

LABOUR RESEARCH INSTITUTE

YEARLY LABOUR MARKET REPORT

**MAIN TRENDS IN LABOUR DEMAND
AND SUPPLY**

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INTRODUCTION

We have surveyed the development of the Hungarian labour market and shown the extent and direction of its changes in the context of shorter or longer trends -- dramatic decline in employment, steady growth of the non-earning population -- shaped by the many events concurrent with the in-depth changes of economy and society every year since 1993.

Today, we seem to be over the most difficult period characterised by loss of the old markets, bankruptcies, liquidations, the elimination of hundreds of thousands of jobs, privatisation and the re-organisation of the economy.

Of course, the changes themselves continue, but their extent, pace and direction will hopefully become more predictable. The stabilisation of processes shaping the labour market ever are expected to reduce the annual changes of the main indicators (employment, unemployment, economic inactivity) to a moderate level.

This is the main reason why the 1997 labour market survey will differ from those of the previous years.

Moreover, we have also tried to integrate conclusions drawn from our earlier experiences and some new requirements into the structure and contents of the report.

The growing inadequacy of the old conceptual systems used to describe the changing world of labour has been obvious for years. Part of the domestic terminology (e.g. the assignment of "active earners" or persons on child-care aid/leave to the category of the employed etc.) is outdated, but the relevant legislation and the statistical accounting system, disregarding completely or partly changes in the employment system (such as the spreading of atypical work including part-time work among other things), have also become rather uncertain. This uncertainty, however, is typical of practically the whole world and affects even such basic concepts as "person in employment" and "unemployed"*. As a matter of fact, the entire conceptual system of labour is transforming.

On top of that, the ever more urgent preparation of Hungary's accession to the European Union gives special importance to adjustment to the Union systems and requirements. The level of domestic employment must be comparable to employment in the European Union, and it is expedient to adjust our labour market programmes to the programmes of the European Union taking shape at this very moment.

Although our previous surveys regularly reviewed data on the European Union and the OECD countries as well, comparisons in this relation are given special emphasis this time and imply adaptation tasks as well.

The above considerations transformed the contents of the volume to a large extent. We have omitted or mentioned in passing only data that used to be presented regularly

* For more detail, see my article "Changing concepts in the changing world of labour", *Közgazdasági Szemle*, February 1998.

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earlier (such as the detailed analyses based on the Labour Account of CSO, or those tracing the emergence of the private sector). Labour market data are based primarily on CSO's Labour Force Survey (LFS) data, collected and updated regularly since 1992, conforming to the system implemented in many countries the world over in accordance with the recommendations of the International Labour Organisation (the ILO). (Nevertheless, we shall, of course, keep consulting and using other data sources available to us as well.)

The structure of the paper was altered, too. The backbone of the Report is provided by the three, closely interrelated labour market sub-systems presented individually as well, viz. the employed, the unemployed and the economically inactive. The new structure is meant to emphasise the fact that fundamental changes typical of the labour market are essentially a function of the, interdependent, changes in the respective sizes of the three sub-systems.

In view of the fact that conceptual and statistical systems adapt to changes in the world of labour rather hesitantly, we considered it essential to present the developments in question, their inconsistencies included, from as many aspects as possible, in order to illustrate thereby the complexity of processes that seemed to fit into simple categories until quite recently and also the inner uncertainties of the data and figures associated with them.

X X X

Annual updates of process analyses and the need to review the already identified trends have played an important role in the differentiation of our knowledge concerning the labour market. The activities concerned were funded from two sources: the research grant by OTKA, the National Scientific Research Fund (Research No. T 0023693), and the assistance of the Foundation "Together for the Jobs of the Future" covering publication and distribution costs. Publication and distribution has been carried out for years by the editorial staff of *Munkaiügyi Szemle*, on a voluntary basis. The translation and publication of the English version of this volume was supported by the National Centre for Labour Methodology.

Questions originating from a wider circle of persons interested in employment issues and especially the intensifying elucidatory debates and processes of collective learning of a more restricted circle of professionals have led, among other things, to the slow but steady alteration of data collection by various organisations. As before, ministries and national authorities kindly made data collected for their special purposes available to us and, moreover, our requests relating to changes in contents in order to make their data more unambiguous if used for employment policy purposes also generated a favourable response.

As in previous years, we relied on papers by several researchers. An explicit reference will be made to these at their respective places of occurrence in the text.

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From the start, our annual reports have been read by experts Judit Lakatos (CSO) and János Tímár (Budapest University of Economics), both committed to an effective

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and realistic domestic employment policy, and the quality distribution of information on that topic. This is what their comments have always aimed at, and this is the contribution for which I am most grateful this time as well. (Any errors still in the text are, of course, the Author's responsibility.)

Let me express my gratitude for the appreciation and encouragement of experts and laymen having commented on the usefulness of the yearly reports and communicating their hope that they should continue.

I sincerely hope to be able to promote their work by the present volume as well.

Budapest, April 1998.

Teréz Laky

MAIN FINDINGS

Labour market, 1997

Unless explicit reference is made to other sources, data and conclusions are based on the results of CSO's Labour Force Survey.

The low level of employment, stable since 1995, did not change in 1997 either. Of a total population of ten million, according to calculations based on the recommendations of the ILO 7.8 million qualify as persons of working age, and 3.6 million (46.7 %) among them were in employment.

The number of the unemployed declined perceptibly (that of the registered unemployed from 477 thousand one year earlier to 464 thousand or, according to the ILO accounting methodology, from 400 to 349 thousand).

Given the stagnation of employment, the decrease of the number of the unemployed implied the increase of the group of the economically inactive: in the 15 to 74 year-old population, in 1997, the number of the inactive (3.8 million) already exceeded that of those in employment.

Persons in employment

- ⇒ The level of (registered) employment is shaped by two opposite processes. On the one hand, a significant number of jobs were lost once again (NCLM registered 56 thousand new or recurrent unemployed on a monthly average, as opposed to an average 52.8 thousand one year earlier). On the other, labour demand generated by the development of existing firms and by greenfield investments has intensified. Newly created jobs were sufficient to replace losses, but no extra jobs have emerged so far.
- ⇒ More than half (56 %) of those in employment are males, and their ratio keeps increasing slightly year after year (in 1992, it was 54.3 %). As for their age, the majority of those in employment are 30 to 54 year old, the same as in many other countries of the world.
- ⇒ As for the development of the relative proportions of the three major employment sectors, the long-term tendency concurrent with the modernisation of the economy, i.e. decrease of the relative employment weight of the two production sectors (agriculture, industry) in favour of the services sector, continues. 1997 data indicate a slight divergence which, however, does not modify the trend itself: parallel with the continuing decline of agrarian employment, the share of industrial employment increased somewhat, while employment in the services sector stagnated.
- ⇒ Some 83 per cent of those in employment are employees, some 2 % are co-operative members and the rest independent (individual entrepreneurs and their family members or members of collective partnerships). The proportion

of manual versus non-manual workers showed no change of merit in 1997 (non-manual: 36.8 %, manual: 63.2 %).

- ⇒ According to the data of the Hungarian Household Panel survey, half of the employees worked at companies in private ownership, 38 % at budgetary organisations, state- or municipality-owned firms and 2 % at co-operatives. Some 10 % worked for companies in partial private ownership. According to the data of CSO on active business organisations, nearly 97 % of the organisations have less than 10 staff. Computations based on data collected by NHIF, the National Health Insurance Fund, indicate that individual enterprises had an average staff number of 1.3 and unincorporated companies (limited partnerships, unlimited general partnerships, business partnership) of 1.4.
- ⇒ In the European Union, new jobs in excess of those replacing lost ones are created in one of the atypical domains of employment. Hungary has so far taken small and cautious steps only to adopt more flexible forms in order to promote the expansion of registered employment. The legal regulation approved in 1997 on the codification of temporary jobs was not meant to increase employment, but to expand the circle of tax payers. Moreover, the new regulation supports the part-time employment of a very restricted circle only.
- ⇒ Society, on the other hand, spends a lot on the (mostly temporary) employment of the unemployed. In 1997, the various employment promotion schemes (from public works to wage subsidy and youth employment promotion programmes, etc.) provided employment for a shorter or longer period of time to nearly two hundred thousand unemployed. (Of course, the number of the beneficiaries is included in the annual employment data.)
- ⇒ (Legal) employment of Hungarians abroad is limited by quotas set by the host countries (Germany, Austria), and the number of foreigners authorised to undertake employment in Hungary is of a similarly moderate order (1997: 24 thousand Hungarians abroad and 20 thousand foreigners in Hungary). Illegal employment in both directions probably exceeds the legal quotas several times.

The tendency to remedy labour shortage, if only in certain occupations (dressmaker, weaver, iron worker), by employing foreigners has been strengthening in Hungary.

- ⇒ A higher proportion of the demand for labour is registered by the labour service than before (especially the demand, for hundreds of workers occasionally, of foreign companies implementing development or investment projects).
- ⇒ Boosting demand makes the weaknesses of the supply based on the registered unemployed (low schooling, non-marketable vocational skills, personal skills deviating from those required for a job etc., occasionally concealing discrimination by age, sex, ethnic origin) all the more obvious. All in all, in 1995 the labour service failed to have 3.5 % of the registered vacancies filled

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within six months (180 days), while in 1996 and 1997, the corresponding ratios were 10 and 16 (!) per cent, respectively.

- ⇒ Regional employment differences take a long time to change. Foreign investments are now spreading from the prioritised Transdanubian counties and Budapest and its vicinity to the northern and eastern regions of the country.

Unemployment

- ⇒ Despite the steady decline in unemployment, the number of those looking for a job (349 thousand) and of the registered unemployed (464 thousand) is still high.
- ⇒ According to the Labour Force Survey data of CSO, the age-group distribution of the unemployed has hardly changed: since 1992, with small annual fluctuations, the majority of the job-seekers belonged to the group of the 40 to 54 year old and those aged 30 to 39, accounting together for half of the unemployed.

More than 60 % of the unemployed registered by the Survey are males.

Nearly 93 per cent of the unemployed used to be employees and only 1.5 % co-operative members. (The rest had been individual entrepreneurs, members of partnerships and assisting family members.)

More than 40 % finished eight-year elementary school or less and another 35 % vocational school. More than half of the population in question had been looking for a job for more than 12 months and one quarter for more than 24 months. In 1997, the average duration of job search was 18.9 months.

- ⇒ According to the data of NCLM, the National Centre for Labour Methodology, 57 % of the 464 thousand registered unemployed were men, 82 % manual workers and 22.5 % under the age of 25, and more than three-quarter had eight-year elementary school or skilled worker qualification at the most.

Monthly new registrations include people coming from every branch of the economy, with "non material services" (including budgetary branches as well) ranking first. This circumstance makes it highly probable that part of the newly registered unemployed are recurrent (long-term) unemployed re-registering after having participated in public benefit employment, retraining, seasonal work or other programmes.

- ⇒ On the average, 13 per cent of those leaving the register (a monthly 7,400 persons) found a job (some at subsidised work). After the expiry of the 12-month period of entitlement to unemployment benefits, the majority break contact with the labour market service. Those who remain registered hope to obtain help for placement, or are eligible to income supplement based on their social situation. The unemployed are cancelled from the register for the period of participation in labour market programmes as well. Half of the registered unemployed leave the register (temporarily) to participate in programmes of this type.
- ⇒ Nearly 80 per cent of the registered unemployed benefit from (a modest) allowance. Some 30 % (141.7 thousand) receive unemployment benefits (average amount: HUF16,141, i.e. less than the minimum wage and less than 30 % of the average gross salary) and 40 % an income supplement of some sort (a monthly HUF9,200), and another 30 thousand were granted preliminary pension.

- ⇒ Regional differences in unemployment did not change in 1997.
- ⇒ As for the disadvantaged strata of the labour market, unemployment among the 15 to 24 year old declined modestly (LFS: from 18.0 to 15.9 %, NCLM: from 24.8 % to 22.5 %), but the current rate is still twice that for adults.
- ⇒ Although the unemployment rate of women (CSO: 7.8 %) is still lower than that of men (9.5 %), female unemployment is more marked than that of the males in several age groups (30 to 39, 40 to 54). The real difference, however, is in the degree of inactivity: masses of women leave the labour market or are driven out of it.
- ⇒ Very few among the 450 thousand persons with changed working ability (i.e. the disabled) have a job. A comprehensive programme has been launched recently to improve the labour market situation of the group concerned.
- ⇒ According to the survey of the Hungarian Household Panel, within the ethnic group of Roms, the rate of unemployment is 55 % (as opposed to 13 % calculated by them for the non-Rom population).
- ⇒ Many jobs were lost in the economy in 1997 as well, partly as a result of transformation processes still in progress (bankruptcy, liquidation, scheduled downsizing *cum* restructuring as in mining, for example), and partly under the impact of economic rationalisation. Although the processes in question have shown a moderating tendency, the transformation of the economy is not over yet.

