyháza. *{Világgazdaság, 14 June 2000.}*

⁴¹ Knaus Magyarország Kft, while creating a new plant employing 80 staff with an investment of HUF800 million, made redundant 20 at an older unit due to the reduction of production there. *{Napi Gazdaság, 14 February 2000.}* Flextronics International having become one of Hungary's largest employers opened its plant at Zalalövő employing 240 staff in 2000. *{Világgazdaság, 9 November 2000.}*, and, within a few months' time, started staff reductions there and at other plants as well

2.5.2 The discrepancy of the (registered) labour demand and supply

Lively labour movements in 2000 were concurrent with a slightly lower number of vacancies registered with the labour service than in 1999 (50 thousand on monthly average as opposed to 51.3 thousand). Registered demand includes subsidised jobs. Despite the slight decline, the increasing labour demand trend of years continued (in 1995, it was 28.7 thousand on monthly average, in 1996 38.3 thousand, in 1997 42.5 thousand, in 1998 46.6 thousand), but this was probably due, in addition to the improving economic situation and the more competent activity of the labour service, to the expansion of the programmes offering subsidised employment.

Although the monthly 50 thousand registered vacancies is still a modest amount compared to the number of the registered unemployed, and apparently part of it does not reflect real demand (e.g., the job has already been filled, but this was not reported to the labour centre). Another part cannot be satisfied from the available supply of the unemployed in the given region due either to the conditions set by the employer (working time, circumstances of work, wage) or because it requires special qualifications. However, since around one third only of the real demand actually appears at the labour service, the registered unemployed can obviously find a job without the contribution of the labour service as well.

In 2000, a monthly average of 7,628 registered unemployed were placed through the labour service, 6,154 among them to subsidised jobs. A total of 91,531 persons were placed during the year, 10 % more than in 1999 (83,199).⁴²

due to the decrease in orders. *{Napi Gazdaság, 22 March 2000.}* What is more, they started to relocate part of its manufacturing activity from Nyíregyháza to Ukraine. *{Világgazdaság, 27 February 2001.}*

⁴² Note that the number of placements was highest in 1994 at 134.8 thousand, and it was still higher than one hundred thousand in 1995 (102.8 thousand) and in 1996 (100.7 thousand). Placements in the net job loser economy of that period probably meant short-term subsidised jobs such as public benefit work for the most.

Table 2.19.

Number of registered vacancies, of the registered unemployed, of the beneficiaries of unemployment benefits and of the re-employed among them, 1999-2000

Ref. date	No. of vacancies*	Registered unemployed (no.)	Vacancies in % of the unemployed	Closing stock of unemployment benefits recipients** (no.)	Re-employed		
					no.	% rate to job vacancies	% rate to benefit recipients
1999							
Jan.	43,418	434,692	10.0	156,803	5,151	11.9	3.3
Feb.	49,451	442,552	11.2	151,907	6,117	12.4	3.9
March	52,024	437,515	11.9	148,027	10,297	19.8	7.0
April	51,060	421,716	12.1	138,821	11,530	22.6	8.2
May	52,575	406,266	11.4	135,592	7,848	14.9	5.8
June	54,068	394,371	13.6	133,221	6,134	11.3	4.6
July	54,826	400,644	13.7	132,675	6,614	12.1	5.0
Aug.	53,919	396,841	13.9	132,248	5,351	9.9	4.0
Sept.	56,019	397,185	14.1	130,893	8,491	15.2	6.5
Oct.	55,327	389,377	14.2	135,566	6,581	11.9	4.9
Nov.	49,808	388,558	12.8	141,458	5,646	11.3	4.0
Dec.	42,579	404,509	10.5	150,389	3,439	8.1	3.3
Average:	51,271	409,519	12.5	140,717	6,933	13.5	4.9
2000							
Jan.	41,648	432,090	9.6	164,196	5,186	12.5	3.2
Feb.	46,205	437,675	10.6	158,464	7,946	17.2	5.0
March	47,926	427,871	11.2	150,513	12,342	25.8	8.2
April	48,841	411,066	11.9	139,201	12,495	25.6	9.0
May	52,621	389,631	13.5	130,347	8,427	16.0	6.5
June	55,797	375,265	14.9	122,451	7,938	14.2	6.5
July	52,123	376,881	13.8	121,839	5,912	11.3	4.9
Aug.	53,906	369,750	14.6	119,279	5,812	10.8	4.9
Sept.	57,254	368,612	15.5	115,410	8,979	15.7	7.8
Oct.	53,340	363,198	14.7	117,001	6,747	12.7	5.8
Nov.	51,153	361,457	14.2	118,820	5,811	11.4	4.9
Dec.	39,183	372,409	10.5	122,458	3,940	10.1	3.2
Average:	50,000	390,492	12.8	131,665	7,628	15.3	5.8

* Closing stock; job vacancies at the end of the month.

** Not including beneficiaries of income supplement, whose monthly average number was 159.8 thousand in 1999 and 143.5 thousand in 2000.

Source: NEO, monthly reports.

As usual, the registered demand showed monthly and seasonal fluctuation in 2000: the September peak exceeded the December nadir almost by one third.

For years, the demand has focused - with slight fluctuations - on manual workers, including a decreasing proportion of skilled and an increasing proportion of semi-skilled workers. According to the year-end (December) closing-day data:

*Table 2.20.***Registered labour demand**

Year, Dec.	Demand no.	of which, %:				
		Skilled	Semi-skilled	Unskilled	Manual	Non-manual
					together	
1993	28,089	45.8	23.5	7.2	76.5	23.5
1994	30,806	49.0	27.3	8.2	84.5	15.5
1995	26,756	52.1	24.3	11.8	88.2	11.8
1996	35,540	51.7	22.5	10.2	84.4	15.6
1997	36,307	51.0	26.4	8.9	86.3	13.7
1998	40,952	46.5	31.6	10.6	88.7	11.3
1999	42,579	47.0	30.3	11.9	89.2	10.8
2000	39,183	38.3	36.8	14.0	89.1	10.9

Source: NEO

It is still impossible to tell how many of the newly placed persons acquired a permanent job. Presumably, the demand for skilled workers reflects real demand for vocational skills; and the demand for semi-skilled labour of the multiplying mass-production plants created by foreign investments is also real. It is also quite obvious that candidates for non-manual jobs are typically not looked for through the employment service.

Part of the registered demand can never be met from the supply of the registered unemployed owing to the discrepancy between the demand specifications and the endowments of the unemployed. At the end of 2000, the discrepancy was relatively small: a fraction only of the demand proved lasting, i.e., impossible to satisfy within six months.

Table 2.21.

**Number and rate of job vacancies registered for more than 180 days,
December 1993-2000***

Year (December)	Total no. of registered vacancies	of which: registered for more than 180 days	
		no.	%
1993	28,089	2,918	10.4
1994	30,806	4,719	15.3
1995	26,756	931	3.5
1996	35,540	4,487	12.6
1997	36,307	5,895	16.2
1998	40,952	4,851	11.8
1999	42,579	4,134	9.7
2000	39,183	2,894	7.4

* Closing stock

Source: NEO

Of course, the composition of both the demand and the supply has changed during the years. Within the group of vacancies unfilled for

more than 6 months, totalling 2.9 thousand at the end of 2000, the largest segment is that of jobs offered to skilled workers - probably, the representatives of the vocations in demand are absent from among the registered unemployed. The situation is similar for non-manual jobs.

Table 2.22.

**Number and rate of vacancies registered for more than 180 days,
December 1998-2000***

Status	1998			1999			2000		
	Demand	of which: 180+ days		Demand	of which: 180+ days		Demand	of which: 180+ days	
	no.	no.	%	no.	no.	%	no.	no.	%
Skilled	19,049	2,824	14.8	20,009	2,393	12.0	15,003	1,383	9.2
Semi-skilled	12,922	1,401	10.8	12,912	1,271	9.8	14,422	862	6.0
Unskilled	4,340	141	3.2	5,083	150	2.8	5,485	155	2.8
Manual, total	36,311	4,366	12.0	38,004	3,814	10.0	34,910	2,400	6.8
Non-manual	4,641	485	10.5	4,575	320	7.0	4,273	494	11.6
Total	40,952	4,851	11.8	42,579	4,134	9.7	39,183	2,894	7.4

* Closing stock

Source: NEO

The actual vocation-specific labour demand can be reconstructed from the summary of NEO attached to its semi-annual forecasts. From among the occupations most/least in demand broken down by county, we shall present those below that are indicative of the relevant national demand, i.e., where it concerns more than 150 persons.

Vocations, occupations in demand:

Manual, unskilled: road-builder
chambermaid

Manual, skilled:

Manufacture:

- * *Food industry:* workers in meat processing, preservation, milling, machine operators, baker and pastry assembly-line, sugar industry, tobacco manufacture workers;
- * *Textiles, clothing, leather products:* machine operator, tailor, sewing assistant, spinner, model maker, light industrial machine operator, other clothing, hide worker, leather worker/processor, machine operator;
- * *Wood industry:* cabinet-maker, upholsterer;
- * *Chemical industry:* plastic processor, rubber product manufacturer;
- * *Metallurgy:* foundry hands;

- * *Engineering*: product-line assembly worker, cutter, locksmith, welder, flame-cutter, electric mechanic, mechanic, general iron and metal industrial occupations

Construction:

Carpenter, scaffolder, electrician, mason, building joiner, heavy excavation machine operator

Transportation:

Bus driver, other vehicle driver, trolley driver

Personal services:

Shoe-making, vulcanizer, bath operator's occupations

Non-manual:

- * mechanical engineer, low-voltage electrical engineer;
- * general nurse, assistant;
- * IT administrator

Occupations less in demand than before:

Manual jobs: fruit producer, solid minerals producer, pharmaceuticals machine operator

Non-manual jobs: insurance administrator, securities and foreign-currency dealer, other business administrator

The occupations in demand include some that have been shortage vocations for years (seamstress, nurse, engineer), in demand again for some reasons (e.g., due to new investments). Demand - occasionally short-term demand registered in the micro sector that may show relatively marked differences by county/region as well - does not necessarily reflect long-term changes.

Figure 5.

Employment rate of the 15-64 year-old by county, 2000

National ratio: 56.4%

Source: *LFS, Time Series, 1992-2000*, CSO, 2001.

3. UNEMPLOYMENT

3.1 The Hungarian unemployment rate

As pointed out in our former publications, similarly to numerous other concepts, unemployment is determined differently in the Member States of the European Union. The differences depend on many factors, including the definition of working age, as well as national regulations concerning unemployed status, limits on the extension of unemployment benefits, etc.

In order to ensure comparability, the countries belonging to the OECD, thus the EU Member States, too, use standard definitions based on the recommendation of the ILO, yielding quantified results that may be only partially in line with data derived from national regulations. The EU valuations are based exclusively on data received on the basis of jointly accepted definitions and methods. These are considered applicable to the Member States and the community of the Union.

There are two calculation methods in Hungary, too. One is registration based on national regulations, and the other one contains the figures based on the ILO recommendations, received from the quarterly Labour Force Survey. The two types of data differ from each other in contents and size. In international comparison, similarly to the Member States of the European Union, the situation of Hungary is evaluated on the basis of data calculated from common principles and methodology.

First we shall describe the results of this latter method.

3.1.1 Labour force survey

Parallel with the registration kept by the National Employment Office, since 1992, the Central Statistical Office has also surveyed the labour market situation, the rate of unemployment included, of the population.

According to the criteria of the CSO survey, of the people aged 15-74, those are considered unemployed who, during the examined period.

⇒ did not work (and had no job from which they were temporarily absent);

⇒ were actively looking for a job in the four weeks preceding the survey;

⇒ were available, i.e., could take up work in two weeks if they found an adequate job;

or

⇒ have already found a job where they would start working within 30 days.

Hence the survey disregards whether the subject had had a job earlier or whether he/she is a pensioner, considering him/her unemployed if he or she wants to work and meets the above criteria. (Note that, the same as for the employed, the latest valuations based on international comparisons apply the upper age limit of 64 to the measurement of unemployment as well.)

In the year 2000, 262 thousand people considered themselves active job-seekers willing to work, i.e. unemployed; 159 thousand men and 103 thousand women. The rate of unemployment - 6.4 % - is close to that of European countries with low unemployment.

Figure 6.

Unemployment rates, 1992-2000.

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

The steady decline for years in the number of those regarding themselves unemployed indicates the improvement/consolidation of the economy. However, the low number of the employed, and the permanently high number, in excess of 100 thousand, of passive people willing to work, but having given up active job search is a sign of warning: one must not treat the unemployment rate as an independent success factor taken out of the context of the labour market overall, however dynamic its decline. It is not accidental that

the EU considers the increase of the rate of *employment* as the most important indicator.

According to the distribution by age groups, the age group of 40-54 includes the highest number of those intending to work, followed by the age groups of 30-39 and 20-24, in that order.

Table 3.1.

Distribution of the unemployed by age and gender

thousand persons

Age group	1996	1997	1998	1999	2000
	January-December				
15-19					
male	23.8	19.0	16.1	12.6	10.3
female	15.3	13.5	12.2	8.7	7.3
all	39.1	32.5	28.3	21.3	17.6
20-24					
male	43.7	42.1	40.0	36.0	33.8
female	23.5	21.3	19.3	21.3	19.3
all	67.2	63.4	59.3	57.3	53.1
25-29					
male	33.4	29.8	26.7	25.7	25.5
female	21.1	15.2	16.6	14.9	15.3
all	54.5	45.0	43.3	40.6	40.8
30-39					
male	61.9	50.3	42.0	42.6	35.4
female	39.1	34.7	29.2	28.9	24.4
all	101.0	85.0	71.2	71.5	59.8
40-54					
male	72.1	63.0	57.0	48.8	48.1
female	52.7	45.6	41.8	39.2	35.1
all	124.8	108.6	98.8	88.0	83.2
55-64					
male	7.8	8.4	5.7	4.9	6.2
female	3.5	2.9	3.0	0.9	1.3
all	11.3	11.3	8.7	5.8	7.5
65-74					
male	1.0	1.5	1.7	0.1	0.2
female	1.2	1.5	1.7	0.1	0.3
all	2.2	3.0	3.4	0.2	0.5
male	243.7	214.1	189.2	170.7	159.5
female	156.4	134.7	123.8	114.0	103.0
all:	400.1	348.8	313.0	284.7	262.5
Passive unemployed	101.0	93.7	110.4	109.1	106.9

Source: *LFS, Time Series, 1992-2000, CSO, 2001*

Among the youngest, the 15-19 year-old, there are relatively few active job-seekers; there are even fewer in the group of those above 55. The moderate extent of job search in this latter category (involving a total of 8 thousand people only) indicates the opportunity of relatively early withdrawal from the labour market implied by what is still a low retirement age compared to the European average, as well as the lack of solutions for the employment of older people in the organised economy.

Table 3.2.

Distribution of the unemployed by age group and gender

%

Year Jan.-Dec.	Age group (total = 100)							Unemployment rate*
	15-19	20-24	25-29	30-39	40-54	55-64	65-74	
Men								
1992	10.8	17.6	12.7	28.1	26.2	4.2	0.4	10.7
1993	10.7	17.8	11.5	27.2	28.0	4.0	0.8	13.2
1994	10.4	18.7	12.0	26.6	27.9	3.2	1.1	11.8
1995	11.0	17.9	12.6	26.8	28.3	3.0	0.4	11.3
1996	9.8	17.9	13.7	25.4	29.6	3.2	0.4	10.7
1997	8.9	19.7	13.9	23.5	29.4	3.9	0.7	9.5
1998	8.5	21.1	14.1	22.2	30.1	3.1	0.9	8.5
1999	7.4	21.0	15.1	25.0	28.6	2.9	-	7.5
2000	6.5	21.2	16.0	22.2	30.1	3.9	0.1	7.0
Women								
1992	12.1	12.7	11.9	30.2	29.4	3.0	0.7	8.7
1993	12.2	13.1	11.7	29.2	28.0	3.6	2.2	10.4
1994	11.2	14.4	11.4	29.9	28.5	2.3	2.3	9.4
1995	10.8	14.2	10.9	30.0	31.3	2.1	0.7	8.7
1996	9.8	15.0	13.5	25.0	33.7	2.2	0.8	8.8
1997	10.0	15.8	11.3	25.8	33.9	2.1	1.1	7.8
1998	9.9	15.6	13.4	23.5	33.8	2.4	1.4	7.0
1999	7.6	18.7	13.1	25.3	34.4	0.8	0.1	6.3
2000	3.2	18.8	14.9	23.5	34.0	1.3	0.3	5.6
Aggregate								
1992	11.3	15.6	12.4	28.9	27.5	3.6	0.6	9.8
1993	11.3	16.0	11.6	28.0	28.0	3.8	1.3	11.9
1994	10.7	17.0	11.8	27.9	28.1	2.9	1.6	10.7
1995	10.9	16.5	12.0	28.0	29.5	2.6	0.5	10.2
1996	9.8	16.8	13.6	25.2	31.2	2.8	0.5	9.9
1997	9.3	18.2	12.9	24.4	31.1	3.2	0.9	8.7
1998	9.0	19.0	13.8	22.7	31.6	3.8	1.1	7.8
1999	7.5	20.1	14.3	25.1	30.9	2.0	0.1	7.0
2000	6.7	20.2	15.6	22.7	31.7	2.9	0.2	6.4

* Rate of the unemployed to the economically active (employed + unemployed).

Source: LFS, Time Series, 1992-2000, CSO, 2001.

The relatively low unemployment of the youngest and of the older age groups also means that the majority of job-seekers belong to the group of those of prime working age.

The majority (56 %) are newly registered unemployed, having had a job within the preceding 12 months or having started to look for a job then. However, the minority are long-term unemployed; 60 thousand persons (23 %) have been looking for a job for 1-2 years, a further 26 thousand for three years, and approximately 29 thousand for more than three years.

Table 3.3.

Number of the unemployed *by duration of the job search period

thousand persons

Period of job search	1996		1997		1998		1999		2000	
	no.	%	no.	%	no.	%	no.	%	no.	%
less than 1 month	19.9	5.1	16.1	4.9	12.9	4.4	14.9	5.2	16.7	6.4
1- 3 months	46.4	12.0	43.7	13.3	44.2	15.0	43.6	15.4	38.5	14.7
4- 6 months	49.3	12.7	45.9	14.0	44.5	15.2	38.7	13.7	35.0	13.4
7-11 months	61.5	15.8	54.4	16.5	45.7	15.6	45.7	16.1	42.8	16.4
12 months	18.2	4.7	15.7	4.8	16.0	5.5	13.2	4.7	12.7	4.9
Less than 12 months:	195.3	50.3	175.8	53.5	163.3	55.7	156.1	55.1	145.7	55.8
13-18 months	56.1	14.4	44.5	13.5	39.0	13.3	38.0	13.4	36.9	14.1
19-24 months	37.1	9.5	31.1	9.4	27.6	9.4	26.8	9.5	23.7	9.1
25 months or more	100.2	25.8	77.3	23.5	63.5	21.6	62.2	22.0	55.0	21.0
Long-term unemployed	193.4	49.7	152.9	46.5	130.1	44.3	127.0	44.9	115.6	44.2
Total	388.7	100.0	328.7	100.0	293.4	100.0	283.1	100.0	261.3	100.0
Average period of job search (month)	18.8		17.5		17.0		17.1		16.8	

*Not including those starting a new job within 30 days

Source: *LFS, Time Series, 1992-2000, CSO 2001.*

From among the job-seekers, 38 thousand people (14.5 %) have not worked at all, and 20 thousand (7.3%) had been employed last more than 8 years earlier. During the year, 1,218 indicated that although they were still unemployed, they could start a job within 30 days.

The majority of those in employment previously (94.3 %) worked as employees. In accordance with the changes in ownership and organisations, the number and ratio of co-operative members are continuously declining among the unemployed, too: their ratio was still 6% among the 400 thousand unemployed in the beginning of the decade fell below 1 % in the year 2000.

Table 3.4.

Number and distribution of the unemployed* by nature of last job

Employment status	1992	1993	1994	1995	1996	1997	1998	1999	2000
Employee ‘000 %	347.1 86.9	391.7 89.4	336.5 90.6	320.8 91.9	312.0 93.0	262.4 92.7	230.2 93.4	217.4 95.4	193.6 94.3
Co-op. Member ‘000 %	24.5 6.1	21.2 4.8	14.0 3.8	11.0 3.1	6.9 2.1	4.3 1.5	3.8 1.5	1.8 0.8	1.7 0.8
Member of partnership ‘000 %	15.9 4.0	10.9 2.5	9.3 2.5	7.6 2.2	3.8 1.1	5.4 1.9	3.9 1.6	1.1 0.5	1.7 0.8
Sole proprietor ‘000 %	9.6 2.4	12.6 2.9	11.0 2.9	9.3 2.7	12.1 3.6	10.1 3.6	8.2 3.3	7.4 3.2	7.7 3.8
Family member ‘000 %	2.0 0.5	1.5 0.3	0.7 0.2	0.4 0.2	0.7 0.2	0.8 0.3	0.3 0.1	0.3 0.1	0.6 0.3
Total ‘000	399.1	437.9	371.5	349.1	335.5	283.0	246.4	228.0	205.3

%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
---	-------	-------	-------	-------	-------	-------	-------	-------	-------

* Exclusively persons having had a regular job within 8 years

Source: *LFS, Time Series, 1992-2000*, CSO 2001.

Of those who lost their jobs within the last 8 years, 83 % used to be manual workers, in which category 34 % were skilled workers, 28 % semi-skilled and 21 % unskilled workers. The majority of them (62 %) were employed in industry and construction, working as machine operators, or in machine assembly, vehicle driver or other simple jobs requiring no vocational qualification. At the moment, 17 % of the unemployed lost a job in services, while there were only 3 % who used to be employed in agriculture and forestry.