The economically inactive

- ⇒ 1.6 million in the 3.8 million economically inactive 14- to 74-year-old population are persons having reached retirement age as defined under the Hungarian legal regulations, but the other 2.2 million are working-age people. Absence from the labour market is easy to explain for several groups.
- ⇒ Persons remaining in education after the age of 15 are not actors of the labour market (in 1997, 631 thousand among them were regular (day-time) students of various school types). Acquisition of a higher educational qualification, an advantage for society and the individual alike, keeps 60 % of the 15 to 19 and only 12.5 % of the 20 to 24 year old away from the labour market.
- ⇒ A total of 295.1 thousand parents (mostly mothers) stayed away from the labour market in 1996. According to the data of NHIF, the number of those benefiting from some form of child-care allowance (child-care fee/aid/assistance) declined by less than ten thousand, despite the transformation of the allowance system after 15 April 1996. Absence from work for reason of child-care has been and probably still is an escape route from unemployment for many.
- ⇒ Legal regulations specify an earlier-than-usual retirement age for several vocations considered difficult or hazardous. Those having suffered health injury may retire at active age and, from 1990 on, those conforming to certain

criteria could choose retirement with age exemption or preliminary pension instead of dismissal (in the period 1990 to 1997, 274 thousand retired this way). In 1997, the total number of those having retired at working age was around 400 thousand.

- ⇒ Beside the above groups, absent from the labour market for some specific reason, there are some 875 thousand economically inactive whose status cannot be explained by such obvious, general and common reasons. Inactivity is quite significant in every age group and in both sexes, but it is strikingly high for women: almost 60 per cent of the 4 million women aged 15 to 74 (57.2 %) are inactive, and the rate is especially high for members of the 20 to 29 age group.
- ⇒ Labour force survey data suggest that 85 to 90 per cent of those having left the labour market do not intend to return to it. (NCLM's so-called follow-up surveys carried out in several consecutive years did not corroborate this assumption.)

The intention to re-enter the labour market is obviously influenced both by demand on the organised labour market and by extensive employment opportunities offered by its unorganised counterpart, i.e., the multitude of temporary work opportunities offered by households and small farms in the first place.

This phenomenon is not unknown in the countries of Europe either, and the Union is consequently on the lookout for solutions to take undeclared jobs into account.

Earnings

- ⇒ In the circle covered by CSO's surveys (typically business organisations employing more than 10 staff and budgetary institutions irrespective of staff size), the average gross earnings of full-time employees increased by 22.3 % to HUF57,270 thousand on average. Real earnings grew by 4.9 %, a rate corresponding by and large to the rate of decline registered in 1996.
- ⇒ There is still a considerable gap between the earnings level and dynamics of the competitive and the public sectors, despite earnings growth far in excess of the envisaged pace in 1997 in the latter (sufficient to eliminate the backlog of the previous year only).
- ⇒ Within the public sector, gross earnings increased at a rate much faster than the average in public administration and mandatory social insurance. In education and in the areas of health care and social provision, earnings grew at a much more moderate pace.
- ⇒ Despite the fast pace of growth, earnings differences between the branches did not decrease.
- ⇒ The highest gross average earnings were registered typically in business organisations employing more than 300 staff, while non-manual workers

registered an outstanding gross average earnings level in the category of business entities employing 51 to 300.

- ⇒ The earnings advantages of those having non-manual jobs have increased in general; the ratio of their earnings to those of the manual workers changed to 1:1.8.
- ⇒ In close correlation with the above, the most marked shifts in domestic earnings relations occurred in the dimensions of schooling and vocational qualification. In 1997, in the competitive sector, the earnings of those having a university degree was 4.2 times higher than that of those having an elementary qualification (in 1993, the corresponding ratio was 3.4). Within the group of manual workers, the gross earnings of the so-called master skilled workers exceeded the earnings of semi-skilled workers 2.5 times.

Labour costs

- ⇒ The level and structure of costs related to the employment of labour plays an important role in wage agreements, labour market policy and, at the international level, the measurement of the competitiveness of enterprises, everywhere in the world.
- ⇒ Widespread social insurance and, in general, social and welfare, provisions are, on the one hand, essential components of workers' income and, on the other, play an important part in the development of management's personnel policy. Therefore, developed market economies have, for years, been collecting information on labour-related costs. Since 1996, upon the recommendations of the ILO, Hungary, similarly to countries of the European Union, surveys every four years the level and composition of labour-related costs in the framework of a common statistical survey system.
- ⇒ Costs relating to the employment of labour were reviewed (with respect to the full circle of indicators) in Hungary in 1992 and 1996. In the competitive sector, in 1996, an average worker cost HUF1,041 thousand per annum to enterprises employing more than 20 staff. In addition to an average monthly salary of around HUF50 thousand, employers paid another HUF75 on every 100 forints of this sum as cost of employment. Hence the employment of an average employee cost a monthly HUF87 thousand to the employer, as opposed to HUF39,590 in 1992. That is to say that labour costs incurred by enterprises multiplied by 2.2 over four years, i.e. at a rate almost identical to the growth in consumer prices over the same period. Consequently, real earnings calculated in forint remained level, a favourable sign from the point of view of competitiveness.
- ⇒ The extent of labour costs varies within a rather broad band by sectors and industries of the economy. It is, for example, excessively high in the "activities auxiliary to financial intermediation" branch. Labour costs are lowest in the manufacture of wearing apparel made of textile and of leather and fur articles. In 1992, average labour costs in the financial intermediation

and auxiliary activities area exceeded the average of the branches figuring in the survey by 84 %, an advantage reduced to 79 % by 1996.

- ⇒ The first of the three main components of labour costs is labour wage or earnings, whose extent is determined by the supply/demand relations of the labour market and, for the most, social agreements (branch and company level collective contracts). In Hungary, earnings rose from 1992 to 1996 by 120.2 per cent, adjusting to inflation. The share of earnings within labour costs overall hardly changed (from 56.9 % in 1992 to 57.1 % in 1996).
- ⇒ The second component is mandatory taxes and contributions imposed by the state. In 1996, mandatory social insurance contribution accounted for 29.2 % of the labour costs, as opposed to 29 % in 1992, a relatively high rate in international comparison, especially in view of the fact that it does not include such, also mandatory, but not contribution-type payments as the part of the sick-pay debited to the employer. By way of comparison: on the average of the 12 Member States of the European Union, in 1992 the rate of mandatory social insurance expenditures was 15 %.
- ⇒ The third component consists of extra commitments assumed by the employer usually on a voluntary basis in excess of the mandatory contribution payment duties. In 1992, HUF25 labour-related payment was registered for every 100 forint of earnings, in 1996 the corresponding amount was hardly less at HUF24. In the branches of the national industry covered by the survey, over four years, the share of the cost elements in question fell by 0.4 percentage point to 13.7 % in 1996.
- ⇒ Within the group of non-wage allowances, the proportion of welfare, social and cultural expenditures was highest at 17.2 %. Social allowances estimated at HUF2,048 per month include HUF1,116 meal contribution.
- ⇒ According to the relevant international comparisons, labour cost per hour of work performance was highest in industry in the territory of the former Germany, at 9.5 times the corresponding amount for Hungary, while in the Netherlands, France and Sweden labour was 7 times more expensive than in Hungary. Domestic labour costs Irish and Spanish employers and to Japanese ones 4 to 5 times and 6 times more, respectively, than in Hungary. Polish entrepreneurs spend approximately the same amount on the employment of labour as Hungarian ones do, and Czech and Slovak ones 13 and 23 per cent less, respectively.

Employment capacity of agriculture

- ⇒ According to the 1. January 1997 Labour Account of CSO, agriculture employed 338.3 thousand, somewhat more than in the previous year (326.5 thousand) at that time. CSO's Labour Force Survey (excluding those on child-care leave from the population of earners) registered a total of 302.4 thousand agrarian employees in 1996 and 287.8 thousand in 1997.

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- ⇒ NCLM registered 73.7 thousand unemployed persons coming from agriculture in 1995, 83.6 thousand in 1996 and 88.9 thousand in 1997. Some 40 per cent of the unemployed are registered in the off-season (November to February) year after year. (It is to be assumed that at least the above proportion of the agrarian unemployed consists of recurrent unemployed.)
- ⇒ CSO's 1996 micro-census provided essential pieces of new information on the real employment relations of agriculture. As is well known in practice, the number of those performing agrarian activities as secondary job holders or inactives exceeds several times that of agrarian main job holders. In addition to those working part-time in agriculture, survey coverage was limited to those performing a minimum of 90 days of agrarian work annually (more than half a million in the 12-month period preceding the micro-census). From among the inactives, 355 thousand qualify as persons in employment on the basis of their agrarian work performance.

I. ECONOMIC ACTIVITY OF THE POPULATION

1. EU GOALS

Despite serious differences in the proportions of the employed, the unemployed and the economically inactive by Member State in the European Union, unemployment still qualifies as "persistently high" and employment as excessively low on the average of the ever more united EU, especially in comparison with the big rivals, the United States and Japan.

As a result, the requirement to increase employment is becoming more and more definite. After the declarations approved by the Essen (1994), Madrid (1995), Dublin (1996) and Amsterdam (1997) summits, respectively, an extraordinary summit was convened at the end of 1997 in Luxembourg with the express purpose of defining the employment policy to be implemented. Although the proposal of the European Council to increase the current, 60 %, employment rate of the 15 to 64 year-old population to 65 % within a period of five years and to reduce the rate of unemployment, around 10 % now, to 7 % and youth unemployment by half did not pass, the objective to draw up all-Union employment policy directives was approved. Member States shall integrate the jointly approved employment policy directives into their respective national action plans covering a span of several years, and then assert them in their national legislation and administration.

The joint employment directive adjusted to the specific situation of individual countries defined tasks for 1998 in the following main areas:

1.) Improvement of employability

- ⇒ First of all among the youth: before having spent six months in unemployment, every young persons shall be presented with a new opportunity to start (in the form of training, retraining, work experience, job etc.),
- ⇒ Adults shall be provided the same opportunities before having spent 12 months in unemployment.

Member States committed themselves to change over from the passive (benefit-allocation) methods to the active (employment promotion) ones, so as to attain, gradually, the average of the three most successful Member States within a period of time specified by themselves as compared to the initial state and that the policies in question should cover at least 20 per cent of the unemployed.

2.) Encouragement to would-be entrepreneurs

- ⇒ In order to facilitate the floatation and operation of enterprises, Member States shall pay special attention to the marked trimming of maintenance and administration costs, especially in the case of small and medium-size companies, and on the occasion of hiring new staff.
- ⇒ Member States shall encourage self-employment, in the first place by reducing taxes and social insurance contribution payment obligations.

⇒ Member States are looking for employment increase opportunities at the local level, in the social sector, and in case of unsatisfied demand that could be met by adopting new activity types.

The above presuppose the gradual reduction of the present tax level, an occasional revision of budgetary policy with special regard to the reduction of the costs of labour, especially those having a relatively low educational qualification and low wages.

3.) Development of the adaptation capacity of enterprises and employees

⇒ The directive focuses on the promotion of the modernisation of organisations and of the methods of work, with the co-operation of the social partners.

The goal is to make enterprises more productive and competitive and to maintain the equilibrium of flexibility and security at the same time. In view of the increasingly diversified forms of employment, it is to be ensured that several contract types, all of them guaranteeing adequate employment security, should be applicable.

4.) Enforcement of the policy of equal opportunities

⇒ The European Union has been a consistent advocate of the policy of equal opportunities from the very start, and it emphasises the need to provide equal opportunities for men and women, for those having been driven out of or exited the labour market but intending to re-enter it, and for members of the disadvantaged strata, and also the need to take the necessary steps in every Member State on this occasion as well.

The European Council is ready to make serious efforts in order to improve the situation of employment in Europe. Comparative statistics with the United States and Japan have indicated Europe's significant backlog in this respect ever since the seventies.

2. EMPLOYMENT - UNEMPLOYMENT - INACTIVITY IN HUNGARY, 1997

Fast decline in the number of those in employment in Hungary, a tendency observed since 1990, essentially slowed down in 1995 already. After the loss of more than 1.5 million jobs over a few years, employment seems to have stabilised, albeit at a low level. The number of the unemployed has also decreased a little, but the growth of the economically inactive (i.e. persons not in employment and not registered as unemployed and forced out of or having withdrawn from the labour market) continued, partly under the impact of the relevant demographic processes.

Table 2.1

Economic activity of the population aged 15-74 according to the Labour Force Survey

thousand persons

Period	Employed*	Unemployed	Economically active	Economically inactive**
Males				
1995	2,049.6	261.5	2,311.1	1,435.9
1996	2,036.3	243.7	2,280.0	1,453.0
1997	2,043.5	214.1	2,257.6	1,482.7
Females				
1995	1,629.2	155.0	1,784.2	2,288.5
1996	1,611.8	156.4	1,768.2	2,306.8
1997	1,602.8	134.7	1,737.5	2,322.2
All				
1995	3,678.8	416.5	4,095.3	3,724.4
1996	3,648.1	400.1	4,048.2	3,759.8
1997	3,646.3	348.8	3,995.1	3,804.9

* Excluding persons on child-care leave and including conscripts.

** Including persons on child-care leave.

Source: Labour Force Survey time series, 1997 CSO database.

The level reflected by the above figures, suggesting the stagnation of employment, however, conceal most forceful processes. A large number of jobs was lost even in 1997 (the labour service registered some 40 to 60 thousand new/recurrent unemployed; 50 to 70 thousand, fresh school-leavers included), but newly created jobs already compensated for the losses. No extra jobs were created, however, in 1997 either.

Job losses were due for the most to liquidation procedures still affecting a considerable segment of the economy, but dismissals in order to adjust staff size to market demand and, to a moderate extent, rationalisation in the budgetary sector, also had the same effect.

New jobs were created in the first place by large-scale development projects launched everywhere in the economy and especially greenfield investments funded by foreign capital. Small self-employing (unincorporated) enterprises established on the initiative of the individual(s) concerned, practically the only job creators in the years when economy was at its lowest, created a modest amount of jobs only last year.

All in all, the stabilisation of low-level employment at the end of 1997 was the result of the combined, contradictory, effects of job losses and creations.

Besides a practically unchanged level of employment, the majority of the ever fewer unemployed moved to the growing group of the economically inactive. In 1997, the number of non-employed adults (ages 15 to 74) not registered as unemployed exceeded that of the (registered) employed by 150 thousand.

In what follows, we shall give a detailed overview of the major processes having characterised the Hungarian labour market in 1997.

Before describing the processes in question, however, mention must be made of the fact that economic inactivity used to be calculated in Hungary by three different methods, and the number of (potential) labour market actors - 6.1, 6.9 or 7.8 million - depended on the definition of the reference basis.

Chart 2

Economic activity of the population aged 15 to 74

- Inactives
- Unemployed
- Employed

* Exclusive of persons on child-care leave.

Source: *Labour Force Survey, QIV 1997, Quarterly Bulletin*, CSO 1998, p. 43.

2.1 Measuring methods of economic activity

- a) CSO's annual Labour Accounts used as an almost exclusive source earlier has, in the course of the years, gradually lost its capacity to explain phenomena. With the transition to market economy and the radical transformation of both

economy and employment, its conceptual structure, designed originally to match the employment relations of plan economy, has become inaccurate (cf. the concept of active earners; the assignment of persons on child-care leave to the active earner population, etc.). At the same time, the deviation of numerous elements of the Hungarian employment system from the corresponding ones in Western Europe has also become increasingly obvious. One essential difference lies in the definition of working age. As a result of low retirement age, typical in the former socialist countries, working age is five to ten years shorter in Hungary than in the majority of the Western European countries.

Another problem relating to the use of Labour Accounts was that, as opposed to data covering the entire year under scrutiny commonly available today, the image projected by the Labour Account was restricted to the January 1st of the given year, so all data included in it reflected the state of the previous year).

The reliability of the Labour Account, on the other hand, was enhanced by the fact that the majority of its data originated from organisations subject to mandatory statistical data provision, i.e., could be called to account and checked.

- b)** Parallel with the above, the significance of information originating from the so-called Labour Force Surveys, also by CSO, has increased.

CSO publishes the surveys in question conforming to the recommendations of the International Labour Organisation (the ILO) and performed according to uniform principles and a uniform methodology adopted in numerous countries the world over and based on questions addressed directly to the survey subjects on a quarterly basis and, therefore, the information they contain reflect the changes of the labour market relatively fast. The conceptual system involved is identical with that of the other surveys carried out the world over and hence suitable to make international comparisons.

One weakness of this type of survey, on the other hand, is that the authenticity of the answers cannot be checked directly.

Given its advantages, especially the up-to-date conceptual system and topicality allowing to mirror changes quickly, our analyses are essentially based on this latter system, although information provided by the Labour Account is also taken into account wherever possible.

- c)** In countries belonging to the OECD and to the European Union, the reference basis for international comparisons and especially the measurement of the extent of the economic activity of the population is the 15 to 64 year-old population, irrespective of national retirement age. The ratio of those in employment or unemployed is derived from Labour Force Surveys.

The results of the three surveys covering different circles of the population and based on different methods and principles may differ significantly, and data taken out of their original reference context may be misleading.

In what follows, we shall present data and conclusions within the context of the respective systems to provide guidance in the ever more complex world of labour generating a multitude of new formations in every respect.

2.2 Definitions of working age

The potential labour supply of a given country is its own adult population (the supply being reduced or extended by outward and inward migration, respectively).

In Hungary, the same as everywhere in Europe and also in many countries of the world outside Europe, persons under the age of 15 qualify as children and their employment is prohibited under the law. (Moreover, mandatory elementary schooling also keeps them within the school gates up to that age at least.)

As opposed to this unambiguous bottom limit, the ceiling, i.e. the upper age limit, is highly diversified. It is lowest in the former socialist countries where, as in Hungary, women reached retirement age for decades at the age of 55 and men at the age of 60. In Europe, the upper limit is higher everywhere than that (except for Italy), with some differences due to tradition, national pension systems etc. Retirement age is generally the age of 65 (67 in Denmark and in Sweden); in many countries it is identical for men and women, and in some it is lower for women (at 60 in Austria, Greece, the United Kingdom and 63 in Portugal. (*Employment Outlook, July 1996, pp. 64-65.*)

The reference base for the determination of the potential labour supply of a country is hence its adult population defined by age.

2.2.1 Labour force according to the Hungarian definitions

The size of the labour force is shaped by demographic factors: its change is the resultant of the numbers of those entering and leaving active age, respectively, each year.

In Hungary, in 1997, calculated on the basis of the effective national regulations, a total of 6.1million adults qualified as persons of working age (females: ages 15 to 55; males: ages 15 to 59).

Table 2.2

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

thousand persons

Year* 1 January*	Number of population	Working age population		<i>of which: female</i>	
		number	% rate	persons	%
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

* Data on the working-age population in the period 1949 to 1980 conform to the regulations in effect since 1982.

** 1997 was the first year when female working age was extended, from 15 to 54 to 15 to 55 years

Source: 1990 Census, Vol. 4, p.22. for data on 1949-1980. *Labour Account*, 1 January 1997.

The generation entering working-age accounts for 2.4 to 3 % of the working-age population every year.

The growing numbers of the generations in question in the eighties started to decline in the nineties.

Table 2.3

Persons entering working age, 1949 to 1997

thousand persons

1 January	Male	Female	Total	In percentage of working age population
1949	76.8	75.4	152.2	2.7
1960	81.8	79.8	161.6	2.8
1970	107.4	100.3	207.7	3.4
1980	66.4	62.0	128.4	2.1
1990	93.3	88.6	181.9	3.1
1991	97.5	92.5	190.0	3.2
1992	91.7	86.8	178.5	3.0
1993	87.6	83.6	171.2	2.8
1994	83.1	79.1	162.2	2.7
1995	79.0	75.7	154.7	2.5
1996	73.4	70.4	143.8	2.4
1997	70.4	67.6	138.0	2.2

Source: CSO Census, 1980, Vol. 36., pp.195-198.; CSO Yearbooks, Tables: "Numerical distribution of the population by sex and age".

With some fluctuations, the number of those leaving working-age is of a similar order of magnitude every year. 1996 (1 January 1997), however, was an exception: as a result of the elevation of the upper limit of working age, 63,066 women having reached the age of 55 remained working-age persons this time. As opposed to 113 thousand the previous year, in 1996, the number of the working-age population declined by the 44.7 thousand males having reached retirement age.

Table 2.4

People entering retirement age, 1949 to 1997

thousand persons

	Males	Females	Total	Retirement as
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1 January	aged 60	aged 55		% of working age population
1949	35.4	52.8	88.2	1.6
1960	49.9	61.7	111.6	1.9
1970	58.7	73.1	131.8	2.2
1980	51.4	69.1	120.5	2.0
1990	54.6	64.0	118.6	2.0
1991	55.8	63.3	119.1	2.0
1992	51.7	62.3	114.0	1.9
1993	51.3	62.2	113.5	1.9
1994	50.6	63.2	113.8	1.9
1995	49.0	62.3	111.3	1.8
1996	47.5	65.8	113.3	1.9
1997	44.7	65.3*	110.0	1.8

* Female, reaching 56 years

Source: *Census, 1980, CSO, Vol.36., pp.195-198., Yearbooks of CSO.*

As a result of the amendment of the Pension Act (raising retirement age for women by two years annually and, later on, for men by one, up to 62 years of age in both cases), the number of those leaving working-age will diminish somewhat in the following years.

The number of the working-age population is reduced by mortality. The high mortality rate of the 15 to 60 year old moderated somewhat over the past one or two years.

Table 2.5

Mortality at working-age, by gender, 1985 to 1996

thousand persons

Year	Males 15-59	Females 15-54	Total	as % of the working age population
1985	22.0	6.5	28.5	0.47
1986	21.7	6.5	28.2	0.47
1987	21.0	6.3	27.3	0.46
1988	20.5	6.2	26.7	0.46
1989	22.2	6.6	28.8	0.48
1990	22.7	6.6	29.3	0.49
1991	22.8	6.6	29.4	0.49
1992	24.6	6.9	31.5	0.52
1993	25.0	7.2	32.2	0.53
1994	24.9	6.9	31.8	0.52
1995	24.1	6.6	30.7	0.50
1996	22.3	6.1	28.4	0.46

Source: Yearbooks and publications by CSO

All in all, under the impact of demographic effects experienced over a longer period of time, both the number and the ratio within the total population of persons of working age has been on the rise since 1990, i.e. over the entire period of lasting depression.

2.2.2 Labour force by the recommendations of the ILO

The number of the working age population, 6.1 million according to the Hungarian criteria, rises to 7.8 million if we take into consideration those between the ages of 15 and 74 as able to and capable of work.

The recommendations of the ILO, differing significantly from the usual national pension system criteria, are based, on the one hand, on the experience that very many continue their activity irrespective of having reached retirement age as specified under the national legislation (and may actually be in need of what they earn thereby), and on taking into consideration the steady growth of life expectancy.

In the countries of the European Union, in 1960, the life expectancy of males was 62 and that of females 74 years; by 1993, these grew to 72 and almost 80, respectively. According to the calculations of demographic experts, in thirty years' time, the generations of those aged more than 80 and 90 will include two or three times more than they do now. (*Demographic situation in the European Union, 1995, European Commission, Luxembourg, Office for Official Publications of the European Commission, 1996*).

In Hungary, according to the most recent computations, life expectancy at birth was 66.06 years for men and 74.7 years for women in 1996 (*CSO Reports, 1997/12., p.83.*).

According to the data of the World Bank, in 1995, life expectancy was highest for men in Japan (77 years) and Sweden, Canada and Hong-Kong (76), and another 17 of the 150 countries of the world taken into account realised the 74 to 75 year average. Female life expectancy generally exceeds the corresponding value for males everywhere. The Japanese are topmost in this respect as well (at an average female life expectancy of 83 years), but Canadian, French and Swiss women may also hope to live to 82 (*World Development Indicators, World Bank, 1997, pp. 85-89.*).

2.2.3 Comparison by the 15 to 64 working-age limit

In the countries of the OECD and often in other international contexts as well, typically in the countries of the European Union, as mentioned already, comparisons are usually based, irrespective of the national pension system, on the 15 to 64 year-old population.

In the countries of the European Union, in 1992 and 1996, 68.1 and 67.8 % of the population, respectively, belonged to the age-groups concerned (*Employment in Europe, 1997*).

In Hungary, in 1997 68 % of the total population, i.e. 6,917.6 thousand persons, belonged to the age group of the 15 to 64 year old.

Chart 3Economic activity of the 15 -74 year-old population, 1997

Employed	51,2 %
<i>Unemployed</i>	<i>3,9 %</i>
<u>Ec. inactives</u>	<u>44,9 %</u>

Table 2.6Number of working-age population in Hungary computed by different measurement methods

	1992	1993	1994	1995	1996	1997
TOTAL						
Number of population, 000	10,337.2	10,310.2	10,277.0	10,245.6	10,212.3	10,174.4
<i>of which</i>						
Working-age population						
Acc. to Hungarian legislation *	6,031.4	6,056.5	6,071.6	6,082.0	6,080.7	6,144.8
Ages 15-74 **	7,728.9	7,763.2	7,779.7	7,819.7	7,808.0	7,800.0
Ages 15-64 ***	6,919.2	6,936.0	6,939.7	6,939.1	6,626.0	6,917.6
in %						
Acc. to Hungarian legislation *	58.3	58.7	59.1	59.4	59.5	60.4
Ages 15-74 **	74.8	75.3	75.7	76.3	76.5	76.7
Ages 15-64 ***	66.9	67.3	64.9	67.7	64.9	68.0
MALES						
Male population, 000	4,960.5	4,943.4	4,923.0	4,903.6	4,883.9	4,863.3
<i>of which</i>						
Working-age						
Acc. to Hungarian legislation *	3,141.7	3,152.6	3,159.3	3,163.5	3,164.6	3,167.5
Ages 15-74 **	3,723.8	3,737.1	3,731.8	3,747.0	3,733.0	3,740.3
Ages 15-64 ***	3,395.5	3,403.7	3,406.0	3,404.8	3,398.5	3,394.8
in %						
Acc. to Hungarian legislation *	63.3	63.8	64.2	64.5	64.8	65.0
Ages 15-74 **	75.1	75.6	75.8	76.4	76.4	76.9

Ages 15-64 ***	68.5	68.9	69.1	69.4	69.6	69.8
FEMALES						
Female population, 000	5,276.7	5,366.8	5,354.0	5,342.0	5,328.4	5,311.1
<i>of which</i>						
Working-age						
Acc. to Hungarian legislation *	2,889.7	2,903.9	2,912.3	2,918.5	2,916.1	2,977.3
Ages 15-74 **	4,005.1	4,026.1	4,047.9	4,072.7	4,075.0	4,059.7
Ages 15-64 ***	3,523.7	3,532.3	3,533.7	3,534.3	3,227.5	3,522.8
in %						
Acc. to Hungarian legislation *	54.8	54.1	54.4	54.6	54.7	56.1
Ages 15-74 **	75.9	75.0	75.6	76.2	76.5	76.4
Ages 15-64 ***	66.8	65.8	66.0	66.2	66.3	66.3

* By the Hungarian regulations, i.e. male working age population: ages 15 to 59; female: 15-54 in 1992-96; 1997: males ages 15 to 59, females 15 to 55 year, reference: year, 1.Jan. **Source:** *Labour Accounts, CSO*

** By the ILO recommendations, annual average. **Source:** LFS time-series, CSO 1998,

*** By the practice of the OECD (EU); year, 1 Jan. **Source:** *Statistical Yearbooks, CSO.*

2.3 The potential labour-force

The active-age population includes both unemployed and economically inactive persons. Subgroup sizes are interdependent: persons leaving one group must enter one of the other two.