Of the 17 % former non-manual workers, 5 % used to work in offices, administration and customer service. Despite an increasing demand for higher qualifications, 23 thousand people (12 %) lost jobs in which higher education qualifications and managerial skills were required. Their group contains old and new unemployed in almost equal proportions.

The school qualifications of job-seekers essentially reflect the level required in their former employment: 32 % have primary education, 56 % have various vocational qualifications and approximately 8 % have a GCSE. There are almost 11 thousand people with higher education qualifications (4.1 %), which also indicates that the majority of those who lost their jobs in the top employment categories were managers without a degree.

Table 3.5.

Distribution of the unemployed by educational qualification

	%								
Education	1992	1993	1994	1995	1996	1997	1998	1999	2000
Incomplete primary education	6.8	5.8	4.5	4.1	4.9	4.4	4.5	3.4	2.5
Primary education	37.4	35.9	35.6	34.9	32.9	36.5	34.6	31.8	29.9
Apprentice school	30.3	32.6	33.9	35.5	35.1	34.5	32.8	36.1	37.5
Vocational school	1.5	1.1	1.1	1.2	1.4	1.3	1.5	1.6	1.4
General secondary school	8.4	8.2	7.8	7.9	8.6	8.7	9.8	7.3	7.7
Vocational secondary school	12.0	13.1	13.3	12.4	12.9	11.7	13.1	16.7	16.9
College	2.1	2.4	2.7	3.0	2.7	2.0	2.5	2.2	2.8
University	1.4	1.0	1.1	1.1	1.4	0.8	1.2	0.9	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *LFS, Time Series, 1992-2000*, CSO 2001.

Figure 7.

Educational qualification of the employed and the unemployed, 2000

Employed

Unemployed

- ☐ Higher education
- ☐ General secondary education
- ☐ Vocational/special training
- ☐ Primary education
- ☐ Incomplete primary education

Although people lost their jobs in all sectors of the economy, the former employers of most of them were companies in the manufacturing industry (30.5 %), in trade and repair (14 %) and in the construction industry (10.7 %). During the years, these three national economic sectors emitted 55 % of those seeking a job in 2000. In a different context: 6.5 % of the unemployed had had a job in agriculture, 44 % in industry and approximately 50 % in the services sector.

The longer-term trend illustrates very well the easement of the crisis having occurred at the beginning of the decade, the gradual stabilisation of the economy, and the reduction in the number of those losing their job by economic sectors, too. In the context of general reduction, in the year 2000, only the number of those losing jobs in hotel services and catering and the so-called other services branches increased slightly.

Table 3.6.

Number of the unemployed*by industry

thousand persons

Industry**	1992	1993	1994	1995	1996	1997	1998	1999	2000
A - B	53.4	66.9	48.8	40.9	35.7	26.9	21.8	18.2	13.3
C	5.2	7.8	8.8	5.0	3.2	3.8	2.8	2.6	2.7
D	140.7	144.1	115.9	106.8	99.4	87.7	72.7	69.1	62.6
E	7.3	7.4	6.0	7.0	5.7	5.6	4.7	4.4	3.4
F	48.5	50.0	43.2	43.2	38.8	30.3	26.9	23.6	22.1
G	43.9	48.4	49.9	44.9	44.1	35.2	34.6	30.5	28.8
H	17.0	23.0	18.6	15.9	16.3	14.5	11.4	10.8	11.2
I	21.5	27.2	24.4	22.7	23.9	16.5	13.2	13.7	10.6
J	1.5	2.9	2.9	3.0	3.6	2.7	3.8	3.3	3.7
K	11.7	12.4	11.4	8.8	9.4	6.5	8.9	9.1	7.8
L	13.0	13.6	12.7	16.3	19.8	20.2	18.4	19.2	17.8
M	7.7	8.1	8.3	11.2	12.3	9.2	7.4	8.2	5.0
N	10.3	8.4	9.0	9.8	7.9	7.4	9.3	6.9	6.8
O - Q	17.4	17.7	11.6	13.6	15.4	16.5	10.5	8.4	9.5
Total	399.1	437.9	371.5	349.1	335.5	283.0	246.4	228.0	205.3

* By previous employment terminated within 8 years.

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

Source: *LFS, Time Series, 1992-1999, CSO 2000.*

The majority of job-seekers in 2000 lost their jobs because their workplace or job was terminated, or redundancies were introduced in the company. The same reason also applied to 52 % of those who lost their jobs within the previous 12 months.

Among the unemployed, there is a stable group of those who voluntarily leave their employer behind, and terminate their employment because of unacceptable salaries or other (family) reasons. This group represented 10 % in the year 2000, too, and the rate of those who have been unemployed for less than one year in this category is of a similar percentage value.

Among the unemployed, there is a relatively high percentage of those who leave the school and intend to enter the labour market, or wish to re-enter it after maternity leave, military service. More than 9 thousand people would like to work in addition to studying, child-care or pension, and this is why they actively seek a job. Within the total number of the unemployed, 16 % are returning entrants, among whom the ratio of those showing such intention for less than twelve months is higher this time (19 %).

Despite the quantitative decrease, the reasons for seeking a job have been almost identical for years.

Table 3.7.

Distribution of the unemployed* by primary reason of job search

thousand persons

Year (Jan-Dec.)	Job loss		Quitting	Termination/suspension of independent business activity	Termination of temporary employment	(Re)entry to the labour market**	Total
	'000	%					
1992	317.8	73.5	35.3	9.0	2.8	67.7	432.6
1993	353.0	71.6	34.5	10.6	9.5	85.3	492.9
1994	294.4	68.5	34.6	9.5	7.9	83.1	429.5
1995	273.0	67.4	33.2	7.2	8.2	83.2	404.8
1996	252.6	65.0	32.1	10.4	10.8	82.8	388.7
1997	198.6	60.4	31.2	8.6	14.9	75.4	328.7
1998	174.4	59.4	29.2	7.1	14.7	68.0	293.4
1999	161.1	56.9	31.5	5.7	19.5	65.3	283.1
2000	146.3	56.0	27.2	7.6	19.5	60.7	261.3

* Not including those starting a new job within 30 days

** After study, parental leave, military service

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

According to the surveys, the unemployed seeking a job and intending to work do, in fact, actively look for a job. More than 80 % have read advertisements, inquired from relatives and acquaintances; more than 60 % inquired about potential jobs from the employment centres (20 % contacted private job intermediaries, too); 65% directly approached employers, approximately one third published/answered advertisements, and there were less than 2 % who relied only on the labour service.

Most of them (54 %) seek a full-time job; 4 % look exclusively for a part-time job. However, one third of the population concerned would be happy to take a part-time job, too, if no full-time jobs were available, and 2 % would accept a full-time job although they would prefer a part-time one. Less than 1 % intend to start their own business. 6 % of the unemployed would accept any job.

Subject to the candidate's situation and qualifications, the financial requirements vary a lot. The average net wages calculated from their expectations is HUF41,000, men expect to have 43.3 thousand and women expect to have HUF37.5 thousand. Within the total group, 10 % would be happy with the minimum wages effective in the year 2000 (there are a few hundred who would be willing to work even for maximum HUF10 thousand a month). For a further 58 %, the minimum wage requirement would be the HUF40 thousand minimum

wage in effect in 2001, which means that the expectations of more than two-third of the unemployed people are moderate.

Even the 26 % expecting a higher salary went up to a monthly HUF60 thousand only, still slightly below the Hungarian average wages of manual workers in the year 2000 at HUF61, 930.

The figures described here represent the requirements of 94 % of the unemployed.

Figure 8.

Percentage rate of the unemployed within the population of the 15-64 year-old by county, 2000

National ratio: 3.8 %

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

3.1.2 Unemployment according to the Hungarian regulations

Statistics prepared according to the Hungarian statutory regulations, primarily the provisions of the Employment Act, show a completely different picture than the one based on the approach adopted by CSO in the Labour Force Surveys. The national labour service primarily registers those job seekers who are not employed, not pensioners and not students.

Additional provisions rule that those school-leavers and persons having had an earning occupation shall qualify as unemployed who

⇒ have themselves registered as unemployed with the labour service after having lost their job or having exited the school system;

- ⇒ co-operate with the labour service to promote their own re-employment;
- ⇒ look for a job and are available to take up work.

On the other hand, the following shall not qualify as unemployed: participants of employment promotion programmes (training, public works, etc.) at least not until the end of the programme; temporary workers (for the period of work), persons on parental leave receiving allowance for that purpose.

The registered unemployed are entitled to job exchange service, and, provided that they conform to the relevant regulations, to unemployment benefits for a given period of time and of a given amount and, furthermore, to participation in training and employment programmes to improve their employment chances.

Although according to the provisions of the Employment Act the definition of „unemployed” is more limited than the one used in CSO’s Labour Force Survey, for years, the number of the unemployed registered by the labour service has exceeded substantially the number of those declaring themselves unemployed in the course in the LFS. (There are several explanations for this difference which, by the way, exists all over Europe.)⁴³

The number of those registered with the labour service has also declined continuously - in 2000 by almost 60,000 -, but it was still higher by nearly 128 thousand than in the CSO survey. (In 1995, the difference was 125 thousand people.)

Within the falling number of registered unemployed, the ratio of women is increasing gradually, yet their number is dropping every year (since 1996, on monthly average, it was 216,500, 203,500, 189,700, 188,100 and in the year 2000, 180,700).

Table 3.8.

Number and rate of the registered unemployed, 1993-2000

Year	Registered unemployed		Unemploy-
		of which	

⁴³ Without analysing the differences in interpretation or methodology between the two types of calculations, we would like to underline only two of the potential explanations. Firstly, as it has already been indicated in a previous publication, most probably the records of a labour service organisation take into account repeatedly people temporarily removed from the records during the year (for example, due to participation in an active program). The returning unemployed people are calculated as new “excess numbers”. (For example, in 1999, approximately 150 thousand registered unemployed, more than before, participated in the active programmes for a shorter or longer period.) On the other hand: not all of the registered unemployed meet the strict criteria of the LFS (active job search); a lot of them expect the labour service to seek and find a job for them.

	'000	% rate of women	15-25 year-old '000	school leavers* %	ment rate
1993	671.7	41.2	174.8	34.2	12.9
1994	568.4	41.4	153.3	40.5	11.3
1995	507.7	42.1	134.2	40.6	10.6
1996	500.6	43.3	124.0	37.3	11.0
1997	470.1	43.3	106.8	39.7	10.5
1998	423.1	44.8	89.9	36.2	9.5
1999	409.5	45.9	85.4	35.0	9.7
2000	390.5	46.3	79.1	32.9	9.3

* Including those under 30.

Source: NEO

Registration is limited to those of employment age, and only those aged 25 or less and school-leavers are recorded separately.

Among the registered unemployed, in 2000, the latter group numbered 79 thousand on average.⁴⁴ The rate of the registered youth to the unemployed has dropped significantly (1997: 106,800, 22.7 %; 1998: 89,900, 21.3 %; 1999: 85,400, 20.9 %; 2000: 79,000, 20.3 %.)

Similarly to the trends of the previous years, more than 80 % of the unemployed were manual workers, and the biggest group was still that of skilled workers. As before, the registered unemployed typically had lower-level educational qualifications in 2000, too, and as observed in previous years, despite a quantitative decrease, the composition of unemployed by qualification and employment category has not changed.

⁴⁴ The number of school-leavers on the one hand, and those registering themselves as unemployed on the other, are shown separately by NEO. School-leavers in this classification include unemployed people below the age of 25 having left school and also, in the case of people with higher qualifications, people below 30 years of age, having worked for less than 12 months and hence having acquired no eligibility to unemployment benefits, i.e., all “starters”. Their separate accounting since 1991 has also been justified by the fact that, between 1991 and 1996, pursuant to the provisions of the Employment Act, young people with higher qualifications than 8 years of primary school were entitled to unemployment benefits for school-leavers for 6 months providing that they met certain criteria. The influx and outflow of school-leavers also influenced the rates, which explained the separate recording of their data.

In 1996, the aid to the school-leaver unemployed was terminated, and it was replaced by active employment promotion programmes, such as, for example, wage subsidy to employment aimed at gaining work experience.

At the same time, the registration of school-leavers as unemployed (job seeker) became absolutely general: even those finishing primary school can apply for registration, and claim the services of the labour organisation. However, as the aid was terminated, the number of registered unemployed school-leavers reduced significantly (for example, compared to the 59 thousand in January 1995, their number fell to 23,700 in December 2000). Unfortunately, their annual average number is still high (in 1998, it was 32.5 thousand, in 1999, 29.9 thousand, in 2000, 26 thousand), but the number is clearly falling every year.

Table 3.9.

Number and distribution of the registered unemployed by qualification and skills, 1997-2000

	1997		1998		1999		2000	
	no.*	%	no.*	%	no.*	%	no.*	%
<u>Qualification</u>								
Primary school or less	191,772	40.8	171,882	40.6	165,465	40.4	160,099	41.0
Vocational school	167,585	35.6	152,164	35.9	146,226	35.7	136,291	34.9
General sec. school	97,708	20.8	88,223	20.9	86,803	21.2	82,866	21.2
Higher education	13,048	2.8	10,853	2.6	11,025	2.7	11,236	2.9
<u>Skills</u>								
Skilled worker	167,534	35.6	151,599	35.8	146,922	35.9	138,659	35.5
Semi-skilled	117,641	25.0	106,819	25.2	103,450	25.3	97,773	25.0
Unskilled	100,574	21.4	90,632	21.4	86,459	21.1	84,747	21.7
Manual, total	385,749	82.1	349,050	82.5	336,832	82.3	321,178	82.2
Non-manual, total	84,363	17.9	74,071	17.5	72,687	17.7	69,314	17.8
Total	470,112	100.0	423,121	100.0	409,519	100.0	390,492	100.0

* Monthly average

Source: NEO

One of the factors shaping the size of the population concerned is the number of new entrants. As years go by, the monthly number of the new-entrant unemployed newly registered by the labour service has gradually increased (monthly averages without school-leavers in 1994: 34,589 persons, in 1995 37,619; in 1996 45,278, with school-leavers, 52,811; in 1997 46,900, with school-leavers 56,140; in 1998 45,613, with school-leavers 55,388, in 1999 47,930, with school-leavers 57,213 persons).

In 2000, the previous trend broke: on average, 54,136 new entrants were registered each month, 8,014 among them school-leavers.

Table 3.10.

Number and distribution of newly registered unemployed

2000	Entrant unemployed						Total of entrants
	school-leaver			other			
	total	of which		total	of which		
		new entrant	re-entrant		new entrant	re-entrant	
no.							
January	7,543	2,309	5,234	61,772	9,619	52,153	69,315
February	8,167	2,913	5,254	50,152	9,043	41,109	58,319
March	6,390	2,171	4,219	43,463	4,110	39,353	49,853
April	5,602	1,697	4,005	43,251	7,966	35,285	48,853
May	4,584	2,833	1,751	34,823	6,191	28,092	39,407
June	6,789	2,750	4,039	40,676	9,589	31,087	47,465
July	15,468	10,397	5,071	43,710	7,661	36,049	59,178
August	9,519	5,593	3,926	37,775	6,749	31,026	47,294
September	11,297	6,394	4,903	46,546	8,566	37,980	57,843
October	7,099	3,109	3,990	46,996	7,554	39,442	54,095
November	7,255	2,833	4,422	48,113	6,780	41,333	55,368
December	6,449	2,039	4,410	56,197	6,793	49,404	62,646
Monthly average	8,014	3,753	4,261	46,123	8,692	37,431	54,136
%							
January	10.9	3.3	7.6	89.1	13.9	75.2	100.0
February	14.0	5.5	8.5	86.0	15.5	70.5	100.0
March	12.8	4.3	8.5	87.2	8.2	79.0	100.0
April	11.5	3.5	8.0	88.5	16.3	72.2	100.0
May	11.6	7.2	4.4	88.4	15.7	72.7	100.0
June	14.3	5.8	8.5	85.7	20.2	65.5	100.0
July	26.1	17.6	8.5	73.9	12.9	61.0	100.0
August	20.1	11.8	8.3	79.9	14.2	65.7	100.0
September	19.5	11.1	8.4	80.5	14.8	65.7	100.0
October	13.1	5.7	7.4	86.9	14.0	72.9	100.0
November	13.1	5.1	8.0	86.9	12.2	74.7	100.0
December	10.3	3.3	7.0	89.7	10.8	78.9	100.0
Monthly average	14.8	6.9	7.9	85.2	16.1	69.1	100.0

Source: NEO, monthly bulletins

Despite the decline, the monthly more than 50 thousand registering themselves as unemployed is still a high figure. However, 75-80 % among them are not new but recurrent unemployed, whose high rate is probably explained not by repeated job losses, but by the termination of the subsidised employment or training courses of the people concerned, returning to the status of registered unemployed after a shorter or longer period of absence. (As it was discussed earlier, the

differences between registration and LFS data could also be due to the large number of exits and entries during the year.)

The number of new entrants (12,445 persons on monthly average) has declined slightly (by approximately 3 %) compared to 1999 (12,813 persons). Compared to the smaller or larger redundancies conducted during the year and considering that some job-losers (especially those with high qualifications) do not have themselves registered, this volume is realistic.

The number of newly-registered unemployed, school-leavers not included, 8-10 thousand in 1999, dropped to 8-9 thousand in 2000, and the figure did not reach 10 thousand in any of the months. (However, the number of newly registered school-leavers was higher than 10 thousand after the completion of the school year in July, in contrast with figures of less than 3 thousand recorded in the previous months.)

More than 50 % of the newly registered unemployed, exclusive of school-leavers, were released from the services sector, and approximately one-third came from industry and construction. Only 12 % of new entrants came from agriculture. Otherwise, the ratios are absolutely identical with those of 1999.

Table 3.11.

Number and distribution of newly registered unemployed* by sector of origin

2000	Sector**						
	1.	2.	3.	4.	5.	6.	Total
no.							
January	1,569	2,533	553	1,856	3,093	15	9,619
February	1,137	2,434	402	1,861	3,181	28	9,043
March	911	2,123	259	1,543	2,865	33	7,734
April	926	2,214	264	1,563	2,966	33	7,966
May	700	1,772	194	1,198	2,298	29	6,191
June	761	1,996	228	1,307	2,516	31	6,839
July	780	2,131	245	1,406	3,046	53	7,661
August	751	1,767	194	1,291	2,706	40	6,749
September	883	2,173	259	1,741	3,467	43	8,566
October	765	2,032	241	1,550	2,935	31	7,554
November	793	1,724	257	1,436	2,547	23	6,780
December	990	1,711	387	1,313	2,335	18	6,754
Monthly average	1,009	2,518	337	1,810	2,988	31	8,692
%							
January	16.3	26.3	5.8	16.2	32.2	0.2	100.0
February	12.6	26.9	4.4	20.6	35.2	0.3	100.0
March	11.8	27.5	3.3	20.0	37.0	0.4	100.0
April	11.6	27.8	3.3	19.6	37.2	0.4	100.0
May	11.3	28.6	3.1	19.4	37.1	0.5	100.0
June	11.1	29.2	3.3	19.1	36.8	0.5	100.0
July	10.2	27.8	3.2	18.4	39.7	0.7	100.0
August	11.1	26.2	2.9	19.1	40.1	0.6	100.0
September	10.3	25.4	3.0	20.3	40.5	0.5	100.0
October	10.1	26.9	3.2	20.5	38.9	0.4	100.0
November	11.7	25.4	3.8	21.2	37.6	0.3	100.0
December	14.7	25.3	5.7	19.4	34.6	0.3	100.0
Monthly average	11.6	29.0	3.9	20.8	34.4	0.4	100.0

* School-leavers not included.

** 1 = Agriculture, forestry; 2 = Industry; 3 = Construction.; 4 = Trade, catering; 5 = Transport, storage; 6 = Other services; 7 = Not classifiable

Source: *Time Series of the registered unemployed, 1995-2000*, NEO, 2001

Entry data for 2000 indicate smaller seasonal fluctuations than in the previous years. Although, taking all new entrants into consideration, the increase of unemployment in the winter months (January, February, December) can be identified clearly, including a slightly higher-than-average number of emissions from agriculture and construction and probably from the seasonal activities of the services sector as well, the steady decline of the number of entrants in the first half was essentially modified by the mass entry of school-leavers in

the middle of the year, and by the slight deterioration/stagnation of the labour market in the second half.

The fact that the number of those coming back to registration month by month still exceeds 40 thousand on average indicates the low labour market status of those in need of the help of the labour service, the higher requirements of the organised economy, and the need for actions to improve the employment chances of the people concerned (including flexible employment and a significant decrease in the non-wage type employment costs of disadvantaged labour).

Exit, i.e., leaving the register, is as important a factor shaping the rate of registered unemployment as entry. In 1999, the two processes were more or less in balance: the monthly average number of entries was 57,213, that of exits 57,179. In 2000, exits predominated over entries at 54,136 and 56,811, respectively, on monthly average. (Both data include school-leavers.) The total number of exits during the year was 32,100 higher than that of entries.

The most favourable mode of leaving the register for both the individual and the society is placement. 91,500 people left the register this way in 2000. This figure was slightly higher than in the previous years (1997: 88,700, 1998: 86,700, 1999: 83,200 people). The 91,500 people (7,628 on monthly average) is still 1.9 % only of the number of those registered as unemployed in 2000 (in 1999, the corresponding rate was 1.2 %). This figure also includes those placed at subsidised jobs for a shorter or longer time through the labour service.

Apart from them, those participating in training and retraining (as mentioned earlier, altogether 26,300 people in the year) also left the register each month. In addition, those entering another form of provisions (for example, persons reaching retirement age, going on parental leave) were also cancelled from the register.