The relative proportions of the three subgroups differ significantly according to the reference base (and differences in interpretation).

Table 2.7

Economic activity of working-age population according to different age limits 1997

	Hungarian regulations		ILO recommendations: ages 15-74		OECD-EU: practice: ages 15-64	
	in '000					
	number	%	number	%	number	%
Working age population	6,106.5	100.0	7,800.0	100.0	6,876.5	100.0
<i>Of which:</i>						
Employed	3,561.9	58.4	3,646.3	46.7	3,627.3	52.8
Unemployed	343.3	5.6	348.8	4.5	345.8	5.0
Together: Economically active	3,905.2	64.0	3,995.1	51.2	3,973.1	57.8
Economically inactive	2,201.3	36.0	3,804.9	48.8	2,903.5	42.2

As can be seen, the differences are rather substantial.

As indicated already, our presentation of the numerical effects of labour market processes will rely, in the first place, on the data of the Labour Force Surveys recommended by the ILO.

3. **THE EMPLOYED**

3.1 **International trends**

As for the development of the share of the employed, two lasting tendencies are observable in this respect the world over. The first correlates with the decisive role of domestic product (economic performance). The second relates to the expanding scope of the term "employment" due to the spreading of non-traditional (registered or unregistered) forms.

With respect to the level of employment, national economic performance correlates rather closely with the proportion of the employed or, more simply, apart from a few exceptions, the richer and more well-to-do the country, the higher the proportion of the (registered) employed.

Table 3.1

GNP/capita* and the rate of employed in selected OECD countries

	1993 - GNP/capita in USD	% rate of the employed in the 15-64 population, 1995
Switzerland - (CH)	35,760	79.2
Japan - (J)	31,490	74.1
Denmark - (DK)	26,730	73.4
Norway - (N)	25,970	74.4
United States - (USA)	24,740	73.5
Sweden - (S)	24,740	71.1
Italy - (I)	19,840	52.1
Portugal - (P)	9,130	65.7
Turkey - (TR)	2,970	54.1
Spain - (E)	13,591	45.9
Greece - (GR)	7,390	54.2
Ireland - (IRL)	13,000	55.0

* The World Bank regularly publishes the GNP (gross national product) indicator. There is usually no difference of merit between the GDP indicator and the order of magnitude of the GNP.

Source: *GNP/capita: Workers in an Integrating World, Development Report 1995*, World Bank-Oxford University Press, 1995, pp.162-163.; rate of the employed: *Employment Outlook, OECD*, July, 1996, p.186.

Over the period under scrutiny, per capita GNP in Hungary was USD3,350. In 1995 the employment rate based on a domestic active-age population of 6 million was 61 %, that based on the standard European 15 to 64 year range was 53.7 % and that based on the target population of the LFS (the 15 to 74 year-old) 47 % only. In 1997, the result corresponding to the last ratio was, as shown by Table 2.7, 46.7 %.

As mentioned already, the European Union encourages its Member States to raise the rate of employment.

"Employment", however, does not necessarily imply jobs in the traditional sense. The so-called atypical forms of work, i.e. part-time work, self-employment, fixed-

term work contracts, temporary work, etc., are spreading everywhere, especially in the developed world. As indicated already in our yearly reports of the previous years, in the countries of the European Union, the proportion of work based on atypical forms of employment keeps rising year on year, and in 1995, 42.5 per cent of those employed in the Member States of the European Union already worked under one of the first three atypical forms mentioned above and monitored on a regular basis. By 1996, this rate grew to 43.2 % and, moreover, as demonstrated by the relevant analyses, "surplus" jobs (i.e. those in excess of new jobs making up for lost ones) were offered exclusively under these forms.

Atypical work exists in Hungary as well, although it is less extensive than in Western Europe. Its extent, however, is difficult to measure for numerous reasons, most of them relating to the fact that the forms in question are typically unregistered. (We shall discuss this issue in more detail later on.)

3.2 Employment in Hungary

CSO's Labour Force Survey reported almost identical numbers of persons in employment, 3.64 million, for the last three years.

The Survey considers as employed everyone between the ages of 15 and 74 having performed at least one hour of income-generating work in the week preceding the Survey. The Survey hence extends the concept of "employment" most significantly, and considers as employed in addition to those subject to one of the traditional employment relations those employed temporarily (including those doing public benefit or other subsidised work) as well.

3.2.1 Number of employed

Despite this extensive scope, we can only speak of the stabilisation (at a low level) of employment at best: no new work opportunities have been created yet. Newly created jobs are still sufficient only to replace those lost the same year.

Table 3.2

Number of employed, 1992-1997

thousand

Year	Employed	Of which:			
		Male	%	Female	%
1992	4,082.7	2,218.2	54.3	1,864.5	45.7
1993	3,827.3	2,077.3	54.3	1,750.0	45.7
1994	3,751.5	2,055.0	54.8	1,696.5	45.2
1995	3,678.8	2,049.6	55.7	1,629.2	44.3
1996	3,648.1	2,036.3	55.8	1,611.8	44.2
1997	3,646.3	2,043.5	56.0	1,602.8	44.0

Source: *Labour Force Surveys, time series 1992-1996.* 1997 CSO Database, 1998.

3.2.2 *Proportions by gender and age*

The distribution of employment by gender correlates with the long-term trend that although women are in majority in the age groups in question (at 52 %), males represent a larger segment among those in employment (56 %). This phenomenon is connected to the lower retirement age of women and the fact that few of the women retiring 4 or 5 years earlier than men look for/undertake work again, and if they do so, they usually go to the unorganised economy (family farm, household of others etc.).

As for the distribution by age, the majority of the employed (as practically everywhere in the world) are 30 to 54 years old.

Relatively few among those having reached retirement age as specified under Hungarian legislation are employed, and their share keeps declining every year. The Survey nevertheless indicates a higher number of employed past the ages of 55 to 60 (1996: 109.7 thousand) than the Labour Account (1. Jan. 1997: 108.4 thousand), and although less members of these generations were active in 1997, their number still totalled 105 thousand.

Chart 4

Number of employed persons* by age groups, 1992-1997

thousand person

* Exclusive of persons on parental leave

Source: Labour Force Survey, *Quarterly Bulletin*, CSO, 1998. p. 45.

In numerical terms:

Table 3.3

Employed persons by age and gender

thousand

Age group	1996	1997	Change over previous year
15-19			
male	51.8	47.9	- 3.9
female	37.8	32.5	- 5.3
all	89.6	80.4	- 9.2
20-24			
male	235.3	252.3	+ 17.0
female	159.9	173.0	+ 13.1
all	395.2	425.3	+ 30.1
25-29			
male	273.5	283.7	+ 10.2
female	155.8	164.3	+ 8.5
all	429.3	448.0	+ 18.7
30-39			
male	559.3	531.0	- 28.3
female	447.6	415.1	- 32.5
all	1,006.9	946.1	- 60.8
40-54			
male	773.7	793.2	+ 19.5
female	737.5	746.5	+ 9.0
all	1,511.2	1,539.7	+ 28.5
55-59			
male	106.2	102.2	- 0.4
female	45.2	47.5	+ 2.3
all	151.4	149.7	- 1.7
60-74			
male	36.5	33.2	- 3.3
female	28.0	23.9	- 4.1
all	64.5	57.1	- 7.4
Total			
male	2,036.3	2,043.5	+ 7.2
female	1,611.8	1,602.8	- 9.0
all	3,648.1	3,646.3	- 1.8

Source: Labour Force Survey, time series, 1992-1996. 1997 CSO Database, 1998

3.2.3 Distribution by sectors of the economy

The majority of the employed work in the services sector (59 %), followed by industry (33.1 %) and agriculture (7.9 %).

The above proportions differ somewhat from those indicated earlier by the labour accounts. On 1 January 1997, the Labour Account, considering the 247 thousand men and women on child-care leave and using a somewhat different conceptual system resulting in a reference base of 3,975.1, set the rate of those employed in agriculture at 8.5 %, that of

those employed in industry at 31.7 % and that of the services sector at 59.8 %.

Table 3.4Shifts in employment by broad sectors*thousand persons*

1 January	Agriculture		Industry, construction		Services		Employed	
	pers	%	pers	%	pers	%	pers	%
1900	1,735.8	61.1	422.3	14.9	683.2	24.0	2,841.3	100.0
1941	2,163.9	51.5	919.3	21.9	1,118.7	26.6	4,201.9	100.0
1960	1,830.0	38.5	1,617.6	34.0	1,311.9	27.5	4,759.5	100.0
1970	1,246.0	23.2	2,379.2	44.3	1,747.5	32.5	5,372.7	100.0
1980	1,109.0	19.3	2,386.1	41.6	2,238.5	39.1	5,733.6	100.0
1990	955.0	17.5	1,976.8	36.1	2,540.1	46.4	5,471.9	100.0
Annual average								
1992	460.1	11.3	1,431.0	35.0	2,191.6	53.7	4,082.7	100.0
1993	349.4	9.1	1,292.2	33.8	2,185.7	57.1	3,827.3	100.0
1994	327.6	8.7	1,237.3	33.0	2,186.6	58.3	3,751.5	100.0
1995	295.1	8.0	1,198.1	32.6	2,185.6	59.4	3,678.8	100.0
1996	302.4	8.3	1,190.1	32.6	2,155.6	59.1	3,648.1	100.0
1997	287.8	7.9	1,207.9	33.1	2,150.5	59.0	3,646.3	100.0

Source: 1900-1990: Censuses, CSO Yearbooks. 1992-1997: LFS, Time Series. 1992-1997, CSO 1998

The differences are slight and the main conclusions are in good agreement.

Chart 5Employment by broad sectors, 1990-1997

'000
pers.

- Services
- Industry
- Agriculture

Firstly: after far-reaching changes over the decades and massive job losses in the nineties, the employment structure of the economy has

stabilised and changes to an ever smaller extent every year. (This seems to be a natural phenomenon.)

Secondly: although the increase in the relative employment weight of the services sector is a favourable phenomenon, it must not be forgotten that the shift in proportions is caused by other processes than in the developed countries. In the latter, the high and growing level of those employed in the services sector is the result of modernisation and prosperity: after having satisfied its material consumption demand to a large extent, the population tends to spend more and more on services, tourism, sports, health protection, banking services, education, leisure etc. The proportion of those employed in the services sector is around 70 % in the richest countries, and it is less than 60 % in Portugal alone. In 1995, the EU average was 64.5 %, in 1996 65.1 %.

Table 3.5

Employment by broad sectors as per cent of total employment in
EU Member States in 1996

	%		
	Agriculture	Industry	Services
Belgium - (B)	2.7	27.6	69.6
Denmark - (DK)	3.9	26.4	69.7
Germany - (D)	2.9	35.3	61.8
Greece - (GR)	20.3	22.9	56.8
Spain - (E)	8.6	29.4	62.0
France - (F)	4.8	26.5	68.6
Ireland - (IRL)	11.3	27.3	61.4
Italy - (I)	6.7	32.2	61.1
Luxembourg - (L)	2.4	23.0	74.5
The Netherlands - (NL)	3.8	22.9	73.3
Austria - (A)	7.4	30.3	62.3
Portugal - (P)	12.7	32.9	54.5
Finland - (FIN)	7.9	27.1	65.0
Sweden - (S)	3.3	25.9	70.9
United Kingdom - (UK)	2.0	27.5	70.6
EU average	5.1	29.8	65.1

Source: *Employment in Europe, 1997*, pp. 117-132.

As is well known, in Hungary growth of the proportion of those employed in the services sector from the nineties on was not due to the development level of the economy, but to marked job losses in the two production sectors, i.e. agriculture and industry. Some jobs were lost in the services sector as well, but the share of services nevertheless increased in the course of the process of overall contraction .

(Even so, one third of the services jobs is maintained by budgetary branches: administration, education and health care.)

In Hungary (as probably in other countries with significant agricultural production) the real employment role of agriculture, very different from that suggested by the number of main-job holders there registered by statistics, is a special issue. According to the data of CSO's micro-census of 1996, agriculture probably employs second job holders and economically (and also by age) inactive persons performing at least 90 days of agrarian work equal in number to main job holders registered there. (The employment capacity of agriculture will be discussed separately.)