The labour service has reliable information on those who receive benefits of some sort. Table 3.12. below contains their data.

Table 3.12.

Monthly breakdown of the number of the registered unemployed, 2000

persons

2000	Stock on 1 st day of month	Entrants	Exit from registration due to					
			placement*		other reason		Total	
			no.	%	no.	%	no.	%
January	404,509	69,315	5,186	12.4	36,548	87.6	41,734	100.0
February	432,090	58,319	7,946	15.1	44,788	84.9	52,734	100.0
March	437,675	49,853	12,342	10.7	47,315	79.3	59,657	100.0
April	427,871	48,853	12,495	19.0	53,163	81.0	65,658	100.0
May	411,066	39,407	8,427	13.9	52,415	86.1	60,842	100.0
June	389,631	47,465	7,938	12.8	53,893	87.2	61,831	100.0
July	375,265	59,178	5,912	9.3	51,650	90.3	57,562	100.0
August	376,881	47,294	5,812	10.7	48,613	89.3	54,425	100.0
September	369,750	57,843	8,979	15.2	50,002	84.8	58,981	100.0
October	368,612	54,095	6,447	11.3	52,762	88.7	59,509	100.0
November	363,198	55,368	5,811	10.2	51,298	89.8	57,109	100.0
December	369,457	62,646	3,940	6.3	47,754	92.4	51,694	100.0
Average	393,167	54,136	7,628	13.4	49,183	86.6	56,811	100.0

* From among those receiving unemployment benefits

Source: NEO

Beside the modest rate of successful placements - despite the best efforts of the labour service -, the great majority of those leaving the register, approximately 75-80 %, are persons having exhausted their total eligibility to benefits. Ten years after the appearance of unemployment in Hungary and its escalation to a mass phenomenon affecting every social stratum, so much so that of the more than 3.7 million households 460 thousand had a family member who was unemployed for a shorter or longer term, a lot of people still consider their unemployed status a stigma. They will have themselves registered and collect the unemployment benefits, if they do not have any other choice, but they will try to hide their situation and avoid contacts with the labour service. (Naturally, there is a different behaviour, in which people would not give up any benefit „due” to them, irrespective of their financial position or actual activities.)

Those who, after having used up their eligibility to benefits, do not trust that they will find a job through the labour service (and, as indicated by the relevant data, the majority does not have a chance for that either), have themselves cancelled from the register. During the year, 210 thousand people (17,500 on monthly average) left the register as soon as their eligibility to benefits expired. (In 1999, a total of 215,600, 18 thousand on monthly average, left the register.)

The above process was accelerated by the new unemployment provision regulations discussed earlier introduced on 1 February 2000. The shortened period of extension of unemployment benefits and the termination of income supplement from May inevitably reacted on the number of registered unemployed, i.e., the accelerating growth of the number of exits. The connection is probably more complicated than suggested by a comparison of the numbers concerned, but between January and December 2000, when the number of the registered unemployed dropped by approximately 60 thousand, the number of those receiving financial assistance shrank by approximately 94 thousand (41,700 benefit receivers and 52,300 income supplement beneficiaries). Among them, primarily those remained in the register who claimed social aid having replaced the income supplement.

3.1.3 Registered unemployed and benefit recipients

The Hungarian system of unemployment provisions, introduced to help people losing their job, has never been a very generous one (apart from a short period at the end of the 80s, when, although the unemployment provision system existed already, unemployment was still a very rare phenomenon).⁴⁵

However, appearance and fast spread of unemployment at the time of the economic crisis was concurrent with the gradual tightening of the conditions of access to benefits, and the benefits themselves were also cut significantly.⁴⁶

The basis of the current system of allowances was laid down by the Employment Act of 1991. Accordingly, the eligible people (i.e., persons employed earlier for at least one year) were entitled to receive unemployment benefit for minimum of 6 months and a maximum of 2 years corresponding to 70 % of their gross wages prior to

⁴⁵ In Hungary, the first active labour market programmes supporting training and re-training were introduced in 1983, preparing for the assumed consequences of the expected structural reforms of the economy, and the unemployment benefit was introduced later in 1989. In this period (up to the middle of 1990), the labour demand significantly exceeded the supply. Employees of four companies, liquidated as a result of the Bankruptcy Act introduced at that time, were classified as unemployed; 12 thousand people received unemployment benefits amounting to 75% of their former wages, at first for one, and then for two years.

⁴⁶ Gyula Nagy wrote an excellent study on the unemployment benefit system prevailing in the 90s. The study analyses in detail the changes between 1992 and 1998, and their consequences, and concludes the following: The decline in the number of benefit recipients in the 1990s was due to a small extent only to changes in the composition of the unemployed, i.e. the increase in unemployment term. The majority of the decline can be explained with stricter regulations and deterioration in the employment history of those becoming unemployed. {Gyula Nagy: *Unemployment benefits in Hungary in the 1990s*, *Közgazdasági Szemle*, October 2000, pp.799-816}.

unemployment in the first half of their eligibility period, and 50 % of the same in the second half.

From 1991 (all the way to 1996), school-leavers leaving secondary school or even higher education could also be granted unemployment benefits amounting of 75 % of the minimum wage for six months, if they registered with the labour service as job-seekers.

In 1993, with the appearance of unemployed people whose eligibility to unemployment benefits was exhausted, the Social Act introduced the income supplement, the term of which was not limited at the beginning. Those in need (still registered as unemployed) could receive 80 % of the minimum amount of old age pension ever in the form of a social benefit.

Since 1991, almost all elements of unemployment provisions have changed continuously.⁴⁷ In 1999, those eligible to unemployment benefits received 65 % of their former average wages as benefit, for a period depending on the term of their employment in the previous four years, but for no more than 360 days.

From 1 February 2000, instead of the former 360 days of eligibility, former employment of 200 days has been the minimum requirement, but the term of disbursement of the aid has been reduced to 270 days.⁴⁸

However, no changes have been made in the benefit rates having prevailed since 1997: the lowest limit was 90 % of the minimum old-age pension and the top limit twice that amount (HUF16,600 per month in 2000). In 2000, this amounted to HUF14,940 and HUF29,880, respectively. In 1991, 77 % of the unemployed received benefits, in 1999 31 %, and in 2000 one third.

However, since 1992, the number of those in need of income supplement has grown continuously. In 1995, more people received such regular aid, not sufficient for a living, but indispensable for it, as an unemployment benefit and although, as mentioned above, in May 2000, this type of assistance was eliminated, at the end of 2000, the majority of benefit recipients still received income supplement.

⁴⁷ Two studies by Mária Frey review and analyse the changes in detail up to 1997: *The role of the state in employment and management of labour market programmes. {ILO/Japanese Project, 1994}*, and *Passive services to the unemployed between 1991-1996, {Labour Research Institute, 1997.}*

⁴⁸ At the same time, the amendments in legislation encourage those receiving unemployment benefits to participate in training. For, those who start a training course supported by the labour organisation during the disbursement of the unemployment benefits and, during the term of the training, use up the eligibility period of the benefits, are still eligible to unemployment benefits for the outstanding term of the training, but for no longer than 365 days calculated from the beginning of the training.

Regular social aid was established for 32,684 persons among those having lost their income supplementing allocation and registered as unemployed. The amount of the aid is 70 % of the minimum old-age pension ever (in 2000, HUF11,620 per month).

Table 3.13.

Annual average no. of registered and benefit-recipient unemployed

Year	Registered unemployed	Benefit recipient					
		Unemployment benefits		Income supplement		Total	
		no.	%	no.	%	no	%
1990	47,739	30,302	63.5	-	-	30,302	63.5
1991	227,270	174,641	76.8	-	-	174,641	76.8
1992	556,965	412,945	74.1	18,408	3.3	431,353	77.4
1993	671,745	404,823	60.3	89,329	13.3	494,152	73.6
1994	568,366	228,924	40.3	190,303	33.5	419,227	73.8
1995	507,695	182,788	36.1	209,982	41.3	392,770	77.4
1996	500,622	171,737	34.3	211,309	42.2	383,046	76.5
1997	470,112	141,731	30.1	201,304	42.8	342,833	72.9
1998	423,121	130,724	30.9	182,118	43.0	312,842	73.9
1999	409,519	128,184	31.3	159,825	39.0	288,009	70.3
2000	390,492	131,665	33.7	143,515*	36.8	275,180	70.5

* Not including the recipients of regular social aid - 32,684 persons, 8.4 % - after 1 May 2000.

Source: NEO Database, 2001.

As it was indicated above, the benefit amount is not on a lavish scale. Although in Hungary the same as elsewhere it was suggested from time to time that the benefit amount could withhold the unemployed from job-search, and most certainly there were such cases, too, the experts and the majority of the public very soon dropped this idea on the basis of the facts. The majority of the unemployed remained the client of the labour service for lack of (legal) job opportunities, and not because they were able to live on their benefits as if they had been working.⁴⁹

The average amount of unemployment benefits has been less than 30 % of the average earnings of employees for years.⁵⁰

⁴⁹ The first researches were conducted on the subject in the first half of the 1990s. Köllő's and Nagy's studies indicated that the benefits, declining in the second phase of unemployment, have no encouraging effect on employment, because those who are unable to find a job quickly lose the chance of getting an employment benefit as the time without employment increases. {Köllő, J.-Nagy, Gy.: *Wages before and after unemployment, Közgazdasági Szemle, April 1995, pp. 325-375*}. The employment chances and wages hoped for and achieved by the unemployed have been used as research subject on many occasions ever since. (On the basis of the data of the Labour Force Survey, in Section 3.1.1, we also described the moderate expectations with regard to wages.)

⁵⁰ On the basis of the detailed calculations, the quoted study by Gyula Nagy published in 2000 concludes: since 1992, the unemployment benefit has lost its value compared to both average wage and minimum wage. While in 1992 the average benefit to average wage ratio was almost 40%, in 1997-98, following a continuous decline, it was only

approximately 25%. According to his calculations, in 1992, the average benefit was 107.3% of the minimum wage, and in 1998, the figure was 88.6%. *{See: ibid, p. 808}*

Table 3.14.

Average monthly earnings of full-time workers and monthly average unemployment benefits

HUF

Ref. period	<i>of which</i>			average unemployment benefits/month	% rate of benefits to		
	Gross earnings, monthly average	average earnings, manual workers	minimum wage		average earnings	average earnings, manual workers	minimum wage
1990	13,446	11,137	4,800	5,845	28.6	34.5	80.1
1991	17,934	14,189	7,000	7,903	44.1	55.7	112.9
1992	22,294*	17,239	8,000	8,798	39.5	51.0	110.0
1993	27,173*	20,856	9,000	9,949	35.9	47.7	110.5
1994	33,939**	25,036	10,500	10,841	31.9	43.3	103.2
1995	38,900**	29,203	12,200	11,891	30.6	40.7	97.5
1996	46,837**	35,305	14,500	13,461	28.7	38.1	92.8
1997	58,002**	42,419	17,500	16,141	28.2	38.1	92.2
1998	67,764**	49,423	19,500	18,895	27.8	38.2	96.9
1999	77,187***	55,218	22,500	22,406	29.0	40.6	99.6
2000	87,645***	61,930	25,500	22,826	26.0	36.9	89.6

* Business units with more than 20 staff and public organisations

** Business units with more than 10 staff and public organisations

*** Business units with more than 4 staff and public organisations

Source: CSO Yearbooks, CSO and NEO, Monthly statistical bulletins, Demography and Standards of Living, 1989-1998. CSO

Naturally, there could be several ways to fine-tune the comparison, primarily by including the factors of qualification and former employment status of the unemployed. However, without an opportunity for comparison, here we shall only describe the distribution of the average benefit amounts of the unemployed by qualification.

Table 3.15.

Average amount of unemployment benefits, 20 Nov. to 20 Dec. 2000

Education	Recipients		Average monthly benefits HUF/person	Average spell of benefit allocation (day/person)
	no.	%		
Incomplete primary education	5,176	3.6	19,016	504
Primary education	43,820	30.1	22,367	376
Apprentice school	53,481	36.8	23,130	343
Vocational school	3,041	2.1	23,542	289
Vocational sec. school	17,156	11.8	23,846	268
High school for technicians	5,160	3.5	24,236	335
General secondary school	12,123	8.3	24,425	286
College	3,860	2.7	27,072	249

University	1,536	1.1	26,610	258
Total	145,353	100.0	23,273	340

Source: NEO, monthly bulletins.

As it has been the case for years, the unemployment benefit of 96 % of the unemployed remained below the minimum wage of HUF25,500 in effect in 2000, and only benefits paid to a small group of college and university graduates exceeded that.

Last year's summary Report showed the so-called net substitution rates applicable in the European Union, the USA and Japan in 1997, i.e. the amounts paid to the unemployed in the form of benefit on the basis of their former wages.⁵¹ As we have described above, the average HUF22,800 unemployment benefits corresponds to 37 % of the average wage of manual workers. The lowest rate paid at the beginning of unemployment was 44 % in Italy, and it was below 50 % in two other countries (Greece and Ireland). The highest rate is paid to the unemployed in Luxembourg (84 %) and in the Netherlands (81 %), while the EU average is 66 %. (The corresponding average rates are 59 % in the United States and 57 % in Japan.)

The income supplementing allocation and the aid granted by the municipalities replacing it are even lower.

Those people who are pushed to have recourse to these forms of aid are really poor, and apart from the individual, it is also in the interest of the society to provide additional income for them, either through temporary work, or employment opportunities organised locally. (The minimum 30 days of work to be offered by local governments is only one opportunity, and a very small one in itself.)

Financial support to the unemployed, the majority of whom are unemployed through no fault of their own, does not depend on social solidarity. Both employees and employers have been paying the labour market contribution each month since 1991. The rate of this contribution is based on wages, and has varied during the years. (In 2000, as in the previous year, employers paid 3 % and employees paid 1.5 % based on gross wages.) In 2000, HUF61.7 billion was spent on unemployment provisions from the Labour Market Fund, and a further HUF18.9 billion was allocated in the form of income supplement. In addition, the central budget also allocated significant amounts to public works and other public purpose activities. It is also obvious that the available funds should primarily be used to fund active instruments and employment promotion. Especially in the case of the poorest unemployed groups, in need of financial support, the goal of their employability makes it highly justified to reduce tax burden

⁵¹ Main trends in labour demand and supply, 2000, p. 81.

related to their employment and introduce new employment forms in

addition to the already widely applied programmes.⁵²

3.2 Disadvantaged groups

Within the context of the country's endeavours to decrease unemployment in general, a particular effort has been made to improve the employment opportunities of disadvantaged actors of the labour market, i.e. young people, women, the incapable and minority groups.

3.2.1 Youth unemployment

The reports dealing with the European Union consider that youth unemployment figures are promising. However, their evaluations of the declining tendency of unemployment also take into account the fact that the number of young people reaching employment age is decreasing continuously, and more and more remain in the school system or start practical vocational training.

Hungary joins this very diversified picture of the Member States of the European Union with some similar and different features.

First of all: the data of Labour Force Survey and of the registration system are surprisingly close in the case of the 15-24 year-old. The first database indicates 70,800 and the second 79 thousand unemployed youth. In the Labour Force Survey, a further 22 thousand considered themselves passive unemployed, i.e. intending to work, but not actively looking for work. NEO data, on the other hand, include, similarly to the other age categories, people returning from active programmes and registering themselves again.

⁵² At the moment, the unemployment benefit and, among others, the most frequent form of employment for the unemployed, public benefit work, is also subject to significant taxes. In accordance with some calculations prepared at the Ministry of Economy, of the average HUF22,400 unemployment benefit, the benefit receiver collects HUF18,816, while the same figures are HUF33 thousand payable for public work, of which 26,236 is paid out because, in addition to the deducted personal income tax, 8% pension contribution, 3% health contribution and 1.5% employee contribution are deducted from the amounts. Employer's liabilities (apart from wages) in the year 2000 involved HUF3,900 fixed amount paid under the title of health contribution, 22% pension and 11% health contribution (together 33% social security contribution) and 3% employer contribution. Of the unemployment benefit, the individual pays 20.5% tax and contribution to the budget (the minimum 20% personal income tax was adjusted with tax benefits and was calculated at 8% and 12.5% is the figure for mandatory contributions). The payer (Labour Market Fund) pays a further 36% to the budget. In the case of HUF33 thousand public benefit work, the employee pays HUF6,765 in the form of taxes, and the employer (apart from wages) is obliged to pay HUF26,600.

Even in case of public employment, the employee and employer together pay a very high amount, more than 80%, as tax and contribution.

On the basis of the two types of data, the number of active job seekers is estimated at around 70,000. Of the 262,500 unemployed taken into account by the Labour Force Survey, 27%, and of the people registered by NEO 20 % are between 15-24 years of age. The high ratios are indicative of difficulties in finding employment.

Table 3.16.

Youth unemployment in Hungary

thousand persons

Year	Age group	Unemployed	Unemployment rate (%)	Passive unemployed	Total
1992	15-19	50.3	27.0	18.6	68.9
1993		58.5	33.3	17.1	75.6
1994		48.2	29.8	14.5	62.7
1995		45.6	31.1	13.4	59.0
1996		39.1	30.4	13.4	52.5
1997		32.5	28.8	8.7	41.2
1998		28.3	24.8	9.6	36.0
1999		21.3	23.4	9.1	30.4
2000		17.6	23.7	9.3	26.9
1992	20-24	69.5	14.0	13.8	83.3
1993		82.8	17.0	11.5	94.3
1994		76.9	16.0	12.4	89.3
1995		68.7	14.7	13.2	81.9
1996		67.2	14.5	13.4	80.6
1997		63.4	13.0	13.5	76.9
1998		59.3	11.1	14.8	61.3
1999		57.3	10.6	16.7	74.0
2000		53.2	10.4	12.5	65.7
1992	total	119.8	17.5	32.4	152.2
1993		141.3	21.3	28.6	169.9
1994		125.1	19.4	26.9	152.0
1995		114.3	18.5	26.6	140.9
1996		118.2	18.0	29.1	133.1
1997		95.9	15.9	22.2	118.1
1998		87.6	12.6	24.4	107.3
1999		78.6	12.4	25.8	104.4
2000		70.8	12.1	21.8	92.6

Source: *LFS, Time Series, 1992-2000, CSO 2001*

However, the situation of the two main age groups - those of 15-19, and of 20-24, respectively - combined in the category of the „youth” is still very much different in many aspects.

The most important difference is that the majority of those belonging to the age category of 15-19 years (almost 90 % according to CSO's data) are not present in the labour market, mainly because they still study. This is very much like the situation in the majority of the Member States of the European Union. Only 11 % of the 636,500, 70 thousand, 15-19-year-old young people were present in the labour

market in 2000, and 75 % of them were working. The majority of the 3 % (17,600) active job-seeker 15-19 year-old persons (10,300) were male. Half of the youngest unemployed lived in villages, and it is a well-known fact that (traditional) employment opportunities in villages are limited.

The age itself indicates that young people looking for work usually have low qualifications. This is also indicated through the composition of the registered people. In the absence of consistently comparable data, we can only quote registration data by way of illustration. In December 2000, altogether 10,800 people below the age of 20 were included in the register, i.e., fewer registered themselves with the labour service than the number of active job seekers. Half of the persons concerned finished primary school at best (724 not even that). The other half who had some qualifications too, mainly vocational school ones. Altogether 642 with GCSE had themselves registered as unemployed.

Some of them had already worked, because 4,062 received unemployment benefits and 423 received income supplement in December 2000.

The situation is somewhat different in the 860-thousand-strong group of the 20-24 year-old. Almost 60 % of them had already been present in the labour market, 52 % as earners. This is no longer similar to the situation of members of the same generations in the majority of the EU Member States, where a considerably larger proportion of the 20-24 year-old are still in education.

In the LFS, 53 thousand (6 %) declared themselves unemployed, and 51 thousand were included in the register. In the LFS, almost two-third of unemployed youth were male. More than two-third of the people belonging to the age category concerned live in cities.

Their school qualification and education is much better than that of the younger unemployed, although two-third also belong to those with the lowest qualifications. Quoting the 2000 December data of NEO again: 29 % finished primary school (4 % within that group, 1,867 persons, did not complete even eight forms); 38 % completed a vocational school, and a further 20 % completed a secondary vocational or technical school, i.e. 60 % had some qualifications. 9.8 % completed a secondary grammar school, and 2.4 % finished at college or university.

In December 2000, approximately 40 % of those registering themselves received unemployment benefits, and another 22 % received income supplement because of their social situation.

This stratum of unemployed youth represents one of the biggest losses for the economy and society. The fact that they are forced out of the

world of labour, the failed start of their individual career, their obsolete qualifications, uncertainties in creating a family is a serious

loss not only to the individual but to society as a whole as well.⁵³

There is no doubt that with the help of active employment policy measures some of them may be given new opportunities

It is a very important effort within the European Union to offer young people a chance for a new start in the form of training, work experience or other assistance to improve their employability before the term of their unemployment reached 6 months.

In 1999, 12 of the 15 Member States completed the tasks included in their National Action Plans with specific volumes and measures (the three countries criticised by the Union were Belgium, Greece and Italy).

For the time being, the EU does not make Hungary give an account of the steps taken for the improvement of the labour market position of young people. However, it is in our own interest to pay as much attention to this issue as possible.

According to the calculations⁵⁴ during 2000, of the 122,497 school-leavers in the registration system, 47,886, i.e., 39.1 % took part in one or another of the active programmes for a shorter or longer period. (Using a similar calculation for 1999, the participation rate was almost identical at 40 %)

⁵³ Judit Lakatos and her fellow authors processed the composition of unemployed in the framework of an OFA research on the basis of the labour survey data available until 1999. Among others, the data indicate that in the 16-19 year-old age category 2,400 persons, while among those in the 20-24 years category, more than 10 thousand had been looking for two years or longer in 1998. A significant portion of inactive unemployed young people are kept by their families, together with others also considered inactive for several reasons, and remain in the status of a “child” according to their family status. {Lakatos, J. (ed.): *Targeted second processing of the Labour Force Survey for the examination for the study of the composition of unemployed, Closing study, December, 1999.*}

⁵⁴ Calculation: 1 January 2000 opening staff number (31 December 1999) 26,335 persons
Entries between 1 January-31 December 96,162 persons together: 122,497 persons

Table 3.17.

Participation of school-leavers* in the active employment measures

Measure	1999	2000	% distribution by measure		% rate of school-leavers to total no. of programme participants	
	participants, no.		1999	2000	1999	2000
Training subsidy	25,267	22,132	45.5	46.2	31.4	45.5
Wage subsidy	3,850	3,175	6.9	6.6	7.4	6.9
Public benefit work	3,516	2,616	6.3	5.5	2.2	6.3
Travel expense reimbursement	1,793	1,675	3.2	3.5	16.3	5.3
Traditional measures, total	34,426	29,598	62.0	61.8	13.1	11.2
Work experience	18,912	16,917	34.1	35.3	100.0	89.5
Employment subsidy	2,161	1,371	3.9	2.9	100.0	63.4
Grand total	55,499	47,886	100.0	100.0	19.5	16.8

* The 15-24 year-old leaving education as well as 25-29 year-old with higher educational qualification, having worked for less than 12 months and hence not eligible to benefits

Source: NEO

OFA has also continued its programmes to assist young people looking for a job, especially those in disadvantaged situations. The most important among them is the so-called transit employment programme, intending to promote employment, re-integration into the labour market, and to improve the placement chances of disadvantaged persons without vocational qualification through vocational training outside the school system and through employment. In the year 2000, 5 applicant organisations undertook to improve the labour market situation of 150 young people in an increasingly disadvantaged situation, of whom one third were Roma people.

The programmes designed to improve the labour market chances of young people will be indispensable in the next few years, too, and numerous other measures will also be needed in order to help various groups of the 15-24 year-old with different qualifications and in different life situations find a job.

3.2.2 Unemployment among women

One of the basic principles of the employment policy of the European Union is to provide equal employment chances to men and women. According to their evaluation of the National Action Plans for 1999, the imbalance of the sexes in the labour market has remained significant in the Member States and hence in the entire EU, despite an improvement in unemployment rates. The evaluation underlines the

need for creating equal chances in all sectors and occupations (noting that in Finland, Sweden and Denmark, which employ women in high numbers, a segregate employment structure is taking shape, while in many Member States, there is a very strong sectoral delineation between the labour markets of men and women.) The family-friendly policy, of which numerous Member States give a good example, also promotes the employment of women. *{Joint Employment Report, 2000., pp. 64-70.}*

Similarly to the three EU Member States indicated above, in Hungary, the unemployment rate of women has been permanently lower than that of men. The trend has continued in 2000, in the context of a general decline in unemployment: the unemployment rate of women has been lower than that of men in all age groups.

Table 3.18.

Distribution of the unemployed by age group and gender, 2000

Age group	Unemployment rate		
	Total	Male	Female
15-19	23.7	24.5	22.7
20-24	10.4	11.3	9.1
25-29	7.3	7.5	7.0
30-39	5.9	6.2	5.5
40-54	5.0	5.7	4.2
55-64	2.5	3.7	1.6
Total	6.4	7.0	5.6

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

Compared to the 102,700 women aged 15-64 included in the Labour Force Survey, an average 180,800 women were indicated among the registered unemployed each month (46.3 %), 12,500 (7 %) of them school-leavers.

In December 2000, 74 % of the registered unemployed women were manual workers. Two-third had no qualification, they were only semi-skilled or unskilled workers. Of the almost 46 thousand non-manual workers representing 26 %, more than 41 thousand worked as clerks or administrators earlier. Although there are some women among the registered unemployed, too, who used to be a top managers or managers of some sort (in total approximately 4,300), 97 % of them came from lower levels of the employment hierarchy.

As we have seen, in the year 2000, 33.7 % of the registered unemployed received benefits, and further 36.5 % income supplement. In December 2000 (until 20 January 2001), 41 % of the benefit recipients and 46 % of income supplement recipients were women.

Women looking for a job, mainly with low qualifications, in need of unemployment benefits or social aid, and employed women together still represent only a very moderate majority of the 15-64 year-old. Almost 50 % of those belonging to this age group (47.3 %) are not even present in the labour market. The relatively low rate of female unemployment, which used to be referred to as a proof of equality between the sexes earlier, actually involves a very high rate of female inactivity. (The issues of inactivity will be discussed in detail in Chapter 4.)

3.2.3 People with Changed Working Ability*

One of the conditions of Hungary's accession to the European Union is that all citizens, including disabled people and people with severe health damage, should have equal chances in all aspects of life in the society; in their physical and cultural environment, in their living conditions and access to transport, social and health services, schooling and work opportunities, cultural and social life, sports and entertainment.

In accordance with the Hungarian Act on Equal Chances⁵⁵, disabled people are entitled to integrated and protected employment. If, due to the conditions, the employment of disabled people is not possible in an integrated framework, special jobs need to be created for them to ensure their right to work.

Since there are no records or relevant statistical observations, we are unable to cover the employment of disabled people and people with changed working abilities comprehensively. Approximate information can only be gained from the distribution of state aid payable on the basis of employment of people with changed working ability.⁵⁶

The figures in question indicate that in Hungary, the employment capacities are rather limited compared to the demand, and the almost exclusive workplaces for disabled people are the specialised organisation (90 % of the state aid is used by these organisations,

* **This chapter was written by Ilona Gere, NEO Research Unit**

⁵⁵ Act XXVI. of 1998 on the Rights and Equal Chances of Disabled Persons.

⁵⁶ In order to compensate for the extra burden involved in employment rehabilitation, the employers are eligible for budget subsidy, based on the number of employees with changed working abilities, employed over and above their quota. The rate of this subsidy is 45-150% of the wages paid to employees with changed working abilities, but not higher than 45-150% of minimum wages, and the rate applicable to social workers is 50-150% of the minimum wages. The specialised organisations are treated especially, in which the requirement is that minimum 60% of the staff should be people with changed working abilities. In their cases, the subsidy, corresponding to the rate of the decline of working abilities of the employees, is differentiated, and can even reach 440% of the minimum wages with the differentiated and site allowances.

which employed about 20 thousand persons with a permanent health damage).⁵⁷ We have no data at all concerning the volume of rehabilitation employment in the business sector. On the basis of expert assumptions and subsidies claimed for this purpose, we may conclude that despite the prescribed employment obligation, still very few workers with changed working ability find a job in the primary labour market.

In recent years, the rehabilitation role of organisations owned by local governments and social employers has reduced to a minimum partly due to financial reasons. On the other hand, the role of alternative employment has increased. The non-profit organisations (charity, foundation, etc.) have achieved favourable results in the job exchange and employment of people with changed working abilities, although their activities only involve a small number of people.

However, because of the application system, their operation is very exposed and uncertain. Within the framework of the establishment of the institutions of employment rehabilitation, since 1998, a national rehabilitation programme has been in place in the labour service. The main responsibility for the execution of the programme is covered by the labour offices. County-level co-ordination is performed by rehabilitation teams created in the framework of the programme. All elements and services of the rehabilitation procedure are aimed at helping unemployed people with changed working ability return to the primary labour market.

The most important barrier in that is that the generally limited demand for labour very rarely applies to disadvantaged employees. The programme stresses the importance of the identification of potential workplaces and potential employers, as well as the creation of new rehabilitation jobs.

Earlier, such jobs were created almost exclusively in the secondary or the subsidised labour market. The most important source of job creation (and preservation) has been the Rehabilitation Fund, created exclusively from the rehabilitation contribution paid by the employers since 1996, which became part of the single Labour Market Fund as of 1 January 1996, but retained its feature that aid provided under it was available to employment promotion applying to persons not under the scope of the Employment Act as well.

⁵⁷ International recommendations underline specifically that the supported companies could not be the only employers of people with changed working abilities. This involves yet another isolation and, in addition, most of these companies face serious economic difficulties, which definitely has a negative influence on employees working there too.

Since 1998, the majority of the fund segment has been used on the basis of decisions of county labour centres, as decentralised resources. The county experience clearly proves that this action had a favourable impact on job creation. In the year 2000, 2,206 new rehabilitation jobs were created from this source and 800 have been retained. 90 % of the jobs suitable for permanently disabled labour has been created in the business sector. 58 % of the enterprises receiving aid were micro and small enterprises with fewer than 20 employees.

Assistance to promote the transformation of unemployed people with changed working ability into entrepreneurs, on the other hand, did not prove to be useful, and there were hardly any applications for it in two years.

The labour market situation and the magnitude of employment rehabilitation tasks is indicated by the fact that, of the total population of the unemployed registered by the labour centres, in 1999, 6.7 % and in 2000 8.8 % on annual average were persons with changed working ability. Last year this involved 32,899 people, 35 % of whom took up active employment in one form or another.

Owing to stable relations between employers, trade unions and rehabilitation partner organisations, to better information to job seekers and to the fulfilment of rehabilitation employment obligations undertaken in the framework of job creation applications, the number of placements increased from 7,891 in 1999 to 9,818 in 2000.

5,429 people with changed working ability found a job with labour market subsidy last year; most of them (40 % of subsidised jobs) involved public benefit work.

The interest of employers in subsidised employment and especially rehabilitation wage subsidy options increased in 2000⁵⁸, although this still affected 1,081 persons only. Primarily small and medium-size enterprises and sole proprietors take this opportunity, primarily to employ persons in manual (mostly semi-skilled) jobs at around the minimum wages.

Vocational training is usually indispensable for the successful re-employment of unemployed persons with changed working ability. The basic principle of modern rehabilitation is that disabled people should join some integrated training, if possible.⁵⁹

⁵⁸ On the basis of the provisions of 11/1998 (IV.29.) MüM, wage subsidy, in a gradually declining rate, can be given to employers for 18 months who do not receive a benefit and 40% of the staff include unemployed people with changed working abilities.

⁵⁹ The Steering Committee of the Labour Market Fund extended the opportunities for supported training to disabled persons who did not meet the requirements for registration as unemployed in the year 2000. In accordance with this, the support can

Although the total number of those participating in training increased relative to 1999, the 2,144 people still corresponds to 6.5 % of the population concerned.

However, the available training specialisations have increased (for example, catering, trade, shop manager, security guard, health masseur, cutter, artificial manicure and pedicure, etc.)

Employment rehabilitation is a task involving many players at local level, making co-operation between local governments, economic, social and civil partners is indispensable. The labour organisation has tried to mobilise the local resources and good co-operation has developed in many cases. However, on the other side, with the exception of NGOs, there are hardly any initiatives for partnership and the propensity to co-operate is much weaker and sparser than necessary. Large employers in the business sector still refuse to take part in the employment of workers with changed working ability.

The completion of the employment rehabilitation programme has been hindered significantly by the fact that, despite the very strict distribution of tasks by Parliament, the related work has not started in other ministries yet. On a long-term basis, however, rehabilitation can only be successful, if all its elements function well, and there is a close relationship and distribution of tasks between all participants of the process.

3.2.4. The Roma population

In Hungary the Roma population forms the largest ethnic minority. Their massive ousting from employment, their so far unsuccessful attempts to find jobs justify - and our objective to join the European Union makes it even more urgent - to find more efficient methods.⁶⁰

also be given to people receiving disability pension and benefits. (MAT Resolution No. 1/2000 (I.5.))

⁶⁰ For writing this part we have used a great deal from the experiences collected by Blanka Kozma during her study tour-financed by US AID in 1997- in the United States, documents made available to her as well as her presentation to the Budapest Metropolitan Assembly (*Presentation for the Budapest Metropolitan Assembly for the increase of employment of people of Roma origin, women and other social groups facing disadvantages. November 1997.*); her article written jointly with Katalin Koncz (*Special support given to women and minority groups in the United States, the possibilities for the utilisation of the experiences in Hungary, Munkaügyi Szemle, July-August 1999., pages 52.58.*); the comprehensive study by Ilona Gere on the labour market position of the Romas (*The labour market integration of the Roma population, in.: Mária Frey (editor): EU-conform employment policy, A volume of studies, Budapest, 2000.*); as well as the newsletter entitled *Menedék Egyesület Oltalomkeresők* (*Emigration Association Looking for Haven*), on the conference of emigration of Central European Romas within the international migration {June-July 2000.}

Most probably the United States offers the most successful example for the closing up of the ethnic and other minorities; the employment rate has been high there on the long term (75 %) and the unemployment rate is low (below 5 %), and this is concurrent with the employment of various minority groups, including the biggest such group, the Afro-Americans.

Apart from the continuous growth of the economy, this has been achieved essentially by the conscious policy of the government pursued for more than 30 years already, asserting the policy of equal chances by legislative means also.

Hungary does not lack government programmes either. Since the early 1990s, when employment dropped dramatically, each government launched series of specific programmes in order to create employment for those who were squeezed out from the labour market. One target group - whether specified explicitly or not - was the Roma population. The specific programmes used to be embedded for the most into wider, more comprehensive endeavours aimed at improving the entire position of the Rom. (In 1993 the government adopted Act LXXVII on the Rights of National and Ethnic Minorities for the execution of

which action programmes have been prepared year after year. In 1994, the socialist government programme specifically emphasised the need to provide special support to the Rom ethnic minorities. In 1997, a medium-term package of measures was prepared to improve the living conditions of Roma citizens (Government Order No. (1093/1997. (VII.29.)). The medium-term programme modified by the present government became effective in 1999 *{Medium-term package of measures to improve the living conditions and social position of the Rom. Government Order No. 1047/1999.(V.5.) }*, on the basis of which several counties developed long-term information, employment and training task plans, taking into consideration local conditions *{Gere, op. cit., pp. 6-8.}*

Thus the good intentions of the governments cannot be questioned. Undoubtedly, the intention to help as proven by the employment programmes and the billions spent on them (and covered mostly by the contributions of the employers and employees) helped improve the chances of some strata in unfavourable labour market positions (primarily young people at the start of their carrier), especially towards the end of the decade when the economy recovered. At the same time, these programmes - as reflected also by everyday experiences - had practically no effect on the Rom.⁶¹

It is a well-known fact that the Rom were among the first people to lose their jobs, even before the years of mass unemployment. During the late 1980s, upon the premonitory signs of the economic crisis, they had been the first to be dismissed by the then still socialist large enterprises. Because of the long-term neglect of society, these people had been mostly uneducated, untrained and masses of them could find no job ever since. No data are available (because it is prohibited for the labour service to make what is considered discriminative distinction), but the experience is that a significant proportion of the long-term unemployed, those in need of income supplement, and transferred by now to the system of social provisions, belong to the Rom ethnic minority, especially in regions where unemployment is especially high and where the small settlements are mostly inhabited by them.

Even if some Rom found jobs with the consolidation of the economy,

⁶¹ The most striking sign of the failure of the programmes is the growing number of Roma families, communities who/which regard the improvement of their position hopeless and so they emigrate from the country. It is also well known that similarly to the Romas in Slovakia, Poland and Rumania, who share their fate, Hungarian Romas have also appeared in several European countries and Canada asking for haven-accompanied by the vivid interest of the Hungarian and international press. Thus the problems of the Roma ethnic minorities have crossed national boundaries, but those problems can and must be solved in the affected countries.

the fate of the majority continues to be unemployment⁶² - in spite of the existence of at least a dozen programmes in Hungary targeting the catching-up of those in a disadvantaged labour market situation - including the Rom.⁶³

As reflected also by the analysis of Gere, since 1991, the passing of the Employment Act, programmes to improve the labour market position of those in need as well as job-creating ones in principle guarantee equal chances to all. The position of the Rom, however, differs from that of other groups in disadvantageous position in that, even without discrimination (which very much exists) they are forced out, excluded from participation.

- a.) Comprehensive labour market training programmes (for 60-90 thousand people annually since 1992) are the most important means to improve the situation on the labour market. Most of the Rom, however, could not even join those programmes, because their majority did not have the basics required for participation at the training courses concerned. As this has soon become evident, so-called special stratum-specific programmes had also been launched, mostly very carefully, „as experimental programmes”, but with very moderate results so far.

For instance: *The New Start Programme* of the National Public Foundation for Employment wants to help young unemployed persons above the age of 16 with very low educational qualification, that is those who did not complete even the eight grades of primary school. In 1999, altogether 320 persons took part in the 13 projects of the programme offering labour market preparation and work experience - and, according to experiences, most of the participants were not Rom.

Or: In 1998 the Ministry of Social and Family Affairs initiated „*Roma community developing assistant*” training for registered unemployed Rom having finished secondary school, who undertook to be engaged, after having finished the training course,

⁶² “The fate of the Romas could not improve until they are made suited for employment. And that can only be done by education. Today the overwhelming majority of Roma pupils attend special schools and when leaving such schools they are accepted not even by vocational training schools. Thus there is a stratum that is being reproduced and which finds no job, has no income, has to live on welfare. This is the situation to which we want to draw attention”. – declared József Krasznai, deputy speaker of the Roma Parliament in Hungary (who became known by the public as the head of the Rom who emigrated to Strasbourg), when yet another group was ready to depart in order to emigrate. {*Thirty three Romas travelled to Holland, Népszabadság, the 18th of December 2000.*}

⁶³ The study by Ilona Gere discusses in details these programmes and their results which are hard to identify among the Rom.

in the management of the problems of the communities of the Rom, at main jobs offered by the local governments. According to the data available in the three most affected counties of Hungary, altogether 51 assistants had been trained for the hundreds of affected villages, but not even they could all find employment in jobs organised otherwise as public benefit jobs.⁶⁴

Or: on the initiative of the Magyar Népfőiskolai Társaság (Hungarian People's College Association) - with the co-operation of Danish and Slovenian partners - a programme was launched in 1999 under the title „*Basic Training for Adults: Return Journey into Society*” Launched in three counties with the support of the Phare-Lien, the objective of the programme was to eliminate illiteracy and thus promote the social and economic integration of the Rom. In one affected county (Borsod), 12 unemployed Rom finished primary school.

Naturally, one has to welcome results improving the labour market situation of some or a few dozen persons only as well, and one must not neglect the further co-operation of the civic organisations even if that affects only small circles, yet it is obvious that much more efficient actions are needed to improve the labour market position of hundreds of thousands of Rom.

The same applies to job creation and the employment of people in detrimental position at subsidised jobs.

- b.) Under the effect of various employment programmes (public works, public benefit work, wage subsidy, subsidy for self-employment, etc.), an annual more than 200 thousand persons (most of them registered unemployed) gain employment for shorter or longer periods.

But the Rom do not find good chances even there. They mostly have access to communal public benefit work - organised by the local governments - for a few weeks or a few months (this is also mandatory for specified periods for people on welfare). For most of them, that is the whole „employment” and „earned income” during the year.

⁶⁴ It was typical of the programme- of very good intention, but, because of the conditions it had set for participation it had been ab ovo of very limited effect and result- that in County Borsod-Abaúj-Zemplén – where both unemployment rate and the rate of the Roma population are high -- out of the over 120 local governments and minority local governments only 18 reacted to the tender and altogether 26 persons had been found suitable -- at least in principle -- to participate in the programme and only 10 could be convinced to participate at the training course. 9 person graduated but not all of them were given jobs.

We have no data on 2000, but we have no reason to assume that any changes of merit have taken place relative to the state of affairs reflected by data for 1999.

For people squeezed from the labour market and for those who could never even enter it, public benefit and public works programmes offered most opportunity to work. The Labour Market Fund covered 70 % or 90 % of the costs of the employment for public benefit work, lasting for a few weeks or a few months. The 90 % subsidy was made available in several counties only for the employment of Rom unemployed persons. In the absence of reliable records, the rate of Rom employment, at least temporarily, in jobs of this kind, cannot be ascertained.

According to Gere's calculations, the estimated rate of Rom participation in the public works programmes of 1997-1998 employing 8,700 persons for 4.5 months on average was 40 %.

Apart from the public benefit and public works, most of the employment opportunities arose due to wage subsidy (or, more exactly, full or partial cancellation of tax and levies on employment). As employers usually undertake employment for a minimum of one year, the annual average number of those employed this way (31 thousand in 1999) was higher than the large number of people doing public benefit work - for shorter periods (29 thousand). Employment with wage subsidy is typically a form to provide work experience to young skilled workers selected by the employer. According to the findings of Gere, the number of unemployed Rom employed with wage subsidy is very limited. As in such case the employer selects the person he wants to employ (usually based on preliminary information), they often instruct the labour organisation „*not to send Rom*”.

From the Active Employment Target Appropriation (AFC), the Ministry of Economy can grant subsidy - on the basis of a tendering procedure - to investments creating jobs (as well). Apart from the size of the staff the bidder can offer to employ, the tenders do not include any condition in relation to the composition of the future staff (long-term unemployed, people with changed working ability, Rom, etc.).

Some 4,300 persons receive assistance annually to start a business (i.e., to become self-employed). That number includes a negligible number of Rom entrepreneurs, refuting the earlier often sounded idea that the revival of their traditional trades would help the Rom establish an independent financial existence. Undoubtedly, there are trades and operations in which the Rom are known to be good (from nail-makers to flower-sellers), but the products of most of their old trades (making sun-dried bricks, carving wooden wash-tubs, hand-made nails) are no longer marketable, nor could they live on selling horses. The range of

their marketable traditional products has become very narrow (basket-making); there are very few new ideas, they do not have the know-how (and the capital) absolutely needed for new operations.⁶⁵

Of the many reasons of the failure - most of them pointed out by experts and researchers earlier -, we shall refer here only to the basic weakness of the employment programmes: save a few modest exceptions, they were unable to address the specific endowments and real possibilities of the Rom.