Table 3.6**Distribution of employed by sectors of the economy**

Industries		1992	1993	1994	1995	1996	1997
A-B	Agricult., hunting and forestry, 000	460.1	349.4	327.6	295.1	302.4	287.8
	%	11.3	9.1	8.7	8.0	8.3	7.9
C	Mining and quarrying, 000	52.7	42.2	39.2	34.0	32.8	27.2
	%	1.3	1.1	1.0	0.9	0.9	0.7
D	Manufacture 000	1,053.5	937.8	888.8	850.2	850.8	864.1
	%	25.8	24.5	23.7	23.1	23.3	23.7
E	Electricity, gas, steam and water supply 000	108.0	105.1	108.3	96.6	88.8	97.4
	%	2.6	2.7	2.9	2.6	2.4	2.7
F	Construction 000	216.8	207.1	201.0	217.3	217.7	219.2
	%	5.3	5.4	5.4	5.9	6.0	6.0
G	Wholesale and retail trade; repair of motor vehicles, motorcycles, pers.goods 000	480.4	469.5	467.4	459.9	486.9	496.8
	%	11.8	12.3	12.5	12.5	13.3	13.6
H	Hotels and restaurants 000	115.6	110.4	110.6	116.6	114.1	120.9
	%	2.8	2.9	2.9	3.2	3.1	3.3
I	Transport, storage and com. 000	346.4	336.3	314.5	319.6	321.2	310.0
	%	8.5	8.8	8.4	8.7	8.8	8.5
J	Financial intermediation 000	68.7	72.6	72.9	82.2	83.3	83.3
	%	1.7	1.9	1.9	2.2	2.3	2.3
K	Real estate, renting, business support 000	140.3	137.6	125.6	130.6	128.2	146.3
	%	3.4	3.6	3.3	3.6	3.5	4.0
L	Public administration and defence, etc.; compulsory social security 000	293.7	299.5	320.2	318.1	306.6	293.8
	%	7.2	7.8	8.5	8.6	8.4	8.1
M	Education 000	311.8	342.8	338.6	335.4	319.6	296.9
	%	7.6	9.0	9.0	9.1	8.8	8.1
N	Health and social care 000	236.3	241.6	239.0	231.4	225.6	232.1
	%	5.8	6.3	6.4	6.3	6.2	6.4
O-Q	Other services 000	198.4	175.4	197.8	191.8	170.1	170.4
	%	4.9	4.6	5.3	5.2	4.7	4.7
	Total 000	4,082.7	3,827.3	3,751.5	3,678.8	3,648.1	3,646.2
	%	100.0	100.0	100.0	100.0	100.0	100.0
	Unknown 000	1.1	0.4	-	-	-	0.1
	%	-	-	-	-	-	-

All employed	<i>000</i>	4,083.8	3,827.7	3,751.5	3,678.8	3,648.1	3,646.3
	%	100.0	100.0	100.0	100.0	100.0	100.0
Industrial sectors (C-D-E-F)	<i>000</i>	1,431.0	1,292.2	1,237.3	1,198.1	1,190.1	1,207.9
	%	35.0	33.8	33.0	32.6	32.6	33.1
Services (G-Q)	<i>000</i>	2,191.6	2,185.7	2,186.6	2,185.6	2,155.6	2,150.5
	%	53.7	57.1	58.3	59.4	59.1	59.0

Source: LFS, Time Series 1992-1997, CSO, 1998.

3.2.4 *Nature of employment, major groups of employed persons*

The decisive majority of those in employment work as employees.

Table 3.7

Number of employed persons* and their distribution by the nature of employment

Nature of employment		1992	1993	1994	1995	1996	1997
Employed	000	3,203.4	3,087.6	3,045.2	2,978.9	2,961.2	2,989.7
	%	79.6	81.9	82.5	82.2	82.1	82.8
Co-op. member	000	225.0	134.1	103.3	84.2	79.0	68.9
	%	5.6	3.6	2.8	2.3	2.2	1.9
Member of partnership	000	257.9	197.1	174.7	167.9	151.8	137.4
	%	6.4	5.2	4.7	4.6	4.2	3.8
Sole proprietor	000	290.1	309.1	328.9	351.7	372.2	373.3
	%	7.2	8.2	8.9	9.7	10.3	10.3
Family member	000	49.3	42.4	40.4	40.1	40.9	41.0
	%	1.2	1.1	1.1	1.1	1.1	1.1
Total	000	4,025.7	3,770.3	3,692.5	3,622.8	3,605.1	3,610.3
	%	100.0	100.0	100.0	100.0	100.0	100.0

* Exclusive of persons on parental leave and of conscripts.

Source: LFS, Time Series 1992-1997, CSO, 1998.

The preliminary detailed data of the National Health Insurance Fund (NHIF) make it possible to survey employed persons by status of the employer as well. More than half of the employed (53.7 %) work for a limited liability or public limited company, and 28 % at central or municipal budgetary organs. Sole proprietorships and unincorporated collective partnerships employ some 9 % of those in employment (data communicated by NHIF).

In 1997, more than one third (36.8 %) of the employed did non-manual work. Women lead the way in this respect: more than 60 % of the non-manual workers are women. Their number exceeds that of the male employed not only in the area of office/administrative jobs, but also in those requiring the independent use of a university or college qualification or any other higher educational degree. As for manual jobs, their number is approximately half of that of the males.

Table 3.8**Number of employed by major groups**

Major job groups		1996			1997		
		year					
		all	of which: female		all	of which: female	
		thousand	in %		thousand	in %	
1.	Legislators, senior officials and managers	215.2	68.5	31.8	220.0	72.1	32.8
2.	Professionals	408.8	234.9	57.5	403.3	230.0	57.0
3.	Technicians and associate professionals	447.8	291.4	65.1	466.2	299.2	64.2
4.	Clerks	273.1	252.8	92.6	254.5	235.6	92.6
Non manual workers, total		1,344.9	847.6	63.0	1,344.0	836.9	62.3
5.	Service workers and shop and market sales workers	544.3	296.5	54.5	555.4	296.8	53.4
6.	Skilled agricultural and forestry workers	139.6	38.4	27.5	141.9	40.5	28.5
7.	Craft and related workers	807.7	165.6	20.5	815.8	167.0	20.5
8.	Plant and machine operators and assemblers	400.4	80.1	20.0	403.1	85.7	21.3
9.	Elementary occupations	319.2	177.7	55.7	305.9	170.0	55.6
Manual workers, total		2,211.2	758.3	34.3	2,222.1	760.0	34.2
10.	Armed forces	91.4	5.8	6.3	79.4	5.7	7.2
Total		3,647.5	1,611.7	45.4	3,645.5	1,602.6	44.0
Unknown		0,6	0.1	16.7	0.8	0.2	25.0
All employed		3,648.1	1,611.8	44.2	3,646.3	1,602.8	44.0

Source: LFS, Time Series 1992-1997, CSO, 1998.

3.2.5 *Employment by nature of ownership*

Data on the nature of ownership of the employer organisations is collected annually by the Hungarian Household Panel.¹ According to their data, in 1997, the majority of those in employment already worked in the private economy.

Table 3.9**Employment by nature of ownership (March of the given year)**

	%					
	1992	1993	1994	1995	1996	1997
public organisations	15.7	17.4	20.7	22.8	19.5	18.1
state owned firms	33.2	21.8	10.0	8.5	7.7	4.9
local government enterprises	4.8	5.4	4.4	3.7	4.1	4.9
traditional co-operatives	7.4	5.9	5.0	3.7	2.7	1.9
state-owned companies	7.1	11.8	14.0	12.1	11.1	10.4
companies with private participation	8.6	10.8	13.3	11.9	12.3	10.2
private companies	13.9	17.0	21.2	24.7	29.1	35.0
sole proprietors	9.5	9.9	11.5	12.5	13.5	14.5

¹ The Hungarian Household Panel has been gathering data on the employment and earning situation of the population, the household economies and several other topics by interviewing the 16+ year-old members of some 2,000 households, a total of 4,000 to 4,400 people altogether, on a regular basis, in March every year, since 1992. In 1997, some 3,000 adult members of 1,392 households were interviewed.

Total	100.0	100.0	100.0	100.0	100.0	100.0
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Source: Hungarian Household Panel, Final Report. 1998. p. 14.

A significant proportion of the employed worked at organisations having less than 10 staff, i.e., at micro-enterprises. 31 December 1997 data of CSO indicated nearly 720 thousand active business organisations at that time, 697 thousand (97 %) among them micro organisations.

Although the total number of organisations includes one-man businesses and unincorporated collective partnerships operated by second job holders as well, we shall probably not err substantially by estimating the average number of main job holders for certain business forms on the basis of the data of NHIF. In our calculations, we have considered retired persons remaining in employment as employed (in accordance with the LFS criteria). Almost 20 per cent (18.8 %) of the sole proprietorships is operated by second job holders, but they, too, are entitled to have employees just as unincorporated partnerships do.

Average staff number indicated in the last column of the table issued by CSO on active business organisations was computed by us on the basis of NHIF's data. We are well aware of the fact that the figures in question, however interesting, will not make up for the absence of data of merit (released occasionally only) on the number of the employed by relevant organisation size.

Table 3.10

Number of active economic organisations by legal form and staff category,
31 December 1997

Legal form	Staff category					All	Estimation: Average staff number* in 1997
	9 or less	10-20	21-50	51-300	300+		
	Number of organisations						
Business companies	230,682	8,609	6,169	3,624	861	249,945	
<i>Of which:</i>							
LLC	108,715	7,117	5,332	2,715	313	124,192	7.4
CLS	1,483	281	440	824	545	3,573	219.7
unincorp partnership	120,331	1,193	381	76	3	121,984	1.4
Co-operative	2,424	535	882	1,105	43	4,989	36.6
<i>Of which:</i>							
agricultural	699	183	343	659	18	1,902	49.3
Sole proprietorship	463,527	1,170	314	38	-	465,049	1.3
Total	696,633	10,314	7,365	4,767	904	719,983	3.7
%	96.8	1.4	1.0	0.7	0.1	100.0	-

* Members (sole proprietors) and employees + family members; estimation based on preliminary data of the National Health Insurance Fund.

Source: *Number of active economic organisations, 1998/1 CSO*

3.3 Atypical jobs

As mentioned already, in the European Union, the proportion of those employed in one of the so-called atypical forms has been increasing year after year. The longer-term time series of the evaluation published in 1997 (of which we shall show here the data for 1985 and 1996) reflect both the changes in time and the typical characteristics of atypical employment observed in individual Member States.

Table 3.11Atypical jobs in EU, 1985 and 1996, % of employees

	Part-time jobs		Self-employed		Fixed-term contracts	
	as % of the employed					
	1985	1996	1985	1996	1985	1996
Belgium - (B)	8.6	14.0	15.9	15.4	6.9	5.9
Denmark - (DK)	24.3	21.5	9.9	8.3	12.3	11.2
Germany - (D)	-	16.5	-	9.4	-	11.1
Greece - (GR)	5.3	5.3	36.0	33.7	21.1	11.0
Spain - (E)	5.8	8.0	22.6	21.5	15.6	33.6
France - (F)	10.9	16.0	12.6	11.3	4.7	12.6
Ireland - (IRL)	6.5	11.6	21.5	19.8	7.2	9.2
Italy - (I)	5.3	6.6	24.1	24.8	4.8	7.5
Luxembourg - (L)	7.2	7.9	9.4	9.1	4.7	2.6
The Netherlands - (NL)	22.7	38.1	9.1	11.2	7.5	12.0
Austria - (A)	7.0	14.9	11.4	14.4	n.a.	8.0
Portugal - (P)	6.0	8.7	26.2	26.8	14.4	10.6
Finland - (FIN)	8.2	11.6	13.4	15.1	10.5	17.3
Sweden - (S)	25.4	24.5	9.0	11.7	11.9	11.8
United Kingdom - (UK)	21.2	24.6	11.4	12.6	7.0	7.1
EU average:	10.8	16.4	13.1	15.0	9.0	11.8

Source: Employment in Europe, 1997, pp.117-132.

As mentioned earlier, new jobs created in recent years in the EU Member States belong to the atypical forms of employment.

In Hungary, although the experience is that there exist several forms of atypical work, so far no opportunity has presented itself to monitor these regularly and systematically, except for some attempts to offer approximate descriptions.

a.) Self employment

One of the most general forms, easiest to measure, is self employment. According to the generally accepted definition of the ILO, the self employed are working owners of unincorporated businesses, i.e. persons having no independent firm of their own (small entrepreneurs, as they are commonly referred to in the Hungarian terminology), irrespective of whether they have employees; or independent farmers, or the assisting family members and vocational trainees of the previous employers, the working members of production-type co-operatives.

According to the data of the NHIF, in 1997, more than 20 per cent of those in employment (21.2 %) worked at individual enterprises and unincorporated collective partnerships operated by the self-employed.

Table 3.12

Number of employed persons in the unincorporated business organisations, 1997

thousand persons

	Main job holder	Pensioner	Together
Sole proprietorship*	381.9	50.0	431.9
Employee and family member**	156.2	2.3	158.5
Unincorporated partnerships***			
Member	49.3	7.5	56.8
Employee and family member**	120.8	3.8	124.6
All	708.2	63.7	771.8

* Independent farmers registered as entrepreneurs (i.e. with tax identification number) exclusively.