In other words, employment programmes for the Rom must be launched from a different foundation, with a new approach. Certainly, public benefit and public works programmes will continue to be important during the coming years, as these programmes provide work - even if temporarily, for at least a few weeks or for some months - to those concerned. Entry to the „real” labour market, however, requires new-type programmes different in many respects from those implemented so far, and differentiated by county and micro region.

Experts have presented a wide range of proposals, ideas, including bonuses for studying, the establishment of mandatory quotas (in public administration, the police, on work-places established by the state or with state subsidy), giving scholarship to studying Rom, providing motivation to the employers of the Rom by increasing the standard wage subsidy or tax/levy holidays, etc.

The Government Order on the „*Medium term package of measures for improving the living conditions and social position of the Romas*” quoted above declares, among others that, when employing the instruments of active employment policy, *positive discrimination should be employed for the individuals belonging to the Roma ethnic minority*; and the resolution specifies a number of actions to reduce the disadvantages of the Rom on the labour market.

Some positive initiatives were launched in 2000 (perhaps mainly in the areas of education assisted by Phare funds as well). In 2000, OFA started an independent Rom employment programme, joining the medium-term package of measures of the government. OFA subsidises the local, community-enterprise-creating employment projects of organisations of the Rom. At the end of 2000, a decision

⁶⁵ Luckily, some promising initiatives continued to come forward. It was reported to the Roma Entrepreneurs conference held in the spring of 2001 and organised by the SEED Small Enterprise Development Foundation that a partnership company had been established in Dunaújváros under the name DROMA. The company undertakes to perform cleaning work at public places, works which are in demand in many places in the town, such as cleaning the staircases of condominiums. The company hopes to offer job to all the unemployed Rom, but they are ready to employ non Rom also.

was passed on supporting the plan of seven Rom organisations foreseeing the establishment of businesses in timber processing, the production of concrete- and pavement blocks, vegetable production in foil-tents, agricultural production on tillage, rehabilitation of landscape and buildings, goat farming and milk processing. These programmes will provide employment for some 270 Rom. In the case of four programmes - joining the OFA programme -, the county labour centres cover the wages of the employed unemployed Rom, and OFA pays the taxes/levies on those wages. For three programmes, OFA has undertaken to finance the wages for half a year. the programmes can actually start in 2001.⁶⁶ Apart from some good initiatives, one could as yet not see any essential - and absolutely necessary - sudden change.

3.3. The key reasons leading to unemployment

As mentioned already, the moderate increase in employment and the significant drop in the unemployment rate were due to powerful processes. According to the forecast made by NEO for 2000, 51.6 % percent of economic organisations foresaw a drop in the staff during the first half of the year, and 54.3 % a drop during the second half of the year. The higher ratio during the second half of the year is generally related to the end of term of contracts concluded for specific periods, to the timing of retirement, but in 2000 the effect of the international recession putting a sudden brake on the development of some industries has also become evident. According to the forecast, economic organisations intended to employ during the second half of 2000 altogether 170 thousand persons, but they also wanted to dismiss almost the same number, that is, 167 thousand.

As indicated already, the labour service registered 91.5 thousand new unemployed persons (not those at the start of their working carrier) for the first time; according to the Labour Force Survey, there were almost 99 thousand people having lost their job (that is, not new entrants or recurrent unemployed) less than one year before. On the basis of these rather similar figures we can assume that, on monthly average, 7.8-8.5 thousand people report as newly unemployed.

The main source of unemployment - for the past few years - has been the sensitivity of the economy to the economic trends, and its need to adapt to the processes of the international economy.

Although there are still elements rooted in the socialist past of the economy, their role is no longer determining (although in the case of some industries, such as mining and metallurgy, they unfortunately still affect large numbers of people)

⁶⁶ Report on the operation of OFA in 2000.

One of the reasons rooted in the past is that many cases of bankruptcy, liquidation and final settlement are still not closed. The wave of bankruptcy and liquidation cases which had affected practically all the large enterprises (and co-operatives) of the economy had subsided at the beginning of the decade; the dramatic loss of jobs had been caused by collapse of organisations having become insolvent. According to the data of the Ministry of Justice, in 2000 only 11 new bankruptcy procedures and 3,950 liquidations were initiated. (The moderate number of bankruptcy procedures and the higher ratio of liquidations is mostly the consequence of the fact that lenders do not trust the recovery of the firms which became insolvent, but they fear the loss of assets, and hence take a fast decision to liquidate the firm. In 1999 9,166 liquidation cases were launched.) There are, however, many more old cases which had as yet not been closed (at the end of 1998, 31 thousand, at the end of 1999 almost 29 thousand, in December 2000 almost the same number, that is 28,677 economic organisations had been subject to bankruptcy, liquidation or final settlement procedures - and that included only 116 cases of bankruptcy).

Most of the old cases have no longer any effect on employment; they are accounting and settlement actions. The latest cases - which are fast transformed from bankruptcy to liquidation -, however, still have a significant effect in the case of larger firms on the local labour market also.⁶⁷

A process of many years is nearing its end with the closing down of mines not attached to power stations. In several areas of the country, the deep-working coal mines - producing energy at high cost - which could not be attached to power stations had been closed down. In 1999 and 2000, work was stopped in the mines of the Borsod region. The closing down of mines had meant the loss of over two thousand jobs.

The position of the mines attached to power stations has not been finalised as yet either: because of the high costs, several power stations reduced the use of coal and that has caused a drop in the number of miners and of other power station staff.

The ups and downs of Diósgyőri Acélművek (DAM) (which, similarly to the closing of the mines, affect the population of the Borsod region) have a long story: bankruptcy, liquidation, change in ownership,

⁶⁷ The closing down of the HPH factory in Hollóháza affects 235 persons; 110 persons working in the dressmaker's shop of Blacky-Páva Kft – under liquidation -- with seat in Tamási, 98 persons were declared redundant by the Posztógyár in Koszeg. BCB Rt. the textile factory in Békéscsaba announced to the county's labour centre that they foresee the dismissal of hundreds of people at the start of liquidation The textile factory in Szeged -- under liquidation -- continues production but has already fired 114 employees, etc. *{News reports}*

reorganisation, then the process was repeated, and some hundreds of additional jobs were lost at each step. During the past 3 years, the size of staff dropped from over 5 thousand to 1,800-2,000.

The lengthy processes of the transformation of the economy - which continue to eliminate jobs - were joined a few years ago by the loss of several markets of the manufacturing industry. In the food processing industry, several firms primarily in the canning industry, but also in the meat and dairy industries, were forced to significantly reduce their staff. The loss in jobs continued in 2000; a multitude of firms went bankrupt or were liquidated. The insolvency of the Soviet market caused bankruptcy mainly to the firms of the canning industry. The firms supplying the CIS countries hoped to bridge their export difficulties - assumed to be temporary at the time - by drawing large credits, but the market failed to meet their expectations. Masses were fired by the food industry.

For other reasons, the smaller firms - lacking sufficient capital - of the textile and clothing industry landed in a similar situation; they failed because they could no longer compete on the market of their traditional products with the lower-priced Asian products and they had no strength to develop new products.

It is not a new phenomenon, as it has been decisive for the Hungarian economy for many years, that the adaptation of the structure of the Hungarian economy to the given state of the global economy affects employment. Occasionally a significant reduction in employment is caused by the change of products of large international companies, which also affect their plants in Hungary. Although in 2000 - especially during the second half of the year, as mentioned above - several international firms operating in Hungary also (GM, Electrolux, Unilever etc.) reduced the size of their staff significantly, most of that did (as yet) not affect their Hungarian operation. The transformation of several large firms, however, resulted in the loss of altogether thousands of employees, especially in the electronics and car industries, mostly with the suppliers of the firms having reduced their output (For example, from among the smaller supplier firms, Belgian-owned Salgófabrik was closed down and it dismissed its staff of 79 *{Napi Gazdaság, 3rd of February}*; EPCOS in Szombathely announced to reduce its staff by 320 *{Világgazdaság, 16th of October}*; GE's Ózd factory dismissed over one hundred employees *{HVG, 16th of December}*; because of the drop in demand on the PC market the factory in Győr of Philips decided to reduce staff by some one hundred persons by the end of the year *{Világgazdaság, 13th of December}*.)

It should be noted that some of the firms reducing/halting production settled in Hungary or increased operation only 2-3 years ago, and they were also fast to react on the drop in demand.

Although certainly not the first such case, Hungarian public opinion experienced it as some new phenomenon that two larger firms had closed down their operation in Hungary and transferred it to China. With the liquidation of the plant in Sárbogárd of Mannesmann - producing devices for telecommunications and electronic products for vehicles - over 1,100 jobs were lost and 420 jobs were lost when the Japanese Shinwa company transferred part of the assembly of telecommunication and entertainment electronic devices to China from its factory in Miskolc. (Shinwa followed Mannesmann to China.)

Adaptation requiring technical development has been accompanied by the drop in the number of jobs also in other sectors of the economy. (For instance, while spending HUF110 million on development in 2000, Vilati Rt. dismissed 60 employees *{Világgazdaság, 12th of May}* Or: a drop in demand made Bécem Rt. close one of its five factories, and 260 persons were dismissed when the factory in Bélapátfalva was closed *{Világgazdaság, 8th of September}*. Change in ownership leads to a loss of 300 jobs of the firm in the chemical industry, TVK Rt. *{Népszabadság, the 3rd of June}*.)

In addition to the economic sphere, significant staff reduction had taken place in public administration, especially in the defence staff. Hungary's accession to NATO required a reform of the defence forces, involving a drop in the staff by about 15 thousand by June 2001 from the controlling organisations to the closing down of military barracks. One thousand people were declared redundant by the Ministry of Interior also *{Népszabadság, the 1st of February}*. With the cancellation of compulsory chamber membership and the consequent amalgamation of the chambers of commerce and of artisans, over 300 persons became redundant *{Világgazdaság, 12th of April}*. Having fired almost one thousand staff during the previous year, in 2000 Hungarian Television declared redundant over 300 persons *{Népszabadság, 23rd of February}*, etc.

An important new feature of the dismissals in the year 2000 was that they took place in a stable economy, one that was developing, executing new investments and thus offering new opportunities, and, on the other hand, that most of those dismissals took place in conformity with the relevant European standards, regulations. The latter circumstance meant not only that everything took place in conformity with the legal regulations, but also the implementation of a wide scale of programmes offering new jobs, including special

financial grants to the most deprived regions, and tailor-made assistance to individuals.⁶⁸

As a consequence of all that, despite the large number of lost jobs, the drop in the unemployment rate could continue.

In some regions and in certain trades, however, the unemployment rate continued to remain high.

⁶⁸ For instance: after the departure of Mannesmann Broadway Industrial from Hong-Kong opened its plant in Sárbogárd and offered jobs for 150 persons within a few months; Videoton planned to employ the rest, and offered immediate jobs in its plan in Székesfehérvár. *{Világgazdaság, 22nd of November}* As reflected by the survey on active employment programmes: for the metallurgy workers dismissed by DAM the Labour Market Fund organised retraining programme through the Diósgyőri Foglalkoztatás Szervező Kht (Employment Organisation of Diósgyőr, a non-profit organisation) or employment opportunities are being tried to be identified through firms hiring employees. In the Borsod region – in addition to grants given for the establishment of new employment opportunities- the miners receive also special benefits when participating in re-start programmes. The public employees who became unemployed as a consequence of the reform of the defence forces and professional soldiers of the 40-57 age group training programmes are organised by the labour centres or they enjoy grants to find employment or start a business, etc.

4. **THE ECONOMICALLY INACTIVE**

The economically inactive are members of the working-age adult population staying away, voluntarily or involuntarily, from the labour market, that is, who are neither employed, nor unemployed.

In the European Union, this population, representing 31 % of the total population, is the great reserve pool of the targeted 70 % employment rate. Beside active job-seekers, they are the most likely candidates for employment.

The average inactivity rate - as is usual for such indicators - conceals significant scatter by country and sex.

Table 4.1.

Inactivity rate of the 15-64 year-old in Member States of the EU, 1999

Member State	Inactive population		
	Total	Men	Women
Belgium	34.7	26.0	43.5
Denmark	18.9	14.5	23.5
Germany	28.3	20.2	36.6
Greece	35.6	23.0	51.1
Spain	37.3	23.0	51.0
France	31.6	24.9	38.1
Ireland	47.1	19.5	45.0
Italy	39.8	25.1	44.0
Luxembourg	36.9	24.1	49.6
The Netherlands	26.1	17.0	35.5
Austria	28.5	20.0	36.9
Portugal	25.3	16.6	33.6
Finland	24.6	21.6	27.5
Sweden	22.8	20.4	25.9
United Kingdom	23.7	15.9	31.7
EU average	30.8	21.2	40.4
Hungary 1999	40.1	32.2	47.7
2000	39.8	32.0	47.3

* Calculation based on *Employment in Europe, 2000*, data on pp. 85-100.

The rates of inactivity and economical activity are in close correlation: in countries boasting a high rate of employment and of active job seekers, the inactivity rate will be low, and vice versa. Activity is influenced substantially by the gradual harmonisation of retirement age limits in Europe.

Of course, the the gender gap in inactivity reflects to a large extent differences in the economic structures concerned: the activity of women working on family farms in large numbers in countries with significant agricultural production will not necessarily be registered as independent activity. The employment of women may be hindered by tradition, by the higher prestige of their role in the family than as

earners, etc. The inactivity of both men and women may also be due to the lack of adequate work opportunities, to having given up job search deemed hopeless, etc.

The EU gives special emphasis to the employment of members of two inactive groups: that of women and that of men above 50. With the exception of a few countries only, these two groups include significant reserves of employable persons all over Europe.

4.1 Inactivity in Hungary

The most marked negative feature of the Hungarian labour market situation is the persistence of a slightly improving but nevertheless constantly very high rate of inactivity in spite of the general increase in employment and decrease in unemployment. In 2000, almost 40 % of the population of the 15-64 year-old was absent from the labour market.

Table 4.2.

Number and rate of the inactive among the 15-64 year-old

Year	15-64 year- old '000	Economi- cally active %	Inactive					
			Total		Men		Women	
			'000	%	'000	%	'000	%
1992	6,898.3	64.7	2,433.6	35.3	934.0	13.5	1,499.6	21.8
1993	6,895.7	62.3	2,601.6	37.7	1,018.8	14.8	1,582.8	22.9
1994	6,885.5	60.4	2,729.3	39.6	1,065.3	15.4	1,664.0	24.2
1995	6,891.4	58.9	2,830.9	41.1	1,083.1	15.7	1,747.8	25.4
1996	6,877.4	58.5	2,857.1	41.5	1,095.8	15.9	1,761.3	25.6
1997	6,876.5	57.8	2,903.4	42.2	1,123.7	16.3	1,779.7	25.9
1998	6,831.7	58.4	2,843.1	41.6	1,129.4	16.4	1,713.7	25.2
1999	6,803.1	59.9	2,729.4	40.1	1,075.0	15.8	1,654.4	24.3
2000	6,784.4	60.2	2,696.8	39.8	1,064.9	15.7	1,631.9	24.1

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

The rate of those keeping away from the labour market exceeds considerably (by around 10 percentage points) the corresponding EU average (having declined slightly in 1999).

Beside the age groups of the youngest and the oldest, absent from the labour market for specific reasons, every fourth or fifth person of those of prime working age is also inactive.

Table 4.3.

Rate of the economically inactive by age group

Age group	1992	1993	1994	1995	1996	1997	1998	1999	2000
15-19	77.0	79.2	80.9	83.2	84.7	85.8	83.8	87.1	88.3
20-24	28.9	31.5	33.9	35.6	38.7	40.3	31.7	39.1	40.7
25-29	22.4	24.0	24.3	27.0	27.6	28.1	27.1	25.6	24.8

30-39	13.4	15.1	17.2	18.7	19.0	20.6	20.7	19.9	19.9
40-54	18.3	20.6	22.5	23.5	23.8	24.8	25.9	23.7	23.5
55-59	65.7	69.1	72.6	71.8	70.8	71.3	74.1	70.1	65.0
60-64	88.6	91.1	92.0	93.4	94.9	96.1	92.5	92.3	91.9
Aggregate	35.3	37.7	39.6	41.1	41.5	42.2	41.6	40.1	39.8

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

The high rate of absence from the labour market is partly due to the lower age of retirement in Hungary than in most European countries. (It is typical in most European countries, too, that masses of the employed exit the labour market upon reaching retirement age and become pensioners/inactive.)

Figure 9.

**Rate of the economically inactive to the population of the 15-64 year-old
by county, 2000**

National ratio: 39.8%

Source: *LFS, Time Series, 1992-2000, CSO, 2001.*

The situation is not much better if we consider the Hungarian retirement age limit: 2.2 million among those of working age (as defined in Hungary) were inactive, more than one third (35.4 %) of the age groups concerned, that is, every third person was absent from the labour market in 2000. The inactivity rate of women is especially high: 29.7 % of working-age men and as many as 41.3 % of women did not work or consider themselves unemployed.

In what follows, the analysis will be limited to those of working age according to the Hungarian regulations, because, although

international comparisons make common metrics indispensable, Hungarian workers (too) retire in accordance with the national terms/regulations applying to them.

The massive exit/squeezing out from the labour market of the Hungarian working-age population began with the crisis at the beginning of the nineties and the sudden liquidation of workplaces. According to the Labour Account, in 1989, 77 % of the working-age population (4.6 million) was working, as well as another half million persons (488 thousand) beyond working age. The number of the latter decreased at an accelerating rate, and on 1 January 2000 the Labour Account registered 74 thousand pensioner-age employed. Massive exits from the labour market, however, although abating in one year or two, have persisted throughout the decade. From 1 January 1990 to 1 January 2000, not independent of the demographic developments and in spite of the increase in retirement age, the number of inactive persons of working age increased from 1.33 million to 1.97 million.

In 2000, when the increase of retirement age implied that an extra generation of working age women and also of men remained on the labour market, the Labour Force Survey showed 246 thousand more inactive already on annual average. This also means that, parallel with the modest growth of employment, the extension of working age implied the increase of the number of the inactive. The inactivity rate of women especially is high: women represented the major part (58%) of the working-age inactive.

4.2 Main categories of the inactive by reason of inactivity

The population of those staying away from the labour market includes several groups in different life situations. The temporary or permanent inactivity of the majority is due to rather obvious reasons. In what follows, we shall survey these categories.

4.2.1 Students

From the point of view of economic activity, students remaining in education after the age of 15 qualify as inactive - in spite of the fact that society does not consider education a form of „inactivity”, but an important and useful activity for both the individual and society, and most countries tend to invest more and more to ensure that the youth stay in education for a longer period, measurable in years.

In Hungary, there were 710 thousand students among those aged 15-24 in 2000 on annual average;⁶⁹ more than workers and active job-

⁶⁹ The number of students differs by source. Beside the annual average based on the Labour Force Survey, CSO's Yearbooks and the Labour Accounts publish the number of students on 1 January of the given year (cf. Table 4.4.), while the Ministry of

seekers of the same age (567.2 thousand). The number of students has been increasing steadily for decades, and within the population of the youth, it has already attained 46 %.

Table 4.4.

***Number and % rate of full-time students in the 1959/60-1999/2000 school
years***

thousand persons

School- years	population of the 15-24 year-old *	of which			
		students no.	%	Female students	
				no.	% rate to all students
1959/60	1,432.5**	267.1**	18.6	109.9	38.2
1969/70	1,696.4**	465.6**	27.4	200.2	43.0
1979/80	1,464.4**	371.8**	25.4	174.9	46.5
1989/90	1,445.5	531.6	36.8	255.1	48.0
1990/91	1,511.4	566.2	37.5	274.3	48.4
1991/92	1,561.0	590.2	37.8	289.2	49.0
1992/93	1,592.6	595.0	37.4	291.2	48.9
1993/94	1,609.4	615.9	38.3	307.9	50.0
1994/95	1,619.2	625.5	38.6	310.8	49.7
1995/96	1,618.9	635.9	39.3	317.2	49.9
1996/97	1,614.4	674.8	41.8	336.6	49.9
1997/98	1,596.5	675.9	42.4	338.6	50.1
1998/99	1,568.1	687.1	43.9	346.2	50.4
1999/2000	1,507.3	699.7	46.4	350.0	50.0

* 1 January of the given year

** Data of the population census

Source: *CSO Yearbooks and Labour Accounts*

However, students apart, another 16 % of the 15-24 year-old is also inactive.

As mentioned already in another context, there are significant differences in the life situations, labour market activity and inactivity of the 15-19 and the 20-24 year-old, respectively.

More than three-quarter of the 15-19 year-old stay in education, the majority until the age of 18. This is a good rate relative to the corresponding OECD rates as well. In Europe, three countries have compulsory schooling until the age of 18 - Belgium, Germany, the Netherlands -, and Hungary, where those starting first grade in 2000 will also study until the same age, joined their ranks.⁷⁰ However, while in most European countries the overwhelming majority of students do not leave the education system after compulsory lower secondary schooling, but proceed to upper secondary level education, in Hungary, the end of the lower secondary level coincides means the end of education - at least until a new start in adult age.

⁷⁰ Anna Imre – Judit Lannert: “Az oktatási rendszer és a rendszerben való tanulói továbbhaladás” (The education system and the progress of students within it). In.: G. Halász – J. Lannert: (eds.) *Jelentés a magyar közoktatásról 2000 (Report on Hungarian public education, 2000)*, Országos Közoktatási Intézet, 2000.

The age group of the 15-19 year-old contains a modest proportion (8 %) of those inactive for reasons other than schooling. Among the approximately 54 thousand youth there are young women on child-care leave already, students having dropped off, those intending to continue their studies and waiting for admission, and passive unemployed considering placement hopeless. Presumably, those among them who can, try to get temporary work, but they are typically dependent on their family.

In the generations of the 20-24 year-old numbering 850 thousand, 20 % only are in education and their proportion decreases with age.

Table 4.5.

Distribution of full-time 15-24 year-old students by age and school type in the school-year of 1999/2000

Age	2000 Population on 01.01. no.	Students*		Of which, in %				
		no.	%	Primary	Vocational	Secondary	Institution for the handicapped	University, college
				school				
15	120,787	116,918	96.8	19.1	15.5	58.8	3.4	-
16	122,938	117,696	95.7	5.4	22.8	65.0	2.5	-
17	129,142	112,324	87.0	1.4	24.9	59.1	1.6	-
18	137,875	96,393	69.9		13.6	55.4	0.9	-
19	143,522	64,785	45.1		5.7	29.2	0.5	9,7
15-19	654,264	508,116	77.6	4.8	16.2	52.8	1.7	2,1
20	154,278	56,049	36.3		3.7	14.5	0.3	17,8
21	161,674	51,734	32.0		2.7	9.2	0.3	19,8
22	170,479	31,251	18.3				0.3	18,0
23	177,611	25,590	14.4					14,4
24	188,954	17,576	9.3					9,3
20-24	852,996	172,200	20.3		1.2	4.4	0.1	15,6
25 +	-	23,994	-	-	-	-	-	-
Total	-	704,310	-	-	-	-	-	-

* At the beginning of the school-year (15.09.)

Source: CSO Yearbook, data released by the Ministry of Education.

All in all, 31.5 % of Hungary's total inactive working-age population numbering 2.2 million stay away from the labour market due to education. This rate is essentially identical with that for 1999 (31.8 %).

4.2.2 Persons on parental leave

In Hungary, in the year 2000, parents had access to three forms of social provision to exit the labour market to take care of young children at home for a definite period.⁷¹ The system, one of the first in

⁷¹ The range of family allowances is much wider: families receive so-called child-raising allowance, family allowance or schooling allowance until the child reaches a given

Europe at the time of its introduction in 1967, whose form and rates have been modified ever so often in the course of the decades, allowed hundred thousands of parents, mostly mothers, every year to stay away from the workplace without having to give it up their job and preserving their entitlement to social allowances and to pension conditional on employment.

The forms available, partly optionally, in 2000 are as follows:⁷²

- ⇒ Child-care aid (GYES): allowance due on citizen's right, of a fixed amount, available until the child reaches the age of three. Its extent is identical with the minimum old age pension (2000: HUF16,600). Since the allowance is subject to pension contribution payment (2000: HUF1,328), the monthly net amount was HUF15,272. GYES can be requested by either parent.
- ⇒ Child-care fee (GYED): A form having existed earlier and re-introduced as of 1 January 2000 (under Act XCVII of 1999), it is available exclusively to persons (either parent) having had an employment relation (insurance legal relation) for a definite period of time, until the child reaches the age of 2. Its amount corresponds to 70 % of average earnings, but it must not exceed twice the minimum wage in effect at the initial date of its allocation (in 2000, this was HUF51,000, that is, the maximum average earnings that could be taken into account was HUF72,860).⁷³ GYED is subject to 8 % pension contribution and to tax payment.
- ⇒ Child-care allowance (GYET): A form introduced in 1993 available to mothers raising at least 3 children, until the youngest goes to school. Its amount, irrespective of the number of children raised in the household, is identical with that of the minimum old-age pension ever. GYET qualifies as employment from the point of view of eligibility to pension.

Despite the steady decrease of the number of births, in the nineties, the total number of women (primarily) making use of one or another form of parental leave has increased continuously, with slight fluctuations only. In the beginning of the decade, parental leave was a way of escape from the deteriorating labour market conditions, in the beginning with the hope that, in accordance with the law, their former workplace would be obliged to take them back again. (At the time,

age, and they are eligible to tax relief (in 2000, this was HUF2,200 per month for families with one child/two children and of HUF3,000 per month if they have three or more children and HUF3,400 per month for families raising disabled children).

⁷² Because of the differences in access conditions, the three forms are treated apart statistically as well; the Report, however, focusing on their identical labour market impacts, treats them together.

⁷³ For the detailed rules of access to child-care fee, see the article by Ms György Forgó (MSFA) in the February 2000 issue of *Munkaügyi Szemle*.

statistics also assigned those on parental leave and having had a job previously to the category of earners.) Owing to the massive liquidation of jobs during the crisis years, however, the large majority had no workplace to return to, and neither were they needed, given the contracted labour demand of the post-crisis era. (In accordance with the real state of affairs and the recommendation issued by the ILO in 1995, since 1998, Hungarian statistics assigns those exiting the labour market for the purpose of child care to the category of the inactive.)

Table 4.6.

Number of persons staying away from the labour market on parental leave, 1980-2000

thousand persons

Year 01.01.	Child-care aid/fee			Child-care allowance women	total
	men	women	total		
1980	0.1	263.9	264.0	-	264.0
1990	1.2	243.5	244.7	-	244.7
1991	1.3	250.3	251.6	-	251.6
1992	1.8	260.3	262.1	-	262.1
1993	1.7	260.4	262.1	-	262.1
1994	2.2	252.4	254.6	24.1	278.7
1995	5.2	246.8	252.0	33.0	285.0
1996	4.6	226.0	230.6	44.6	275.2
1997	2.0	245.1	247.1	48.1	295.2
1998	1.0	238.0	239.0	52.0	291.0
1999	1.0	243.0	244.0	55.9	299.9
2000	1.0	242.3	243.3	53.8	297.1

Source: Labour Account, 1 January 2000, CSO.

In 2000, the Labour Force Survey registered a total of 283.6 thousand persons on parental leave on annual average, 4 thousand men and 279.6 thousand women. 13 thousand among them considered themselves employed (given the low level of child-care allowances, it is not surprising that beneficiaries engage at least in temporal work); and some 2,200 unemployed who intended to work immediately after the expiry of the allowance. The number of those regarding themselves as employed was by and large identical to that in the previous year, but the number of active job-seekers was much higher then: 9,600.

4.2.3 Retirement at working age

In 2000, the population of pensioners included more than half a million (568.6 thousand) men and women of working age, 33 thousand more than one year earlier.

The population of those retiring at working age has doubled since the beginning of the decade. It includes those retiring with *age exemption*, that is, persons having occupied certain jobs (implying more physical stress or especially hazardous to health) subject to lower-than-average retirement age;⁷⁴ persons retired due to *disability or accident* and in the nineties, persons eligible to pension prior to having reached retirement age to escape unemployment, i.e., for *employment policy reasons*.⁷⁵

Every form of early retirement, including to some extent the establishment of reduced working ability due to health injury, also served as a way of escape in the most difficult years of the economy in the nineties.

Table 4.7.

Retirement at working age

thousand persons

Year 01.01.	Working-age pensioners*			of which: retirement in the given year due to	
	men	women	together	empl. policy reason	disability/accident
1990	176.4	87.4	263.8	27.0	61.3
1991	200.4	104.3	304.7	37.5	66.3
1992	236.9	129.5	366.4	46.1	64.4
1993	267.0	152.0	419.0	43.0	62.7
1994	275.9	161.8	437.7	41.1	62.4
1995	284.0	177.0	461.0	34.1	61.0
1996	296.5	184.6	481.1	44.0	62.0
1997	305.4	198.8	504.2	42.5	55.4
1998	304.6	207.5	512.1	16.0	49.3
1999	306.8	228.6	535.4	3.5	48.0
2000	322.0	246.8	568.6	11.5**	53.7

* Exclusive of employed working-age pensioners

** Of which 8.2 thousand received unemployment benefits prior to pension

Source: Active-age pensioners: Labour Account, 2000., CSO, 2001. Retirement with age-exemption, pre-pension; data released by NPIF; unemployment prior to retirement: NEO

⁷⁴ In 1997, the review of job positions implying age exemption was put on the agenda as well, in relation to the changes having taken place in working conditions, vocational structure during the decades. The alterations, however, were postponed from the originally planned 1 January 2000 to 31 December 2000.

⁷⁵ The forms and provisions of early retirement meant to reduce labour market tension also changed several times. Until 1995, persons within 5 years of retirement age could retire with *age exemption*. Subsequently, until 1 January 1998, those within 3 years of it could receive *pre-pension*. Since 1998, those having only 5 years to reach retirement age may receive *pre-pension unemployment benefits*, if they are registered as unemployed, their period of entitlement to unemployment benefits expired, they have no chance to be re-trained or to be placed. As of 1 February 2000, the amount of pre-pension unemployment benefits corresponds to 80% of the minimum old-age pension ever.

The population of working-age persons sent to retirement for employment policy reasons - having increased by an annual 40 thousand or so from 1991 to 1997 - has been decreasing fast since 1998. Partly because those sent to retirement in the beginning of the decade gradually got transferred to the category of the regular retirement age population, and partly because the more consolidated operation of the economy generates less demand for early retirement, subject to ever tighter conditions.

The Labour Force Survey showed 714 thousand working-age pensioners (54 % of them men) on annual average in 2000. Most (71 %) had disability pension; 77 thousand (12 %) were retired due to employment policy reasons.

4.2.4 Other reasons of inactivity

The Labour Account sums up the reasons of inactivity year on year. Beside the main and well-known reasons discussed above, in the beginning of the year there were 400 thousand persons among the 1,970 thousand Hungarian working-age inactive whose absence from the labour market had no obvious reasons similar to the above.

The development of the number of those absent for „other” reasons from the beginning to the end of the decade clearly correlates with the changes in the state of the labour market. Note that the rate of those having become inactive for no known reason is almost identical to that recorded in the beginning of the decade; some 70-80 % of the inactive have always had an obvious reason. More precisely, the rate of „other” reasons increased in the years of the deterioration/stagnation of the labour market, to return to the level around 20 % with the improvement of the situation.

Table 4.8.

Composition of the inactive working-age population

	<i>thousand persons</i>						
	1990	1995	1996	1997	1998	1999	2000
	(01.01.)						
<u>Economically inactive</u>	1,333.3	1,913.6	1,952.2	2,023.7	2,000.1	1,958.8	1,970.0
<u>% rate to the working-age population</u>	22.4	31.5	32.1	32.9	32.6	32.0	31.7
<i>of which</i>							
student	531.6	625.5	635.9	674.8	675.9	687.1	699.7
on parental leave (child-care allowance included)	244.7	285.0	275.2	295.2	291.1	299.9	297.1
pensioner	263.8	461.0	481.1	504.2	512.1	535.4	568.6
inactive for other reasons	293.2	542.1	560.0	549.5	521.1	436.4	404.6
<i>of which: women</i>							
<u>Economically inactive</u>	7,655	1,080.9	1,123.0	1,185.6	1,167.2	1,119.6	1,134.0
<u>% rate to the working-age</u>							

<i>population</i>	26.9	37.0	38.5	39.8	39.3	37.9	37.7
<i>of which:</i>							
student	255.1	310.8	317.2	336.6	338.6	346.2	350.0
on parental leave (child-care allowance included)	243.5	279.8	270.6	293.2	290.0	298.9	296.1
pensioner	87.4	177.0	184.6	198.8	207.5	228.6	246.6
inactive for other reason	179.5	313.3	350.6	357.0	331.1	245.9	241.3

Source: Labour Account, 1 January 2000, CSO

Relative to 1 January, the number of those absent from the labour market for „other” reasons increased by more than a hundred thousand during the year: the Labour Account registered 509 thousand men and women absent for „other” reasons among the 2.2 million inactive.

Table 4.9.

Composition of the working-age economically inactive population, 2000

	Total		women	
	'000	%	'000	%
Economically inactive	2,216.5		1,260.7	
<i><u>% rate to the working-age population</u></i>	35.4	100.0	41.3	100.0
of which				
student	710.2	32.0	357.7	28.4
on parental leave (child-care allowance included)	283.7	12.8	279.6	22.2
pensioner	714.1	32.2	329.5	26.1
inactive for other reason	508.5	23.0	293.9	23.3

Source: LFS, Time Series, 1992-2000, CSO, 2001.

Absence from the labour market for no specific, socially justifiable reason is a natural phenomenon in every economy. Even at the time of the highest rate of employment, there were always two or three hundred thousand men or women who would not or could not engage in work due to their personal circumstances (sick relative, remote workplace, lack of qualification, well-earning spouse etc.). This time, the relatively high rate of inactive persons of prime working age not in education and not beneficiaries of social income suggests that part of them depend on their family or, probably, they earn a living in the unorganised economy.

Those without no regular (visible) income, however modest, are present in every age group.

Table 4.10.

Age-group distribution of those absent from the labour market of no known reason, 2000

Age group	inactive		of which: without known reason					
	'000	%	'000	in % of the inactive	Men		Women	
					'000	%	'000	%
15-19	562.3	88.3	66.0	11.7	34.7	12.3	31.3	11.2
20-24	350.2	40.7	81.0	23.1	43.5	30.7	37.5	18.0
25-29	185.1	24.8	56.6	30.6	25.7	63.0	30.9	21.4
30-34	141.0	21.2	55.3	39.2	20.7	66.8	34.6	31.5
35-39	110.8	18.4	55.4	50.0	19.9	57.6	35.5	46.9
40-44	131.7	18.1	61.9	47.0	21.7	40.4	40.2	51.5
45-49	176.7	22.1	59.9	33.9	21.0	27.3	38.9	39.0
50-54	207.8	31.0	49.4	23.8	14.9	17.2	34.5	28.5
55-59*	275.9	58.6	21.9	7.9	11.3	8.6	10.6	7.3
60-61	75.0	83.3	1.2	1.6	1.2	1.6	-	-
Total	2,216.5	35.4	508.6	22.9	214.6	22.5	294.0	19.0

* 55-57 years for women

Source: LFS, Time Series, 1992-2000, CSO, 2001.

4.3 Inactive persons waiting for employment

As mentioned already, the Labour Force Survey registered a total of 106 thousand passive unemployed among the 2.7 million economically inactive aged 15-64. (In 1999, the number of the passive unemployed was almost the same: 109 thousand.) The passive unemployed, having lost courage, however, represent but one fifth of those among the inactive who would like to work, totalling more than 560 thousand. (No significant change has taken place in this respect: one year earlier, the corresponding number was 580 thousand.)⁷⁶

Table 4.11.

Inactive persons waiting for work opportunity, 2000

Would like to work, but	Men	Women	Total	% rate to the inactive aged 15-64
	'000			
is discouraged from active job search (passive unemployed)	64.0	42.9	106.9	4.0
did not look for a job	204.4	240.4	444.8	16.5
did not look for a job actively/was not available	3.6	5.1	8.7	0.3
Total:	272.0	288.4	560.4	20.8

Source: *LFS, Time Series, 1992-2000*, CSO, 2001.

The number of those wishing to work, but not looking for work actively themselves exceeds by far the 262 thousand considered as unemployed by the survey.

Their decisive majority are of working age according to the Hungarian definition (although more than 17 thousand among those past retirement age would also like to work).

In every age group of those of working age, 20-40 % of the inactive would engage in work, whatever the reason for their inactivity. Every member of the youngest generation, that of the 15-19 year-old, not in education would like to work, and two-third of the 20-24 year-old not

⁷⁶ Judit Lakatos et. al. in their paper quoted already define as "dependent" inactive persons of working age, not in education and having no (visible) source of income. They re-processed former LFS data, and monitored the development of the circle of dependants until 1998, in order to understand their ties to the labour market and the reasons behind their intentions to enter/exit it. One conclusion of the richly documented analysis was that more than half (57.3%) of those qualifying as dependent in 1998 (47.1% of men and 65% of women within the population concerned) answered the question whether they wanted to work in the negative or expressed uncertainty. A somewhat lower proportion than before, but still 237 thousand, among the inactive assigned to the 555.8 thousand strong group of dependants at that time would have been willing to work, although they were not actively looking for a job. As for us, we could not identify the dependants on the basis of the data available to us; the answers came from the group including all the inactive.

in education or not having remained outside the labour market due to child care.

The survey asked why those willing to work did not look for a job. One fifth (113 thousand) said there was no suitable job or their own parameters (young/old age, lack of qualification) were not adequate. Almost the same number (106 thousand) referred to personal, individual or family reasons, state of health, child-care or other family obligations. More than 84 thousand would have liked to work while studying, or were about to leave education, or waiting to be able to continue it. Less than 2 %, a mere 9 thousand, judged job opportunities in terms of the prospective income, refusing to look for a job on the ground that „there were only underpaid jobs”.

Figure 10.

Inactivity rate

(% rate of the inactive to the economically active)

Világgazdaság, 18 February 2000, **Source:** CSO

Hence the population of the inactive includes significant reserve pools for employment expansion.

They will soon be followed by the future „young pensioners”. With the gradual increase of retirement age, in the years to come, some 330 thousand - annually around one hundred thousand - women aged 57-62 and men aged 61-62 will remain in the working-age brackets, and another 196.5 thousand men and women will be younger than 65, the typical retirement age in the Western European countries.

In the beginning of the decade, as indicated already, 488.4 thousand persons of retirement age were still active - presumably, at least the same number of their peers today would like to go on working.

This reserve, however, together with the 262 thousand unemployed looking for a job in 2000, can only be used under appropriate conditions. If

Hungary wants to approximate the employment targets of the EU, it should raise the 56.3 % employment rate of the population of the 15-64 year-old in 2000 to 70 % by 2010 by raising the number of the employed from 3.8 million to 4.7 million, that is, by around one hundred thousand annually. So far this rate was attained in a single year, in 1999, only. In order to keep up with the EU and in Hungary's own best interest, it is a must to assert the employment directives of the EU and to introduce more flexible forms of employment as well as to reduce the taxes and contributions imposed on employment.

II. SOME FURTHER CHARACTERISTICS OF THE HUNGARIAN LABOUR MARKET

5. REGIONAL DISCREPANCIES*

5.1 Regional differences in unemployment and employment

The regional differences of the labour market can be investigated at four levels: at the level of (1) the seven planning statistical regions, (2) the 19 counties and the capital having county status, (3) the 150 statistical small-regions and (4) the almost 3,200 settlements.⁷⁷

5.1.1 Differences by planning statistical regions

On the basis of the labour market developments of the nineties, the seven planning statistical regions of the country can be assigned to three major groups: A) developed (Central Hungary, Central Transdanubia and Western Transdanubia; B) mediocre (Southern Transdanubia, Southern Great Plain) and C) backward (Northern Hungary, Northern Great Plain) regions. In the first, the employment rate of the working-age population attains two-third, and the rate of unemployment is below 5 %. In the second, the employment rate exceeds 60 %. In the third, the employment rate is below 60 % and the unemployment rate was higher than 10 % even in 2000.

The discrepancies, quite significant in the beginning of the decade, started to diminish in the second half of the nineties. In 1996, employment indicators started to improve in Western and Southern Transdanubia, and the other regions followed in 1998. According to CSO' Labour Force Survey data, the regional differences in employment have not change significantly in the past two years at the level of the planning statistical regions. In 1999, the difference between the highest and lowest unemployment rates was 2.6-fold, in 2000 2.4-fold. The rank order of the regions, on the other hand, did change. While in 1999, the Central Hungarian region occupied the most favourable position (5.2 %), in 2000, Western Transdanubia boasted the lowest unemployment rate of 4.3 %, while the Central Hungarian region was relegated to third position after the Southern Great Plain region. The order of the regions with the highest rates, on the other hand, has not changed during the years. Ever since 1992, Northern Hungary and the Southern Great Plain region have had the highest unemployment rates.

* **Author of the chapter: Károly Fazekas, HAS, Institute of Economics**

⁷⁷ Planning statistical regions correspond to the NUTS-II level, counties to NUTS-III, small regions to NUTS-IV in the EU's EUROSTAT classification system.

Table 5.1.

Regional differences in the employment and unemployment rates of the planning statistical regions

Region	1992	1993	1994	1995	1996	1997	1998	1999	2000
Employment rate (%) of the working-age population									
Central Hungary	68.7	64.6	63.3	63.1	62.7	62.5	63.4	65.7	68.1
Central Transdanubia	63.9	61.4	61	59.5	58.8	59.5	62.3	65.1	66.9
Western Transdanubia	69.5	67.9	67.3	65.7	66.3	66.5	68.2	69.6	70.6
Southern Transdanubia	64.7	59.8	59.1	54.8	56.7	56.3	57.5	58.9	62.5
Northern Hungary	58.6	55.7	54	52.5	51.7	51.5	52.3	54.2	59.6
Northern Great Plain	58.6	54	53.2	51.7	51	50.4	51.4	53.8	58.2
Southern Great Plain	64.4	60	59.6	59.6	59.1	59.8	60.1	61.4	63.4
TOTAL:	64.5	60.8	59.9	58.7	58.4	58.4	59.6	61.6	64.5
Minimum	58.6	54	53.2	51.7	51	50.4	51.4	53.8	58.2
Maximum	69.5	67.9	67.3	65.7	66.3	66.5	68.2	69.6	70.6
Maximum/minimum	118.6	125.7	126.5	127.1	130.0	131.9	132.7	129.4	121.3
Development of the unemployment rate (%)									
Central Hungary	7.4	9.8	8.7	7.3	8.1	6.9	5.6	5.2	5.3
Central Transdanubia	11.4	12.4	10.6	10.8	10.3	8	6.7	6	4.9
Western Transdanubia	7.2	8.9	7.7	6.8	7.1	6	6	4.4	4.3
Southern Transdanubia	9.5	12.7	11.8	11.9	9.3	9.9	9.4	8.3	7.8
Northern Hungary	13.9	15.9	15	15.8	15.3	13.9	12.2	11.5	10.2
Northern Great Plain	12.3	14.6	13.6	13.6	13	11.9	11	10.1	9.3
Southern Great Plain	10.1	12.2	10.5	9.2	8.3	7.3	7.1	5.7	5.2
TOTAL:	9.8	11.9	10.7	10.2	9.9	8.7	7.8	7	6.4
Minimum	13.9	15.9	15	15.8	15.3	13.9	12.2	11.5	10.2
Maximum	7.2	8.9	7.7	6.8	7.1	6	5.6	4.4	4.3
Maximum/minimum	1.9	1.8	1.9	2.3	2.2	2.3	2.2	2.6	2.4

Source: CSO, LFS

International comparisons querying the regional discrepancies of the labour market focus on employment differences measured at the level of the planning statistical regions. In that context, the regional differences in employment and unemployment in Hungary do not deviate from those in the developed market economies. However, comparisons based on data by planning statistical regions are misleading, because the Hungarian labour market is segmented into relatively small, closed local labour markets. A decisive part of regional differences occurs at the level of the counties, the small regions and the settlements, respectively.