** These two categories were not kept distinct by the NHIF data-processing. According to CSO, the number of assisting family-members was 41.1 thousand in 1997.

*** Including three different forms of partnership.

Source: NHIF, data processing on 1997. 1998.

The 14.5 % rate of registered entrepreneurs (paying social insurance contribution as well) together with their family members (i.e. the self-employed in the narrow sense of the term) is somewhat lower than the European Union average of 15 %. Domestic data, however, diverging significantly from the international trends, probably do not reflect the real situation.

The international experience – as shown by data of the EU Member States as well – is that the share of the self-employed is relatively higher in those more developed countries, too, which have a relatively smaller national income and a higher agrarian employment level. In countries, that is, where the separation of business and household activities is not encouraged or feasible for various reasons (tradition, capital shortage etc.), where activities are based on the family unit, and the establishment of a business entity operating independently of the household requires the fulfilment of too many (among others capital-related) conditions. Self-employment is stimulated today to a large extent by the lack of other work opportunities: many are forced to choose this form to earn a living for lack of other options.

In Hungary where per capita GDP was 37 % of that of the corresponding EU average in 1995 (*CSO Reports, 1997/7, p.54.*), the low average number of the self-employed indicated by the available data is probably due to significant regulation, taxation and accounting constraints. It is well-known, for instance, that in Hungary (self)employment not registered by either the taxation authorities or the social insurance system is quite widespread, especially in agriculture. (Agrarian individual/family farms are exempt from taxation –and hence allowed not to register with the authorities – up to quite a significant income limit.) Moreover, the many types of taxes and especially the excessive level of mandatory social insurance contribution still keeps many back from registering or even induces them to terminate the activity concerned, at least officially.

In Hungary, in the nineties many chose self-employment to escape unemployment and create an independent financial existence.

This is exactly what the European Union expects governments to encourage. In Hungary, one form of assistance has been support for the unemployed to start an enterprise: the period of entitlement to unemployment benefits is extended by six months and the subjects concerned may draw a special loan for would-be entrepreneurs amounting to HUF500 thousand.

In 1997, the loan in question was extended to 637 persons (NCLM).

b.) Part-time jobs

As mentioned already, part-time work is the most widespread atypical form in Europe. In Hungary, less than 5 % of the earners work shorter hours than the mandatory one or that specified under the law. The difference compared to the relevant international trends is especially striking in the case of women.

According to the research of Mária Frey², in Hungary, many, especially women with small children, would have preferred to work part-time prior to the change of regime. Even in 1993, more than one fifth of the workers, some 800 thousand, would have been willing to shift to part-time work (15 % of the male and 30 % of the female workers), with or even without wage compensation. Half of the employers would also have been ready to introduce part-time employment.

However, this was opposed by part of the trade unions and of the employers, and neither did women's organisations support it. Moreover, against the backdrop of the fast growth of unemployment, government gave priority to schemes promoting withdrawal from the labour market.

The possibilities of introducing part-time work have deteriorated fast as a result, among other things, of the drastic fall in real wages. In 1995, when the same question was asked anew, this time of women only, a mere 10 per cent, some 100 thousand persons, expressed their willingness to shift to part-time work, but more than one third of them were actually employed that way anyway. 88 % of those refusing this possibility explained that they could not consent to this form because they needed their full-time salary.

According to the analysis, in order to exploit the employment policy assets inherent in part-time employment, at least counter-interest should be eliminated. One neuralgic point is compulsory health care contribution, of a fixed amount, implying excessive burdens for employers contemplating a shift in this direction.

As a first step, the amended Employment Act made it possible, from 1997 on, to promote the part-time employment of certain groups of employees and save jobs thereby. This option was specified under the (also amended) Ministry of

² Mária Frey: Work-time reduction and flexibilisation in Hungary. Lecture presented at the conference on Employment Flexibility and Work-time, 20 March 1998.

Labour Decree No. 6/1996³ announced in autumn 1997. Accordingly, assistance may be granted to employers in the market sector suffering from temporary liquidity problems for the part-time employment (reduction of the total working time by half at least and two-third at most) of members of the following groups on condition that dismissal can be avoided that way and the person concerned may keep his/her job:

- ⇒ mothers with small children,
- ⇒ employees reaching retirement age within five years,
- ⇒ employees having lost at least 40 % of their working ability.

Non-repayable assistance may cover wage for work-hours lost and contributions associated with that, or part of the latter. Assistance may be provided for a maximum of twelve months, and extended, provided that certain conditions are met, several times, to a total period of no more than five years.

Interest generated by this scheme will only be possible to measure later on. In addition to companies suffering from liquidity problems, it would probably be reasonable to extend its scope to a wider circle of employers and employees, primarily in the public sector. According to Mária Frey's proposals, assistance should be provided to every employer to promote the shift to part-time employment of people more advanced in age in order to ease potential employment tension due to the gradual elevation of retirement age. Moreover, it would be justified to link this programme with the obligation to hire youth to part-time jobs becoming available later on.

Job creation is as important as job preservation: assistance should be provided, for instance, to promote the placement of unemployed persons intending to work part-time, and part time jobs should be created to extend the labour market and allow, in turn, an increasing number of the inactive to re-join the world of labour (in 1997, ten thousand of nearly 350 thousand unemployed declared that they wanted a part-time job only, and another eight thousand were looking for a part-time job in the first place. 30 % among them were males and 70 % females.)

The international practice is to motivate employers to take part in such "host"schemes by the full or partial assumption of wages, a feasible solution under the Hungarian Employment Act as well. From the individual's point of view, however, low wages associated with part-time work may prevent the realisation of the employment intention, especially in the case of unemployed benefit recipients. This obstacle could be eliminated if labour centres paid half of the unemployment benefits or income supplementing allocation after placement as well, until the stabilisation of employment (in the Netherlands, for example, this means a period of three years).

c.) Temporary jobs

³ ML Decree No. 6/1996 on Subsidies to Promote Employment and on Assistance to be Extended from the Labour Market Fund for the Purpose of the Management of Crisis Situations, Para (2) of Art. 18/A.

Once we leave the well-organised world of traditional employment relations, we are surrounded with countless variants of work performance, with respect to the duration of employment, among other things. Work performance lasting for one hour, a few days or a few months for that is difficult to classify, partly owing to its diversity. Countries, however, are increasingly set on codifying such e.g. seasonal, temporary, casual etc. work, primarily under the impact of the permanent decrease of traditional work opportunities. National legislations reflect many idiosyncrasies due to the characteristics of the given economy (e.g. the relative weight of agriculture or tourism), to traditions, the development level of the legal system, the power relations of the political parties etc.

One new aspect of this striving is the effort observed in several countries (France and Belgium, for example) to assign an employer's role, in addition to the traditional employers, to households as well. For households have a marked demand for work performance typically of short duration. Various methods and preferences have been introduced recently to stimulate the express declaration of this role, for the sake of increasing employment and improving the situation of those without work.⁴

As for Hungarian legislation on employment of atypical duration, so far only a legal regulation on temporary jobs (effective as of 1 September 1997) had been approved.⁵

Under the law, temporary employment means the employment of the same employee by the employer for a maximum of five consecutive calendar days, not exceeding 15 calendar days a months and 90 days annually at a daily (gross) labour wage paid to the employee of HUF700 to 2,400.

Employees may request at the labour centres, free of charge, a so-called Temporary Employee's Booklet (TEB) valid for one year, and the employer meets the obligation to contribute to public burdens related to employment by sticking HUF500 to 1,500 stamps into the TEB in function of the measure of the daily wage. The payments in question entitle the employee to health/accident care, and the work-days qualify as service period. Certified performance of a certain number of work-days specified annually may give the employee new entitlement to unemployment benefits as well.

11,441 took out their TEB from 1 September 1997 to 31 December 1997, and the relevant total public burden contribution amounted to HUF13 million. Most TEBs were issued in Counties Borsod (2,350), Csongrád (1,258) and Bács-Kiskun (1,223), mostly to unemployed persons receiving unemployment benefits or income supplementing allocation and to economically inactive ones.

⁴ For a detailed overview of these efforts, see Mária Frey's study volume: *Job creation without the main stream of the labour market*, Budapest, 1997.

⁵ Act LXXIV of 1997 on Employment with Temporary Employment Booklet introduced a simplified public burdens procedure.

CSO's Labour Force Surveys have registered temporary work performance since 1992.⁶ The majority of those declaring themselves temporary workers had no employment relation with any employer and their work was mostly of seasonal in nature.

Surveys so far have indicated an annually increasing, but nevertheless minor, ratio of temporary workers (accounting for 0.5 % of the earners).

⁶ For a detailed analysis of the features of temporary work, see the paper of Lakatos, J. and Nádas, M.: "The extent of atypical forms of employment in Hungary", in: *Atypical Forms of Employment, European Mirror Workshop Papers* (ed.: T. Laky), publication of the Strategic Task Force for Integration, No. 25.

Table 3.13Number of temporary workers, 1992-1997

persons

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	16,520	21,466	24,647	25,586	22,055

Source: LFS, Time Series 1992-1997, *Database 1997, CSO, 1998.*

The majority of those having declared themselves temporary workers consists of males with a low level of education. Women typically account for 20 to 25 per cent of the temporary employee population.

Most members of the group worked in agriculture and construction, but in the case of women agriculture was followed by business services and work performance at private households.

The registered number of temporary workers is probably significantly lower than the real one. Many do not consider an earning activity lasting for a few hours or days only real "job": the word is still associated strongly with features of the traditional employment relation. No doubt, many, employers and employees alike, are held back from declaring work performance by the high taxes and levies imposed on earnings.

Those having carried out the Labour Force Surveys are of the opinion that the figures reflect the number of "professional" temporary workers only. If, as encouraged by the employment principles of the EU, the primary goal is the (manifest) increase in employment, one feasible option would be the radical trimming of tax burdens in this circle. This would be justified by the fact that temporary workers are typically persons excluded from the world of organised labour, who can supplement their low-amount social-type provisions, if any, that way only.

3.4 Subsidised employment

Employment policy made serious efforts in 1997 once again to promote the placement of those, especially among the registered unemployed, who intended to work, and to encourage the employment of school-leavers, of persons with a reduced working ability and of the long-term unemployed by providing targeted assistance to employers. It supported the efforts of those intending to create an independent financial existence for themselves in a similar way.

HUF228 million was allocated from the Labour Market Fund to shorter or longer subsidised employment programmes (training programmes included)

which, in the course of the year, helped 234,100 persons acquire or preserve a job.⁷ In what follows, we shall only discuss employment subsidy programmes.

Main programmes

Subsidies affecting the biggest numbers of participants, i.e. public works, labour market training and wage subsidy to promote the employment of the long-term unemployed, affected 85 % of the beneficiaries, the rest being subsidised by one of the other twelve forms of assistance.

a.) Public benefit work

As earlier, the largest number of the unemployed (a total of 110 thousand in 1997) were offered work for a few months (3.5 to 3.8 months on average in 1997) in the form of public benefit employment. The order of magnitude of work programmes organised for the most to have local communal tasks performed reflects both the lack of work opportunities at especially the smaller and more backward settlements and the typical characteristics (especially low educational qualification and lack of vocational skills) of the (long-term) unemployed. For most of them, public benefit work is practically the only recurrent work (and earning) opportunity.⁸ (As for those receiving income supplementing allocation, after 24 months the further allocation of the subsidy is conditional on a minimum of 180 days of work performance annually which the persons in question essentially fulfil by participation in public work schemes.)

Public work has typically become less popular in the capital and in major towns offering other work opportunities as well; the majority of the participants are those in need of the extension of their income supplementing allocation.

b.) Wage subsidy

In 1997, 36,303 persons unemployed for more than twelve months previously worked at jobs where the Labour Market Fund covered part of the wages and the social insurance costs. Employment typically lasted for 6 to 8 months.

⁷ A total of 265,652 actually participated in the 1997 programmes, including agreements dating from 1996 and lasting in 1998. The total number includes everyone having received subsidy for a minimum of one day. (*NLMC: Information bulletin on the financial commitments and staff numbers of the Employment Fund Segment of the Labour Market Fund on the basis of agreements concluded by the Labour Centres until the end of 1997. Bp., February 1998.*). In what follows, we shall mostly quote the data of the Report, but we shall indicate average participation data.

⁸ According to the surveys of János Köllő, inadequate or expensive public transport prevents those living in smaller settlements especially from grasping work opportunities offered in the neighbourhood. Although, as he states, some two thirds of the settlements hit by a high level of unemployment are surrounded by relatively good urban labour markets, without the improvement or subsidisation of local transport, the possibilities of their inhabitants to commute are limited to a very large extent, irrespective of their professional experience and skills. (János Köllő: *Conditions of daily commuting and local unemployment in Hungary. Calculations and numerical examples. Esély (Chance), 1997/2., pp.33-61.*)

After the subsidy period, the employer is obliged to keep the beneficiary in employment for a period of time equal to the subsidy period.

The two subsidy programmes aimed at improving the placement and work experience acquisition chances of fresh school leavers essentially copy the main elements of this form.

In Hungary, up to 1996, school-leavers, too, used to be entitled to unemployment benefits. However, the monthly HUF6,720 aid allocated in 1996 to the 15 to 26 year-old finishing any form of streamline education but elementary school, although improving the situation of the parents, did not increase the placement chances of the youth.