5.1.2 County, small region and settlement level differences

Unfortunately, the sample size of CSO's Labour Force Survey does not allow to analyse the regional indicators of employment and unemployment broken down at the level of small regions or settlements. Therefore, we shall use data originating from the unemployment registers of NEO to present differences at these levels.

As shown by Table 5.2. below, the decisive majority of differences in registered unemployment at the level of the small regions occurs within the big regions.

Table 5.2.

Regional differences in registered unemployment (March 2001)

	Maximum difference	Minimum	Maximum	Average difference
Small regions	22.81	2.36	25.17	4.22
Counties	13.54	2.36	15.91	2.91
Planning statistical regions	9.99	3.13	13.12	2.95

Source: HAS-IE, Regional database

The differences by county and small region, respectively, deviate from those for the large regions with respect to their extent and also development tendency. Table 5.3. shows the development of the registered unemployment rates by county from 1990 to 2000.

Table 5.3.

Development of the rate of registered unemployment by county (1990-2000)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Budapest	0.14	1.2	4.6	6.6	5.9	5.7	5.7	4.8	4	3.7	3
Baranya	1.12	5.1	11.2	13.2	11.7	11.8	12.2	13.3	11.8	11.6	11.6
Bács-Kiskun	1.11	5.9	13.4	16	13.1	11	10.9	10.7	9.7	10	10
Békés	1.12	7.4	13.3	16.3	15.1	14	14	13.5	13	13	13.1
Borsod-A.-Z.	2.3	8	16.7	20.2	17.5	16.7	18	19	17.9	19.5	20.3
Csongrád	0.98	4.8	9.8	11.7	10.8	9.9	9.3	9.2	8.1	8.5	8.6
Fejér	0.97	4.1	10.1	12.5	11.3	10.6	10.4	9.4	8.4	8.3	7.2
Győr-M.-S.	0.54	2.9	6.9	8.2	7.7	6.8	7.4	6.4	5.1	4.8	4.6
Hajdú-Bihar	0.87	5	11.5	16.6	15.3	14.2	15.6	15	14	15.6	14.7
Heves	1.65	6.4	12.7	15.2	13.9	12.5	13.6	12.1	11.7	12.3	12
Jász-N.-Sz.	1.58	7	14.4	17.1	15.8	14.6	14.8	14.8	13.5	13.7	13.4
Komárom E.	1.04	4.1	11.5	14.4	12.6	11.3	12	11.4	9.8	10.1	8.3
Nógrád	2.39	9.8	16.8	21.3	17.2	16.3	17	16.3	15.6	16.2	14.9
Pest	0.5	4.4	8.1	11	8.1	7.6	7.8	7.3	6.3	6	5.2
Somogy	1.37	5.2	9.2	11.6	10.9	11.2	12.5	12.7	11.3	12.2	11.9
Szabolcs-Sz.-B.	2.64	10.7	18.9	20.6	19.3	19.3	19.7	18.9	17.2	18.7	19.5
Tolna	1.58	6.5	12.1	14.7	13.4	12.2	13.4	13.5	12.3	12.9	11.8
Vas	0.43	2.9	7.3	9.1	8.3	7.2	7.2	6.7	5.6	5.6	5.2
Veszprém	0.88	4.9	9.9	11.9	10.9	10	9.9	9.2	7.9	8.2	7.2
Zala	0.81	3.9	7.7	10.3	9.8	9.2	9.8	9.2	8.1	7.7	7.2
TOTAL	1	4.7	10.3	12.9	11.3	10.6	11	10.5	9.5	9.7	9.3
Minimum	0.14	1.2	4.6	6.6	5.9	5.7	5.7	4.8	4	3.7	3
Maximum	2.64	10.7	18.9	21.3	19.3	19.3	19.7	19	17.9	19.5	20.3
Max/Min	18.9	8.9	4.1	3.2	3.3	3.4	3.5	4.0	4.5	5.3	6.8

Source: NEO database

Note: Rates for 1990-2000 calculated on the basis of the number of the employed on 1 January of the given year.

As can be seen, since 1993, parallel with the decline in the average rate of unemployment, regional discrepancies have increased significantly instead of narrowing. From 1993 to 2001, the minimum rate dropped from 6.6 % to 2.7 %, but the maximum rate hardly changed over the same period, declining from 21.3 % to 20.6 % and, moreover, over the past three years, the maximum rate has shown an increasing tendency despite the decline of the average unemployment rate. The ratio of the maximum and minimum rates declined in the first years of transition, to increase from a three-fold to a nearly eight-fold difference in the second phase, from 1993 to 2001.

An investigation of the discrepancies at the small-region level, matching the local labour markets closer in terms of size and geographical location, provides a more precise image of the development of the regional differences of unemployment. Figure 11. shows the chronological development of relative differences in the rates of registered unemployment. The curves indicate the chronological development of ratio of the average unemployment rate by decile and the median, cleared of the effects due to the change in rate size.

Figure 11.

Development of the relative differences in unemployment rates by small region
(01.01.1991-01.01.2001.)

Note: Calculated from registered unemployment rates smoothed by fourth-degree polynomial functions for the 3rd, 6th and 12th months, respectively.

Source: HAS-IE, Regional database

As can be seen, the differences of the unemployment rates have been increasing steadily in recent years. Their growth is due to the increasingly serious situation of the regions characterised by high unemployment (upper two deciles), and not to the increasingly favourable position of those that are relatively better off. The rank

order of small regions by unemployment rate is stable. The regions having occupied relatively favourable positions in the period following the change of the economic and political regime are still among the winners and the crisis regions of the first years are still among the most deprived to date. This state of affairs suggests that regional differences in unemployment have stable causes, changing but little in the short run.

Figure 12.

Development of the unemployment rate in the small regions
(March 2001)

The map shows small regions grouped by unemployment rates registered in December 2000. The regions having the highest rates are located in the eastern, north-eastern parts of the country, in the regions along the eastern Slovakian and the Ukrainian border, but some can be found in the relatively developed Transdanubian counties, too.

Table 5.4. pictures the rate of the registered unemployed to the working-age population by different settlement groups. As can be seen, there are significant differences between settlements of different types and size. The highest rates occur in villages (14.8 %) and small settlements with less than 500 inhabitants (17.2 %).

Table 5.4.

Rate of the registered unemployed to the working-age population by settlements grouped by type and size, 1999

	Average	no.	average discrpancy	Minimum	Maximum	Difference
Settlement type						
Capital	2.5	1	0	2.5	2.5	0
Towns in county status	7.7	22	4.52	1.8	20.9	19.1
Town	11.2	199	6.77	1.1	33.9	32.8
Village	14.8	2.909	11.30	0	79.8	79.8
Settlement size according to the number of inhabitants in 1999						
< 500	17.2	1.032	13.17	0	77.5	77.5
501-2000	14.4	1.337	10.47	1.0	79.8	78.8
2001-5000	11.8	483	7.97	0.9	51.0	50.1
5001-50000	10.7	253	7.05	0.9	38.7	37.8
> 50000	6.7	21	3.50	1.8	16.6	14.8
TOTAL:	14.55	3.126	11.09	0	79.8	79.8

Source: HAS-IE, Regional database

5.1.3 Cumulating regional disadvantages

Figure 13.

Rate of the unemployed and of the inactive to the population of the 15-74 year-old by planning statistical region

1. Northern Hungary
2. Northern Great Plain
3. Central Hungary
4. Central Transdanubia
5. Western Transdanubia
6. Southern Great Plain
7. Southern Transdanubia

The above map presents the development of the unemployment and inactivity rates, respectively, by planning statistical region. Higher-than-average rates of unemployment are concurrent with relatively

high inactivity rates. The following figure indicates the assertion of the same tendency at the level of the small regions.

Figure 14.

Correlation between the unemployment and inactivity rates by small region

(March 2001)

unemployment rate

inactivity rate

In the disadvantaged regions, beside the high rate of the unemployed and of the inactive, the composition of the first group is unfavourable. In small regions characterised by high unemployment, the proportion of those having finished eight-year elementary school at most, of the long-term unemployed and of the beneficiaries of regular income supplementing allocation or social aid, respectively, is also high.

Table 5.5.

Characteristic features of the registered unemployed in quartiles composed according to the rate of registered unemployment

(December 2000)

Quartiles	Max. eight-year schooling	registered for 180+ days	Beneficiary of income supplement	Beneficiary of regular social aid
Bottom	36.4	43.6	15.8	3.5

%

Second	38.7	45.0	21.1	6.3
Third	44.8	50.4	27.1	8.0
Top	50.5	55.6	35.9	14.6

Source: HAS-IE, Regional database

5.2 Causes of the regional differences of the labour market

In Hungary today, regional differences in labour market indicators are explained primarily by the regional differences in labour demand. Foreign capital investments creating the decisive majority of new jobs in the corporate sector are extremely concentrated, primarily to the Central and Western Transdanubian regions, and especially Budapest, and the urbanised regions along the Budapest-Bécs, Budapest–Graz axles.

Foreign direct investments are of extraordinary importance for job creation. In the past years, 80 % of the FDI influx went to Budapest, County Pest and Counties Győr-Moson-Sopron and Vas on the Austrian border. Although CSO's data concerning the territorial distribution of foreign direct investments distort reality somewhat due to the fact that companies are registered by seat, data calculated from the Wage Tariff survey of NEO indicate that the place of residence of employees of foreign-owned companies shows a territorial concentration similar to CSO's data.

Analyses regarding the choice of business premises of companies and especially foreign-owned companies indicate that investors give priority to big towns and their surroundings, mainly, of course, Budapest, the only metropolitan agglomeration of the country – partly due to the relatively well-trained labour supply offered by the urbanised regions, and partly the presence of the external effects of agglomerations, of the advanced financial services and cultural infrastructure. Another important factor is the closeness of the regions concerned to the western border, to the motorways to Budapest and to the western border.

5.3 Mechanisms levelling the regional differences of the labour market

5.3.1 Impact of regional labour cost differences on the territorial concentration of job creation

In the years prior to the change of the economic and political regime, Hungary was characterised by relatively low wage and labour cost differences. Under the effect of regional differences in unemployment, in a few years' time, the correlation between local unemployment levels and local labour cost levels typical of the developed market economies has evolved. Lower wages have evolved in regions

characterised by higher unemployment, and higher ones in those with a lower rate of unemployment. Assuming that all other factors remained unchanged, a 1 % change in the unemployment rate was concurrent with a 10 % change in labour costs. In recent years, regional differences in labour costs computed this way have decreased. This is explained by the fact that in the regions in a relatively favourable position, company productivity increased faster than in the backward regions characterised by high unemployment.

Despite the real labour cost differences, no perceptible shift of capital in favour of the backward regions with lower labour costs can be shown. The lack of levelling is partly explained by the fact that companies in need of trained labour do not find the labour supply of the regions with high unemployment attractive, whereas companies sensitive to labour cost differences and willing to employ unskilled labour are usually sensitive to transportation costs and are unwilling to settle down in relatively far-away backward regions.

5.3.2 The effects of commuting and migration on the regional differences of the labour market

Contrary to common belief, migration from regions characterised by high unemployment to those with low unemployment rates is not negligible in Hungary. Nevertheless, calculations based on simulation concerning the levelling effects of migration go to show that even if migration were to increase significantly, no significant narrowing of the regional differences in unemployment could be expected within a few years' time.

The increase of the volume of daily commuting from villages with high unemployment rates to cities may, no doubt, decrease the differences between towns and villages, to an extent determined in the first place by the development level of the transportation infrastructure and costs of transport.. According to the relevant calculations, in Hungary, the absence of public transportation suitable for commuting and the costs of transportation, especially of fuels, decreases possibilities of commuting to an outstanding extent, especially for unqualified village labour earning relatively low wages.

6. EARMINGS AND LABOUR INCOMES IN 2000 *

In 2000, the number of those employed by organisations subject to regular monitoring of earnings increased somewhat in excess of the average relative to the total population of the employed. Some 2,720 thousand were employed on annual average, mainly as full-time workers, by enterprises with at least 5 staff and by public institutions (that is, the relatively „more stable” circle of employers. (The proportion of part-time employees is still low at 5% of the population concerned.)

Another group, of 450-500 thousand, consists of those employed by organisations with less than 5 staff not covered by earnings statistics partly because mandatory regular data provision would imply excessive administrative burdens to small business organisations, and partly because wage statistics in this circle is less reliable than the average. As demonstrated by targeted investigations earlier, the proportion of minimum-wage-earners increases in inverse proportion to enterprise size. This circumstance is very often motivated by the intention to minimise wage-related reductions, easier to realise at business entities with a few staff only. The same assumption is supported by the fact that, as a result of the reduction of the monitoring limit of earnings statistics to 5 staff, areas relevant from aspect (trade, catering, accommodation, construction) registered decline (increase well below the average) in nominal earnings. (Of course, indicators of growth must be cleared of the effects of methodological changes, and hence the earnings growth indices always refer to the circles of comparable earnings.)

The remaining approximately 600-thousand-strong population of the employed are self-employed, working owners and members of enterprises and their assisting family members, whose labour-related income and the dynamic thereof could at best be estimated roughly on the basis of tax statistics.

In the circle monitored by earnings statistics, that is, at business entities with at least 5 staff and at public institutions, gross earnings increased on annual average by HUF13.5 %, to HUF87,650. Although the 9.8 % annual inflation rate exceeded the predicted consumer price index growth used as core indicator at the annual wage agreements, net earnings continued to increase, albeit at a modest rate, in 2000.

*Author of the Chapter: **Dr. Judit Lakatos, CSO.**

*Table 6.1.***Development of monthly gross and net average earnings, of the consumer price index and the real earnings index, 1990–2000**

Year	Average earnings of full-time employees		CPI	Real earnings index
	gross	net		
	corresponding period of previous year = 100,0			
1990	128.6	121.6	128.9	94.3
1991	130.0	125.5	135.0	93.0
1992	125.1	121.3	123.0	98.6
1993	121.9	117.7	122.5	96.1
1994	124.9	127.3	118.8	107.2
1995	116.8	112.6	128.2	87.8
1996	120.4	117.4	123.6	95.0
1997	122.3	124.1	118.3	104.9
1998	118.3	118.4	114.3	103.6
1999	116.1	112.7	110.0	102.5
2000	113.5	111.4	109.8	101.5

Source: CSO

The impact of direct and indirect central interventions on wage processes was not significant in 2000; it was limited to supplementary adjustments in certain budgetary areas. The minimum wage was raised in 2000 from HUF22,500 in the previous year to HUF25,500, that is, it went up by 13 %. No comprehensive tariff regulation occurred in any of the budgetary areas. The backlog of the growth rate of earnings of workers in education, human health care and the social sector, quite obvious already at the end of the first half, was compensated by the government in the form of a one-off earnings supplement. The main elements of the tax and contribution system influencing the size of net earnings did not change in 2000, hence the income-deviating effect of tax reliefs on children was but marginal, in contrast with 1999, the year of its their introduction. (In 2000, the increase of the relief was not even sufficient to offset the value loss of the unchanged family allowance.) As in previous years, the earnings on non-manual workers increased faster in 2000, too, and hence the gap between the two basic groups (manual, non-manual) continued to increase.

The gross earnings of non-manual workers was 2.24 times more in the competitive sector and 1.82 times more in the public one in 2000 than that of manual workers. In the public sector, as a result of the wage-tariff-table-based establishment of earnings, the two groups are closer to each other than the average in terms of earnings. It seems that those contributing to the excellent business results of certain branches in the competitive sectors (e.g., engineering, metal-working, wholesale trade) do not share such results proportionally; a more significant

proportion is allocated to the higher remunerations to the management (in the wider sense).

Since the population of non-manual workers, characterised by faster earnings growth, increased more markedly in 2000, too, than that of manual workers, 1 % of the 13.5 % increase in gross earnings at the level of the economy overall was due to the effects of the change in the numerical composition of the employee stock. This effect was especially marked in certain areas (e.g., wood-working, forestry).

There are substantial gaps between the gross wages of workers employed in different areas of the economy - partly due to the differences in the composition of labour. Including the basic size of staff among the criteria, in 2000, the HUF205,480 earning of the approximately 26 thousand non-manual employees of the chemical industrial entities subject to monitoring represented the peak, one extreme, while the other extreme was the HUF43,190 declared average earnings of the nearly 60 thousand workers in hotels and catering.

After the topmost chemical industry (HUF205,480), non-manual workers earned most in financial services (HUF192,130), in mining, having a very small weight in terms of staff already (HUF186,240), and in electricity, gas, steam and water supply (HUF168,040), and least in the largest branches of the public sector, namely education (HUF87,980) and health and social care (HUF76,900). Within the public sector, earnings were highest in the public sector among non-manual workers in public administration, defence, mandatory social insurance, with an average of HUF129,680, but that is still in the medium brackets only of the rank order of earnings.

The gross earnings of manual workers is much more balanced and its level depends to a smaller extent on the profitability of the given area than is the case for non-manual workers. In terms of gross earnings, only three areas excel: mining (HUF93,830), electricity, gas, steam, water supply (HUF94,810) and the chemical industry (HUF91,350), but in these cases the special work shift order and the hazardous or health-injuring nature of the work as well as the higher-than-average demand for skilled work are powerful income-shaping factors. The bottom of the rank order of earnings of manual worker „condensates”: gross earnings between HUF43 thousand and 50 thousand are typical beside the already mentioned hotels and catering also in education and in health and social care, having employed a total of nearly 340 thousand manual workers at organisations subject to monitoring. In manufacture, the gross average earnings of manual workers was below HUF50 thousand only in the textiles, textile products, leather and footwear branches, employing women for the most.

Table 6.2.

Development of the monthly average gross earnings of full-time employees by sector/branch, 2000

Sector	Manual		Non-manual		Employees, total	
	HUF/ month	corresponding period of previous year =100.0	HUF/ month	corresponding period of previous year =100.0	HUF/ month	corresponding period of previous year =100.0
Agriculture, forestry, fishing	50 256	110.3	92 018	110.2	59 246	110.7
Mining	93 827	116.8	186 241	117.4	112 914	117.9
Manufacture	69 644	114.5	158 394	117.0	88 136	115.5
<i>of which</i>						
foodstuffs, beverages, tobacco	63 808	112.7	159 403	120.0	85 001	115.7
textiles, textile products, leather and footwear	47 097	112.7	102 779	111.5	53 450	112.4
wood-processing, paper manufacture, printing and publishing	62 995	110.1	117 700	109.1	79 965	112.3
Chemical industry	91 347	113.2	205 479	116.8	128 787	115.3
Manufacture of other non-metallic mineral products	76 998	112.9	159 252	112.0	93 429	112.8
Manufacture of basic and fabricated metals	74 312	116.5	142 860	120.0	87 768	117.4
Engineering	80 093	115.0	171 950	120.3	98 028	116.0
Manufacture n.e.c.	50 060	115.5	109 234	120.8	59 618	117.1
Electricity, gas, steam, water supply	94 811	113.0	168 042	114.1	119 539	114.3
Industry	71 728	113.9	159 913	116.5	91 108	115.0
Construction	50 995	113.1	109 064	112.2	64 259	113.2
Trade, repair	47 097	111.9	123 195	119.7	77 758	116.2
Hotels and restaurants	43 185	115.3	97 173	110.2	56 593	113.0
Transport, storage, post and telecom.	72 989	109.7	136 670	113.8	98 815	112.0
Finance	80 054	102.4	192 129	114.9	189 444	114.6
Real estate, business services	52 693	113.4	142 280	111.4	101 019	113.0
Public administration, defence, mandatory social insurance	62 460	109.4	129 679	111.5	103 428	111.3
Education	45 125	111.3	87 983	110.9	81 204	111.4
Health and social care	49 029	116.1	76 896	115.1	68 307	115.6
<i>of which</i>						
human health care activities	51 129	116.1	81 199	115.2	72 899	115.6
social work activities	45 436	117.0	65 086	116.9	57 579	117.3
Other communal, personal services	54 369	110.6	108 976	115.3	79 820	112.1
<i>Economy, total</i>	61 930	112.6	121 779	114.0	87 645	113.5
<i>of which</i>						
competitive sector, total	63 342	112.9	142 350	115.1	88 425	114.2
public sector, total	54 968	111.2	99 997	112.1	86 210	112.3

In 2000, the difference between the two major areas of the economy, the competitive and the public sector, was smaller and reversed relative to 1999 when earnings in the public sector increased much faster than in the competitive one (at 19.2 % and 14.8 %, respectively).

For years, earnings in the competitive sector have developed in a much more balanced and predictable way than in the public areas subject to central intervention impossible to calculate in advance. In 2000, the extraordinary allowance (mentioned already) corresponding to one month's earnings together with bonuses paid at the end of the year improved the actual earnings position of the public sector substantially. Not including the defence branch, indicating an especially low earnings dynamic for accounting technical reasons, and public benefit employees distorting the dynamic of earnings in just the opposite direction, gross earnings in the public sector increased by 12.6 %, as opposed to the 14.2 % rate typical of the competitive sector. Gross earnings overall in the public and the competitive sector were quite similar - HUF86,210 and HUF88,430, respectively - but the average was due not in the least to the fact that although the earnings backlog in the public sector is quite significant by staff categories (13 % for manual and 30 % for non-manual workers), the proportion of non-manual workers earning relatively more is much higher there than in the competitive sector.