This form was cancelled as of 1 July 1996, and benefits allocated to some 35 thousand young people every month earlier will be channelled to two forms of placement promotion subsidies. The subsidy covers those having finished elementary school only as well. Registered unemployed young people aged 25 (or 30 in case of degree-holders) are entitled to a work experience subsidy. 50 to 100 % of the wages (of limited amount) due for the period of employment, not exceeding 360 days, is covered by the Labour Market Fund that may also assume the payment of the health care contribution of the young person.

The other form of employment subsidy may be requested by employers committing themselves to keep a former practical trainee having spent a minimum of twelve months there in that capacity in a job matching the trainee's vocational qualification in their employ for another twelve months, for a minimum of 6 work-hours a day. The duration of the subsidy is 270 days. Its extent is half the minimum monthly wage prescribed for the given employer. The Labour Market Fund may assume payment of the health care contribution under this scheme as well.

Of course, in addition to the above two new forms of subsidy, young persons are also entitled to other forms of assistance specified for the unemployed under the Employment Act.

The two new forms of subsidy raised less interest in 1996 than expected: 5,860 young persons only were placed under these schemes. By the end of 1997, however, more than 13 thousand young persons had already been employed this way: 8,867 school-leavers receiving work experience subsidy and 4,600 granted employment subsidy.⁹

c.) Public works

Ever since 1996, the government has been providing special subsidy for the performance of regional development, waste management, public building renovation, afforestation etc. tasks, i.e. public works identified as priority areas

⁹ Ilona Gere investigated the reasons for this lack of interest in 1997 among employers. Her findings suggest that the success of the programme was hindered by lack of information, a bureaucratic procedure, the cumbersome operation of the labour organisation and mutual lack of confidence. (Ilona Gere: *Subsidised employment of school-leavers*, Research Institute for Labour, August 1997.)

by the competent ministries, but not fundable from their budgets (i.e.the subsidy implies expenditure outside the scope of the Labour Market Fund).

Most of those employed in the framework of the public works schemes (for 6 to 8 months on average) are long-term unemployed for the most.

In 1997, public works programmes subsidised by some HUF4 billion made it possible for 18,856 persons, to work for seven months on average, in those counties in the first place that were the worst off in this respect. (County Szabolcs: more than 5,000 persons, Borsod: some 2,800, Hajdú-Bihar: more than 1,800).

d.) Employment expansion programmes of OFA, the National Employment Public Foundation

In 1997, OFA continued its experimental programmes to be added later on, if demonstrably adequate, to the circle of active employment policy measures. The programmes in question essentially target strata in a disadvantageous employment situation, unemployed persons having deficient or low-level education, school-leavers, the long-term unemployed and backward regions.

199 tenders were approved for subsidy for the 20 programmes requiring the contribution of non-profit organisations in the first place. Altogether, the programmes in question are meant to improve the placement chances of some 2 thousand unemployed (*Report on the 1997 activity of the National Employment Public Foundation, March 1998*).

All in all, a total of around 196 thousand persons worked at subsidised jobs for a shorter or longer period of time in 1997.

Table 3.14

Number of participants in the main subsidised programmes, 1997

Programme	Participants (pers)
Public benefit work	110,382
Wage subsidies	36,908
Work experience, apprentice training: wage subsidies for the youth	13,467
Public work organised by the Public Works Council	18,856
Programs organised by the Employment Foundation	2,070
Other employment subsidies funded by the Labour Market Fund*	14,042
TOGETHER	195,725

* Assistance to the unemployed to become entrepreneurs: 4,909 persons; subsidised investment for the purpose of job creation: 2,968 persons; subsidised part-time employment: 801 persons; travel cost reimbursement: 5,364 persons.

Source: NCLM, February 1998; National Employment Foundation, March, 1998

It is still impossible to convert the different durations of work opportunities subsidised from various sources (Labour Market Fund, Public Works Council, NEF) to working time (work-day, month). An approximative estimate suggests

that, at the annual level, at least 80 to 90 thousand jobs were maintained by social solidarity, not by economic demand.

Thus approximately 196 thousand persons are employed for a shorter or longer period of time are regularly included in CSO's Labour Force Surveys as employed.

The expansion of subsidised employment (1994: 171 thousand, 1995: 160 thousand, 1996: 227.6 thousand) obviously exerted an impact of merit on the stabilisation of the employment level.

3.5 Employment of Hungarians abroad – foreign labour supply in Hungary

Legal employment of Hungarians abroad and foreigners in Hungary is approximately of the same order of magnitude, at least as far as the respective circles covered by statistical accounting are concerned. However, both are probably much bigger in reality, but those undertaking employment illegally cannot be registered anywhere.

a.) Employment of Hungarians abroad

It is well known that one of the freedom principles of the European Union relates to the free movement of labour (beside that of goods, capital and services). This principle was adopted in order to allow that labour be employed without constraint wherever needed in the territory of the Union.

However, although borders between the Member States of the Union have practically been eliminated, Union residents do not grasp the opportunities offered by mobility: less than 2 % of the working-age population undertook work in an other Member State. Commuter employment is somewhat more marked: some 3.5 % of all workers regularly commute to a workplace away from their place of residence, occasionally crossing frontiers as well. (This is seen as the expansion of the local labour market.)

The reason why workers do not leave the national labour market is probably the general absence of vacancies. Frontiers are closed for persons out of the Union, i.e. third-country residents, for the same reason. Every country protects its own labour market by strict regulations.

Third-country foreign workers are accepted only to a limit specified under bilateral inter-state agreements. Hungary was entitled to send workers to Germany and Austria, for example (20 and 10 thousand per annum, respectively), under agreements of this kind. In addition to these, there exist worker exchange agreements of a symbolic nature between Hungary and Switzerland (apprentice exchange), Ireland (12 highly qualified individual employees), and Luxembourg (20 persons), and in the framework of the apprentice exchange programme signed with the Netherlands at the end of last year.

The annual labour account figures include authorised foreign employment figures (1 January 1994: 27 thousand, 1995: 25 thousand, 1996: 23 thousand, 1997: 24 thousand).

Even the above modest quotas were reduced in 1997: as a result of the increase of the rate of unemployment in Germany, the issuance of labour authorisations was suspended there temporarily, although after October 5,260 Hungarian workers were granted employment permission on a monthly average once again. Those employed legally worked in Germany in the metal and assembly industries and in construction, while in Austria agriculture and catering came second after construction. Legal employment abroad affecting less than 1 % of the Hungarian employed population includes a few hundreds of highly qualified intellectual professionals invited for a shorter or longer period by research institutes, universities, multinational companies in and out of Europe.

Let us mention here that according to the public opinion poll repeated by the Hungarian Household Panel in several consecutive years, relatively few Hungarians would like to work abroad: some 4 % of the population of 16 plussers for a short period of time at the most and some 3 % for a longer while (*HHP, Final Report, 1997*).

b.) Foreign labour supply in Hungary

Ever since the emergence of massive unemployment, Hungary, too, has been protecting its labour market by setting a quota, generally of 18 to 20 thousand, every year for authorisations to foreigners to be employed in Hungary (1991: 33.3 thousand, 1994: 20 thousand, 1995: 21 thousand, 1996: 18.8 thousand foreigners were employed legally in Hungary).

Table 3.15

Valid labour permits, 31 December 1997*

Nationality of the employees	Number of valid permit holders	Of which:			
		manual workers		non manual workers	
		Total	of which: skilled workers	Total	of which: degree holders
Romanian	9,478	6,579	4,461	2,899	1,746
Polish	1,051	882	832	169	102
Chinese	684	407	333	277	157
former Yugoslavian	982	620	503	362	204
former Soviet	3,119	2,100	1,670	1,019	647
Czech	26	13	10	13	7
Slovak	425	304	238	121	52
Vietnamese	224	114	87	110	65
other	4,393	2,010	1,557	2,383	1,642
Together	20,382	13,029	9,691	7,353	4,622
%	100.0	63.8	47.5	36.2	25.0

* Extensions included

Source: Data released by the National Centre for Labour Methodology.

Authorised foreign labour usually satisfies demand that cannot be met by Hungarian workers despite unemployment.¹⁰ Beside the shortage of skilled

¹⁰ Hungarian dressmaker's shops suffer from labour shortage, there are not enough people in the textile industry former spinners and weavers are working in trade and in the services. Textile

workers, some branches (ready-made clothing, for example) are short of semi-skilled (trained) workers as well.

Non-manual workers are typically highly qualified experts, engineers, production managers etc. of joint or foreign-owned companies. (Members of the management are entitled to work at the company without special authorisation. No authorisation is needed for proprietor-managers of business companies created in Hungary either.)

As for the illegal employment of foreigners, one is, of necessity, limited to guesses here.

Labour inspection results hardly corroborate the rather widespread opinion concerning the "extensive" illegal employment of foreigners. The National Labour Safety and Labour Inspectorate checked 18 thousand employers in 1997 and found that foreigners were employed illegally in 603 cases (3 %), a total of 1,883 persons, mostly in Budapest (295 employers, 889 persons), and in addition to that mostly in Counties Szabolcs and Bács-Kiskun and Pest.

That is to say that, at controllable workplaces of the organised economy, the unauthorised employment of foreigners is not significant. Of course, this does not exclude their mostly temporary/seasonal employment in those areas of the economy that are more difficult to oversee: family enterprises and households. Persons spending a few days or weeks in Hungary and undertaking work without authorisation here probably are, for the most, residents of the transborder areas of Ukraine, Romania and Yugoslavia coming to Hungary as commuter migrants since their knowledge of the language facilitates their employment here, if only for a short period of time.

3.6 Registered labour demand

The National Centre for Labour Methodology prepares a forecast on the expected development of employment twice annually. The firms covered by the survey (representing 30 per cent of those employed by incorporated companies) are of the opinion that in the first half of 1998 the number of those in employment may increase by 30 to 40 thousand. Small companies (employing less than 50 staff) especially expected to add to their staff, but larger ones that used to dismiss labour as a result of reorganisation and rationalisation earlier also expect (modest) growth from 1998 on. (*Short-term labour forecast, First Half 1998, NCLM*).

The – so far modest – labour demand of the corporate sector requires the contribution of the labour service to a growing extent. For years, 10 per cent

factories, privatised already for the most, try to hire labour from abroad. However, as multinational companies have settled in East Europe as well, Slovakian and Romanian workers find jobs in their own neighbourhood as well. (*Népszabadság, 16 June 1997*)

The Jászberény Shredder Factory PLC employs Polish workers as well, since growing exports have led to labour shortage at the company. (*Világgazdaság, 10 October 1997*).

In order to ease the chronic shortage of skilled workers, the Sopron Combing Works employed 20 Mongolian weavers (*Napi Gazdaság, 2 April 1998*).

only of the labour demand was registered by labour offices, but in 1997 this ratio grew to 40 per cent.¹¹ Despite the change, however, companies still look for qualified, and especially highly qualified, labour through first-hand queries, with the mediation of acquaintances, family and friends.¹²

Companies in foreign and joint ownership typically address their labour demand triggered by development projects and greenfield investments to the labour market organisation.

In Hungary, in 1997 new jobs were typically created by capital-strong (mostly foreign) companies, partly in the framework of the development of their existing plants and partly through greenfield investments.

3.6.1 Investment-driven labour demand

Foreign capital purchasing Hungarian companies launched its first cautious development projects as early as 1993, and after the first positive experiences, both capital investment by and new production capacity deployment at the purchased companies and the big international organisations having relocated here gathered momentum. Capital investment increased dynamically, that is, at least until the end of 1997. Relocation from other countries of Europe and new investments in Hungary have become ever more significant.¹³

In 1997, according to the summary data of CSO, foreign capital participation in companies established in Hungary (a total of HUF69.3 billion) amounted to nearly twice the amount registered in the previous year. 60 per cent of the resulting 4,400 companies had no domestic participants at all, and 74 % of the capital inflow was directed to companies founded exclusively by foreigners (*Figyelő*, 29 January 1998).

¹¹ The domestic ratio was similar to those of the less developed countries of the European Union: in Ireland, Greece, Portugal, Spain and even in Italy, companies registered 10 per cent only at the most of their vacancies with the state labour organisation, while in the more developed countries, the corresponding ratio was 35 to 40 per cent and in the Netherlands it exceeded 60%.

¹² The companies concerned try to satisfy their demand for highly qualified professionals in their own vocational area by maintaining relations with universities, for example. Job markets, mutual information provision by companies and students finishing their studies, for example, have become general practice. Industrial companies have already "bound" students of the Engineering Department of Miskolc University (the same as others studying at other universities) by scholarships, and the teaching staff are being lured away by multinational companies offering four or five times their university salary (*Népszabadság*, 7 February 1997). Those finishing their studies at the Wood Industrial Engineering Department of Sopron University are informed of available offers by companies sending job announcements and demand announcements. Those having finished their studies in 1997 were actually offered two vacancies on the average each. (*Napi Gazdaság*, 13 October 1997).

¹³ According to the comparative analysis prepared by the Institute for World Economics of the Hungarian Academy of Sciences covering the period 1990 to 1996, 38 per cent of the total, USD40 billion, FDI inflow to the East Central European countries, was targeted at Hungary. Poland came second with 27% ("Ten on the scales. Foreign direct investments to East Central Europe", September 1997, *Privát Profit, Supplement*, p. 15.).