Organisation size and the level/dynamic of earnings show an interesting correlation which, however, can only be interpreted in terms of the branch structure. The smallest organisations subject to monitoring occupy the bottom of the rank order of earnings, due to the preponderance of trade, personal and service organisations (declaring) a low level of earnings. Nominal earnings increase proportionally with size, and in 2000, the gross earnings of workers of organisations with more than 1,000 staff was around 2.3-times higher than that of those employing 5-9 staff. This is hardly surprising considering the fact that companies with more than 1,000 staff include such employers known for their good business results as MATÁV, MOL or GE.

Table 6.3.

Staff number and gross earnings by staff category, 2000

Staff category	Employees, total	Gross average earnings	Corresponding period of previous year = 100.0	Net average earnings	Corresponding period of previous year = 100.0
	'000	HUF	%	HUF	%
5-9	173.5	49 488	112.5	34 442	111.3
10-19	182.9	59 205	108.2	39 992	107.6
20-49	246.0	71 529	112.9	46 945	111.1
50-99	205.9	84 879	116.4	54 358	113.9
100-199	209.2	94 178	118.9	59 590	116.1
200-249	70.9	93 378	111.5	59 002	109.8
250-299	67.0	95 026	108.3	59 834	106.9
300-499	284.7	108 708	115.3	67 051	113.1
500-999	226.1	103 766	116.7	64 591	114.2

1000+	515.3	112 518	115.0	68 951	112.8
-------	-------	---------	-------	--------	-------

*Local public institutions not classifiable by size not included.

The survey of individual earnings commissioned by the Ministry of Economy and performed by NEO allows a deeper analysis than the analysis by business organisations. As can be seen in Table 6.4., in the past decade, the wage-differentiating effect of higher educational qualifications, and mainly university degrees within it, has increased substantially. This is especially visible in the competitive sector where the average earnings of degree-holders is almost five times higher than that of persons with elementary level qualification. The tariff system in effect in the public sector appreciates qualification levels to a smaller extent than the market. The difference in earnings by school qualification is somewhat smaller for women than for men due probably not so much to the qualification structure as to the still substantially lower proportion of women among managers. Interestingly, the market practically does not appreciate it if women have a qualification level that is one step higher than primary education (skilled worker training, special school). This presumably reflects, beside the sex-specific characteristics of the occupational structure, the large weight of semi-skilled jobs occupied by women.

Table 6.4.

Gross earnings by sex and by school qualification, 2000

Highest school qualification	Men	Women	Together	primary school qualification holders = 100%
	HUF/month/cap			
Public sector				
8-year primary school or less	53 790	43 200	45 410	100.0
Vocational/special school	60 680	52 840	56 220	123.0
Voc. secondary school	77 860	69 060	70 530	155.3
General secondary school	80 210	70 600	72 220	159.0
Technical school	103 860	95 610	98 540	217.0
College	120 510	89 020	95 410	210.1
University	165 630	143 470	152 530	335.9
Total	105 510	76 760	84 470	186.0
Competitive sector				
8-year primary school or less	62 580	55 650	59 240	100.0
Vocational/special school	73 450	56 480	69 040	112.9
Voc. secondary school	96 300	85 480	90 790	153.3
General secondary school	99 940	87 810	91 990	155.3
Technical school	117 580	105 870	114 280	192.9
College	189 680	167 310	181 640	306.6
University	290 750	242 910	277 250	468.0
Total	99 410	82 350	92 680	156.4
Economy, total				
8-year primary school or less	61 610	51 480	55 990	100.0

Vocational/special school	72 540	55 670	67 550	120.6
Voc. secondary school	94 220	79 240	85 280	152.3
General secondary school	95 910	80 960	85 210	152.2
Technical school	116 790	103 600	112 540	201.0
College	164 580	104 700	126 220	225.4
University	234 650	173 100	210 030	375.1
Total	100 330	79 970	90 340	161.4

According to the data of the said survey, age is not an earnings differentiating factor for those in occupations requiring no vocational qualification or in agrarian jobs, that is, in those categories where physical strength is at least as important or more so than experience. In manual jobs, experience (age) is appreciated only for those in the 7th main occupational group - industry, construction -, while in non-manual occupations it is an important earnings-shaping factor in every domain.

Table 6.5.

Gross average earnings by major occupational groups and by age, 2000

HUF/cap/month						
Major occupational groups*	Employed, total	of which				
		20-24	25-34	35-44	45-54	55 +
		year-old				
1. Legislators, senior officials, managers	19 9740	88 110	181 050	192 460	201 700	233 200
2. Professionals, occupations demanding autonomous use of degree	12 4650	81 100	123 230	120 160	130 230	144 740
3. Jobs demanding other higher- educational/secondary qualification	92 470	67 300	94 000	90 520	98 040	104 340
4. Office and administration occupations	74 340	64 650	76 500	71 160	77 770	9 480
5. Services type occupations	55 420	47 000	55 000	56 590	59 280	1 180
6. Agricultural occupations	52 370	48 800	52 150	54 180	51 820	3 100
7. Industrial/construction industrial occupations	72 390	58 570	69 770	74 300	77 040	9 720
8. Machine operators, assemblers, drivers	76 500	67 120	76 640	77 960	79 040	77 810
9. Occupations demanding no skill qualification	46 460	46 270	48 060	45 800	46 490	45 830
1–9. Gross average earnings	90 340	61 330	85 490	90 280	96 920	114 010

*/ Occupations in the armed forces not included.

The picture would be incomplete without making reference to the so-called other labour income components beside earnings. These include, in addition to the salary, earnings, the meal contribution - the component carrying the largest weight, by the way -, the reimbursement of costs of garments, travel expenses reimbursed by the employer, jubilee bonuses and some other items of minor amounts. In 2000, the gross labour income was HUF91,700, 4.6 % more than

the relevant earnings alone. Other labour incomes meant an extra income of HUF2-9 thousand on average per month to those in employment, the exact amount depending on the branch concerned.

Table 6.6.

Earnings and labour incomes in the economy, 2000

Sector, branch	Monthly average gross earnings	Average monthly labour income		% rate of earnings to labour income
	HUF	HUF	same period of previous year =100,0	
Agriculture, forestry, fishing	59 246	61 509	110.0	96.3
<i>of which</i>				
Forestry	70 477	75 395	114.8	93.5
Mining	112 914	120 539	113.2	93.7
Manufacture	88 136	92 057	114.9	95.7
<i>of which</i>				
Foodstuffs, beverages, tobacco	85 001	88 693	115.2	95.8
Textiles, textile products, leather and footwear	53 450	56 156	111.8	95.2
Wood processing, paper manufacture, printing and publishing	79 965	82 902	111.0	96.5
Chemical industry	128 787	134 359	114.9	95.9
Manufacture of other non-metallic mineral products	93 429	97 451	111.9	95.9
Manufacture of basic metals and fabricated metal products	87 768	91 020	116.7	96.4
Engineering	98 028	102 751	115.7	95.4
Manufacture n.e.c.	59 618	61 805	116.2	96.5
Electricity, gas, steam, water supply	119 539	127 772	114.1	93.6
Industry	91 108	95 440	114.4	95.5
Construction	64 259	66 694	112.9	96.3
Trade, repair	77 758	80 265	116.4	96.9
Hotels and restaurants	56 593	58 605	112.9	96.6
Transport, storage, post and telecom.	98 815	106 301	111.9	93.0
Finance	189 444	198 301	114.4	95.5
Real estate, business services	101 019	104 484	112.2	96.7
Public administration, defence, mandatory social insurance	103 428	109 582	111.3	94.4
Education	81 204	83 763	111.4	96.9
Health and social care	68 307	70 396	115.6	97.0
<i>of which</i>				
Human health care activities	72 899	74 954	115.7	97.3
Social work activities	57 579	59 728	117.2	96.4
Other communal, personal service activities	79 820	83 024	112.0	96.1
Economy, total	87 645	91 695	113.2	95.6
<i>of which</i>				
Competitive sector, total	88 425	92 528	113.8	95.6
Public sector, total	86 210	90 155	112.2	95.6

* Business enterprises with at least 5 staff, public institutions and designated non-profit organisations.

Finally, let us refer to some facts influencing wage development in 2001 and known already at the time of the finalisation of the present Report. The increase of the minimum wage to HUF40,000 as of 2001 re-arranged the bottom third of the wage scale to a significant extent, and resulted in a dynamic increase of earnings in the first quarter of 2001 in the areas of social provisions, trade, catering and accommodation, that is, in areas where the proportion of those employed at the previous minimum wage level was high. Although many experts question the *raison d'être* and efficiency of the regulation of the minimum wage, data for the first months suggest that the presumed massive insolvency of employers did not take place. With the amendment of the Civil Servants Act, in the second half of the year the remuneration of the circle of civil servants reduced to around 70 thousand will increase in merit, while in other areas of the public sector, the promises of the government have not materialised in specific measures yet. In 2001, tax relief on children will again increase significantly, but in a differentiated way, by 36 % on one child, 80 % for two children and 350 % for three or more children per child relative to one year earlier. Even if the last option will mainly remain unused, taxation will take away less of the earnings of working families with children than before.

EXPLANATION OF TERMS

The Report uses the main terms of employment and unemployment as interpreted by the Labour Account and the Labour Force Survey of the Central Statistical Office, and those concerning registered unemployment according to that of the National Employment Office.

Several terms are explained in detail upon their first occurrence in the main text.

In what follows, we shall provide a definition of the essential generally used terms.

CSO'S CONCEPTUAL FRAMEWORK

Labour Account terminology

The source of Labour Account data is the annual institutional labour statistical report covering undertakings with a staff of more than 20 and the whole circle of public and social insurance organisations, irrespective of staff size.

The Labour Account refers to the state on 1 January of the given year.

Labour supply: working-age population plus earners over working age, and pensioners in employment.

Working-age population: Men: until 1999, ages 15-59, from 2000, ages 15-60. Women: until 1996, ages 15-54, in 1997-1999, ages 15-55, from 2000, ages 15-56.

Active earner: person pursuing earning activity, earning a salary/income, employed as main job holder; including pensioners in employment suspending pension and conscripts engaged in an employment relation. Working members of collective partnerships, sole proprietors and their assisting family members, assisting family members in agriculture and temporary and day workers also belong to this category.

Economically active population: aggregate of persons in employment and of the registered unemployed.

Person in employment (the employed): active earners and working pensioners. (Until 1997, Hungarian labour statistics included persons receiving child-care fee or aid among the employed.)

Economically inactive population: persons outside the economically active population, including persons on child-care aid/fee or receiving child-care assistance; pensioners/benefit recipients pursuing no earning activity; persons living on capital income (real estate or principal); students above the age of 15; household dependants; public dependants; persons under social care.

Labour Force Survey terminology

The representative Labour Force Survey carried out on a quarterly basis, conforming to the recommendations of the International Labour Office (ILO), having covered approximately 24 thousand households until 1998, and covering 30 thousand households since 1998, refers to the week (Monday to Saturday) including the 12th day of the month.

The survey assigns the population investigated by it into two major categories on the basis of activity:

- * economically active (the available labour supply) and
- * economically inactive (the inactive).

The category of the economically active (available labour supply) includes all persons having appeared on the labour market as employed or unemployed in the week of the survey.

Employed : an employed person is someone having performed at least one hour of income-generating activity during the reference week, or having had a job from which he/she was temporarily absent (due to sickness, leave, conscription etc.) at that time.

As of 1 January 1998, persons receiving child-care fee or aid are classified in accordance to their activity during the reference week, in accordance with the recommendation of the ILO, and contrary to previous Hungarian practice.

Unemployed: a person having performed no earning activity in the survey week and having had no job from which he/she was temporarily absent either; who looked for a job actively in the four weeks preceding the survey and could have taken up work within 2 weeks in case of finding an appropriate job or who had already found a job where he/she could start work within thirty days.

Economically active: the employed and the unemployed.

Economically inactive: someone who cannot be assigned to the groups of the employed or the unemployed, including, among others, seasonal workers out of season, not looking for a job and the so-called *passive unemployed*, who would like to work but make no effort to find a job deeming their placement chances unfavourable.

The following main indicators are used to describe the extent of unemployment and of economic activity:

- * unemployment rate: % rate of the unemployed to the economically active population;
- * activity rate: % rate of the economically active to the population of the corresponding age-group.

Earnings

Gross earnings: aggregate amount of basic wage including personal income tax, health insurance and pension contribution and employee contribution and components of earnings paid under other titles (wage supplement, supplementary salary, bonus, reward, 13th and further month payments).

Net earnings: indicator based on gross average earnings after deduction of employee contribution, personal income tax, health insurance and pension contribution calculated on the basis of the contribution rates established for the given year.

Business organisation

Registered business organisation: unit existing in the legal sense, according to the administrative registrations, and possessing a tax identification number at the time of the survey, including units subject to bankruptcy/liquidation/final settlement procedure at that date.

Active business organisation: enterprise having filed tax returns in the given year or in the previous year (corporation tax, VAT etc.), having met its statistical data provision obligation or established in the given/previous year.

The following shall not be regarded as active:

- * enterprise liquidated but not registered as such due to administrative reasons, due to omission of the reporting obligation;
- * enterprise subject to liquidation for several years, pursuing no business activity, having suspended/not started yet its activity;
- * unit performing entrepreneurial activity occasionally only;
- * unit figuring in the pre-registration records under the “single-window” registration system until the passing of the registration decision.

APEH, the Inland Revenue Office, considers as active a business organisation with a tax number not subject to liquidation/bankruptcy/final settlement procedure and not having announced the termination of its activity.

Registered budgetary (public), social insurance, non-profit and ESOP organisations and from 1998 on registered organisations of housing co-operatives, building communities and blocks of flats also qualify as active.

Sole proprietorships include, in addition to those subject to the Act on Sole Proprietorships, private individuals pursuing business activity and having a tax identification number of their own (e.g., free-lance intellectuals).

The number of *business partnerships* includes both incorporated and unincorporated business partnerships.

TERMINOLOGY OF THE NATIONAL EMPLOYMENT SERVICE (NEO)

Registered unemployed: persons seeking a job/work/self-employment who are not engaged in employment, nor pensioners, students or beneficiaries of employment promotion subsidies (retraining, public benefit employment etc.) and are ready to work, i.e., to fill a vacancy that presents itself; and are registered at the labour exchange office of the central labour service. From May 1995 on, persons suspending their income supplementing allocation are not included among the registered unemployed.

Registered unemployed school-leavers: from 1 July 1996 on, unemployed persons not receiving/entitled to unemployment benefits after having finished their elementary school, general or vocational secondary school, college or university studies, under 25 years of age - or under 30 for graduates - meeting the necessary conditions for the establishment of an employment relation but having no job and registered as unemployed by the labour exchange office of the county (capital) labour centre.

Unemployment benefits: allowance having been due to unemployed persons having fulfilled their contribution payment obligation for at least 360 days in the four years preceding unemployment, not eligible to pension, if the competent labour centre cannot offer them a suitable job, who co-operate with the labour service or its local office in the interest of their placement. (The extent and period of extension of the benefits is defined under the Employment Act).

Income supplementing allocation to the unemployed: allowance granted on the basis of the social situation of the family after the expiry of unemployment benefits. The unemployed must co-operate with the labour centre and the municipality during the period of extension. The income supplement was replaced by social allowance as of 1 May 2000.

Unemployment rate: rate of the registered unemployed on the closing day of the month to the economically active (employed and registered unemployed). This figure is considered a source index by CSO's Labour Account as well.)

Employment promotion subsidies (from among the "active" employment policy measures):

⇒ Number of participants of subsidised labour-market training: job-seekers not subject to employment relation having participated in (group) training offered or (individual) training approved by the labour centres in the period under scrutiny and, moreover, trainees in employment whose employment relation is expected to be terminated within a period of twelve months or whose regular employment cannot be ensured without training. Participants of labour market training may receive income supplementing

allocation or income substituting allowance and costs reimbursement.

- ⇒ Unemployed persons receiving self-employment promotion subsidies: formerly unemployed persons receiving allowance equivalent to max. six months' unemployment benefits, reimbursement of max. 50 % of the costs incurred in connection with professional counsel or training required to launch the enterprise or credit cover guarantee (max. 50 %) on loans.
- ⇒ Number of beneficiaries of wage promotion for the purpose of employment expansion: employers providing employment for long-term unemployed in accordance with the provisions of the Employment Act permanently (for a min. of 6 months and a min. of 3 months for school-leavers) in the period under scrutiny *and* employers affected by wage subsidies for the employment of long-term unemployed: the actual number of the former long-term unemployed in subsidised employment in the period under scrutiny.
- ⇒ Number of jobs created by job-creating investment: jobs to be created in the period under scrutiny with the help of assistance granted via tenders and jobs created/filled with assistance, irrespective of the tender approval date.

LIST OF TABLES

	Oldal
1.1 Economic activity of the population aged 15-74	3
1.2 Economic activity of the population aged 15-64, 2000	4
1.3 Economic activity of the Hungarian working-age population, 2000	4
1.4 Number of the working-age population and its rate to the total population	10
1.5 Number of persons entering working age, 1949-2000	11
1.6 Number of persons leaving working age, 1949-2000	12
1.7 Life expectancy at birth	13
1.8 The population of the 15-64 year-old	15
1.9 Number of the working-age population in Hungary according to the different age limits	16
2.1 Number of the employed among the 15-64 year-old, 1992-2000	18
2.2 Age and gender distribution of the employed, 1998-1999	20
2.3 Shifts in employment by broad sectors, 1900-2000	23
2.4 Number and distribution of the employed by sectors of the economy	26
2.5 Number of persons in employment and their distribution by the nature of the employment	28
2.6 Number of the employed by major employment groups, 1994-2000	29
2.7 Distribution of the employed by owner of the workplace	30
2.8 Number of active organisations	32
2.9 Distribution of business organisations by legal form and staff category, 31 December 2000	34
2.10 Employment by business units with more than 5 staff	35
2.11 Employment in reduced working time	38
2.12 Reasons for working shorter hours, 1996-2000	38
2.13 Number of sole proprietors by employment status	42
2.14 Number of temporary workers, 1992-2000	46
2.15 Participants of active programmes	51
2.16 Annual average number of participants of active programmes	52
2.17 Number of valid labour permits	61
2.18 Branch distribution of labour permit holder foreign workers, 31 December 2000	62
2.19 Number of registered vacancies, of the registered unemployed, of the	

beneficiaries of unemployment benefits and of the re-employed
among them, 1999-2000

68

2.20	Registered labour demand	69
2.21	Number and rate of job vacancies registered for more than 180 days, December 1993-2000	69
2.22	Number and rate of vacancies registered for more than 180 days, December 1998-2000	70
3.1	Distribution of the unemployed by age and gender	74
3.2	Distribution of the unemployed by age group and gender	75
3.3	Number of the unemployed by duration of the job search period	76
3.4	Number and distribution of the unemployed by nature of last job	76
3.5	Distribution of the unemployed by educational qualification	77
3.6	Number of the unemployed by industry	79
3.7	Distribution of the unemployed by primary reason of job search	80
3.8	Number and rate of the registered unemployed, 1993-2000	82
3.9	Number and distribution of the registered unemployed by qualification and skills, 1997-2000	84
3.10	Number and distribution of newly registered unemployed	85
3.11	Number and distribution of newly registered unemployed by sector of origin	87
3.12	Monthly breakdown of the number of the registered unemployed, 2000	89
3.13	Annual average no. of registered and benefit-recipient unemployed	92
3.14	Average monthly earnings of full-time workers and monthly average unemployment benefits	93
3.15	Average amount of unemployment benefits, 20 Nov. to 20 Dec. 2000	93
3.16	Youth unemployment in Hungary	96
3.17	Participation of school-leavers in the active employment measures	99
3.18	Distribution of the unemployed by age group and gender, 2000	100
4.1	Inactivity rate of the 15-64 year-old in Member States of the EU, 1999	114
4.2	Number and rate of the inactive among the 15-64 year-old	115
4.3	Rate of the economically inactive by age group	115
4.4	Number and % rate of full-time students in the 1959/60-1999/2000 school years	118
4.5	Distribution of full-time 15-24 year-old students by age and school type in the school-year of 1999/2000	119
4.6	Number of persons staying away from the labour market on parental leave, 1980-2000	121

4.8	Composition of the inactive working-age population	123
4.9	Composition of the working-age economically inactive population, 2000	124
4.10	Age-group distribution of those absent from the labour market of no known reason, 2000	124
4.11	Inactive persons waiting for work opportunity, 2000	125
5.1	Regional differences in the employment and unemployment rates of the planning statistical regions	128
5.2	Regional differences in registered unemployment (March 2001)	129
5.3	Development of the rate of registered unemployment by county (1990-2000)	129
5.4	Rate of the registered unemployed to the working-age population by settlements grouped by type and size, 1999	132
5.5	Characteristic features of the registered unemployed in quartiles composed according to the rate of registered unemployment (December 2000)	133
6.1	Development of monthly gross and net average earnings, of the consumer price index and the real earnings index, 1990–2000	137
6.2	Development of the monthly average gross earnings of full-time employees by sector/branch, 2000	139
6.3	Staff number and gross earnings by staff category, 2000	140
6.4	Gross earnings by sex and by school qualification, 2000	141
6.5	Gross average earnings by major occupational groups and by age, 2000	142
6.6	Earnings and labour incomes in the economy, 2000	143