Although capital having entered the country recently will only create new jobs in one or two year's time, developments launched prior to that and affecting practically all areas of the economy already exert a permanent job-creating effect. In addition to major developments having created a large number of new jobs, labour employed by many small and medium-size companies has also grown.¹⁴

3.6.2 Demand generated by greenfield investments

Figures testifying to the fast growth of development projects, a phenomenon observed for some time, have recently been accompanied by no less impressive ones on greenfield investment. According to the research findings of one of the Hungarian experts of this issue, Bertalan Diczházi (Research Institute for Privatisation), 80 % of industrial output growth registered until the end of 1996 was the result of foreign greenfield investments (*Világgazdaság*, 4 September 1997). Data collected since 1992 on industrial investments in excess of USD1 million exclusively suggest that 10 % of the foreign capital invested to Hungary (USD3.05 billion) takes the form of greenfield investment (*Figyelő*, 8 May 1997).

Several new greenfield investment projects were launched in 1997.¹⁵

According to the computations in Bertalan Diczházi's research quoted above, major foreign greenfield investments (i.e. those in excess of USD1 million) brought a large amount of capital, but relatively few new jobs (some 50 thousand altogether). Of course, plants based on up-to-date technology typically demand less labour. However, under the given domestic circumstances, advanced technology and the relocated/new jobs clearly imply a double advantage.

On the whole, according to the estimates, job losses, extensive for various economic reasons in 1997 as well were, for the most, replaced by developments and greenfield investments funded by foreign capital.

It is predominantly this demand that is reflected by the relevant labour service data as well.

3.6.3 Differences between (registered) demand and supply

Although new demand is not always excessive (companies often look for assembly-line workers trained to perform a few motions), its divergence from the registered supply is becoming more and more marked.

In the years of massive job losses, the multitude of unemployed persons intending to (re)enter the labour market had no real hope of job offers mediated by the labour service and hence did not keep in touch with the

¹⁴ Daily papers regularly report on developments implying a smaller or larger number of new jobs. According to the news, the number of new jobs created varies from a few dozens to thousands.

¹⁵ Dailies also report regularly on the construction of new factories and production halls having generated a demand for thousands of workers to fill vacancies the country over already in 1997.

latter. According to the experiences of NCLM, the registered labour demand of part of the companies related to jobs to be performed under worse-than-average working conditions and for a low pay for which they found no candidates in their usual way.

Although this situation has improved, a major part of the much bigger labour turnover still bypasses the labour service. The number of registered vacancies, including subsidised jobs, has been rising for years. (In 1995, it was 51.8 thousand on a monthly average, in 1996 72 thousand and in 1997 75 thousand). The monthly average of vacancies filled or revoked grew from 26.1 thousand in 1993 to 28.1 thousand in 1994, 29.9 thousand in 1995, 34.4 thousand in 1996, to shrink once again in 1997 to 33.2 thousand.

In the years 1994 to 1997, 134,796, 102,828, 100,736 and 88,738 unemployed, respectively, were placed at registered vacancies, approximately one third at subsidised jobs. Placements (470,112 persons on annual average) accounted for nearly 19 per cent of the registered unemployed.

Table 3.16

Number of registered vacancies, of the registered unemployed, the beneficiaries of unemployment benefits and the re-employed, 1996-1997

Reference date	Numb. of vacancies*	Number of reg. unemp. (pers)	Job vacancies in percent of reg. unemp.	Number of benefit recipients at the end of the month	Number of re-employed		
					pers.	as % of job vacancies	as % of unemp. benefit recipients
1996							
January	25,691	517,836	5.2	209,974	6,580	25.6	3.1
Feb.	28,120	530,592	5.3	211,703	8,818	31.4	4.2
March	33,330	528,367	6.4	205,425	12,027	36.1	5.9
April	38,053	511,890	7.4	185,364	14,114	37.1	7.6
May	40,021	490,100	8.2	174,019	10,865	27.1	6.2
June	47,285	481,951	9.8	166,306	8,262	17.5	5.0
July	42,609	494,461	8.6	166,899	6,496	15.2	3.9
August	38,638	494,900	7.8	161,028	5,768	14.9	3.6
Sept.	45,839	501,102	9.1	150,831	8,945	19.5	5.9
Oct.	44,064	494,331	8.9	148,109	6,543	14.8	4.4
Nov.	40,377	484,470	8.3	141,775	6,322	15.7	4.7
Dec.	35,540	477,459	7.5	139,408	3,996	11.2	2.9
1997							
Jan-	34,986	474,636	7.3	150,209	5,384	15.4	3.6
Feb.	33,913	498,080	6.8	156,056	7,884	23.2	5.5
March	39,567	493,281	8.0	150,064	12,135	30.7	8.1
April	42,112	482,312	8.7	144,498	11,168	26.5	7.7
May	41,906	471,826	8.9	139,815	8,897	21.2	6.4
June	44,232	459,948	9.6	137,870	7,462	16.9	5.4
July	42,201	468,713	9.0	142,132	5,837	13.8	4.1
August	46,046	462,999	9.9	138,267	6,096	13.3	4.4
Sept.	50,810	458,620	11.8	134,517	7,916	15.6	5.9
Oct.	53,030	449,489	11.8	134,164	6,394	14.9	5.2
Nov.	43,417	457,482	9.5	136,468	5,262	12.0	3.9
Dec.	36,307	463,962	7.8	136,707	3,303	9.1	2.4

* Number of available job vacancies, on the closing day of the month.

Source: Monthly Reports, NCLM

As opposed to some four to five hundred thousand unemployed waiting for a job offer, the companies figuring in NCLM's forecasting surveys reported a total of approximately 15 thousand vacancies recurrently, to be filled by skilled workers in the first place. Nearly 15 % of the companies interviewed in September 1997 declared that they have been incapable of satisfying part of their labour demand for a longer period of time. (*NCLM: Medium-term labour market forecast, First Half 1998*).

In the framework of its semi-annual short-term forecast, the National Centre for Labour Methodology regularly assesses demand by vocation

in order to identify which among them show an improving or deteriorating tendency.

The survey does not allow to determine surplus or shortage in numerical terms (although processed data indicate orders of magnitude), but they do reflect persistent tendencies (e.g. high demand for dressmakers and nurses for years), and marked changes (revival in several construction industrial vocations triggered by the 1996 upswing of greenfield investments).

Weakening or strengthening demand for various vocations gives quite a clear picture of the vocational/employment demand of the transforming structure of the economy.¹⁶

A survey of the changes of vocations/occupations registering a marked demand or surplus in at least 10 counties from a perspective of several years yields the following results:

More wanted
manual skills

	1995.	no. of counties		1998.
		1996.	1997.	
		1st half		
tailor/dressmaker	19	19	19	20
unskilled worker		6	14	20
shop assistant		8	16	19
locksmith	7	10	16	19
mason		8	16	19
joiner	7	13	19	18
qualified welder	11	17	16	18
trained operator		9	14	18
cutter	7	13	16	16
nurse	13	10	15	16
meat packer		8	12	15
guard		4	11	15
scaffolder		9	12	14
cleaner				14
bus driver				12
lorry driver		9	10	12
baker	11	10	13	12
electrician		7	10	11
shoe-maker				10
<i>non-manual skills</i>				
mechanical engineer	7	12	17	18

¹⁶ Transformations may result in simultaneous surplus and shortage in certain vocations. In education, for example, where the reorganisation of uneconomical, excessively fragmented institutions has been going on for years, it was estimated in the beginning of the school year that some 6 to 7 thousand teachers would be dismissed. At the same time, schools fail to fill some 4,500 vacancies for teaching staff. ("*Unemployed teachers, job vacancies*", *Népszabadság*, 30 August 1997).

medical specialist			11	12
comm. and fin. admin.	7	11	10	12
economist	7	16	11	11

Less wanted*non-manual skills*

general administrator	17	17	11	13
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The main trends, however, are modified by many specific professional and regional demand factors. Janitors, whose employment situation has been deteriorating at the national level, are in demand in County Hajdú-Bihar and kitchen staff in Counties Békés and Heves.

Labour demand registered with the labour service but unsatisfied for a long time (more than 180 days) also indicates the widening gap between (registered) demand and supply.

Table 3.17

The number of job vacancies registered for more than 180 days before the reference date, by status of employment in 1995-1997*

Skill qualification	1995.			1996.			1997.		
	Reg. job vacancies	<i>of which:</i> registered for more than 180 days		Reg. job vacancies	<i>of which:</i> registered for more than 180 days		Reg. job vacancies	<i>of which:</i> registered for more than 180 days	
		pers	pers		%	pers		pers	%
Skilled workers	13,931	631	4.5	18,385	2,267	12.3	18,515	3,250	17.6
Semi-skilled w.	6,497	210	3.2	7,997	776	9.7	9,601	1,668	17.4
Unskilled w.	3,168	33	1.0	3,627	129	3.6	3,215	249	7.7
Total manual	23,596	874	3.7	30,009	3,172	10.6	31,331	5,167	16.5
Non manual	3,160	57	1.8	5,531	453	8.2	4,976	728	14.6
Total	26,756	931	3.5	35,540	3,625	10.2	36,307	5,895	16.2

* Closing stock

Source: NCLM

Labour demand specified by date, region, vocation, personal characteristics etc. is typically met fast in the context of a relatively modest demand concurrent with a relatively large (appropriate) supply. The experience of the labour service is that the ratio of vacancies impossible to fill within a 6-month period shows a rising tendency, albeit with annual fluctuations. (Let us remark that registered demand may be cancelled in two ways: satisfaction of the demand or cancellation from the register. The available data do not allow to distinguish between the two.) Consequently, the main message of the number of unfilled vacancies is the growing divergence between demand and the available (abundant) supply.

3.7 Regional differences in employment

Our previous Reports have shown regional differences in unemployment regularly, but CSO's data allow us to survey the corresponding distribution of employment as well.

Everyday experience, corroborated by daily press news, has made it obvious for years that, mostly under the impact of marked foreign capital investments, developments and greenfield investments, economic development focused in certain regions of the country (Western Transdanubia, especially the Austro-Hungarian transborder region, Budapest, County Pest etc.). New jobs created already or to be announced in the near future are rather widespread everywhere in the Transdanubian region, although some settlements of the region have been bypassed by the clearly perceptible upswing so far.

It is well known, as mentioned already, that some companies already suffer from a shortage of labour and employ (a few) foreign workers or labour recruited from the regions hit hardest by unemployment (RÁBA PLC).

Abortive recruitment efforts have brought the modest propensity for mobility typical of the Hungarian population into the foreground once again. Both the objective and the subjective reasons underlying that attitude are well known. (People traditionally favour commuting to moving to another place, and the small size of the country makes that perfectly possible.)

It seems that economic development is about to reach the eastern, northeastern and plain regions of the country offering an abundant supply of free labour. Local initiatives and the relocation of foreign capital there enjoys governmental support as well. Special preferences are granted to companies undertaking development in one of the 76 regions qualifying as backward in the social/economic sense.¹⁷

The study of Károly Fazekas and János Köllő analysing the development of the regional characteristics of the labour market called the attention to the decisive importance of educational qualification. The study focused on the labour demand and waging practice of foreign companies on the basis of NCLM's 1995 Wage Tariff Survey.

The analyses have also shown that companies in foreign ownership demand labour with higher-than-average qualification. They employ a larger proportion of persons with secondary or higher qualification than do other employers.

Regional investigations corroborated the fact that foreign capital investors giving preference to better-quality labour even within a given educational category are attracted to those regions where the educational level of the population is higher. At the same time, the presence of foreign capital further

¹⁷ Such preference was granted for example to the new Mátészalka factory of Carl Zeiss Hungária Optikai Ltd. having purchased the former plant of MOM employing 800 and giving work to another 190 (*Népszabadság*, 30 August 1997); to Interfém Ltd.'s Salgótarján hearth factory having committed itself to employ, in return for the subsidy, a minimum of 50 workers for at least five years (*Figyelő*, 26 July 1997); to 20 applicants in County Nógrád for the creation of 306 jobs and the preservation of 331 etc.

improves the development chances of the regions in question, and the higher level of schooling in general exerts a positive influence on development via other channels as well.

According to the results of model calculations, the spreading of foreign companies shows close correlation with the education of the population.

In those regions where the educational qualification level of the population is relatively high, signs of economic prosperity had become undeniable a few years after the change of regime already, while in regions having less favourable endowments in this respect the high level of unemployment was concurrent with the relatively lower density of domestic and foreign enterprises.¹⁸

Chart 6.

Percentage of the 15-74 year-old employed population by counties 1997

National ratio: 46,7 %

* Exclusive of persons on parental leave.

¹⁸ Fazekas J. - Köllő J.,: Characteristics of the labour demand of foreign companies in Hungary in 1995. Study prepared by Workgroup 10, Labour Affairs, of the Strategic Task Force for Integration, 1997 (to be published).

4. UNEMPLOYMENT

4.1 International trends

In the increasingly acute competition of the European Union, the United States and Japan, one of the success indicators beside the growing proportion of those in employment is the decline in unemployment.

Comparisons of this kind, however, are hindered by the circle of the unemployed and entitlement to social provisions being defined at the national level with significant differences due to national traditions, social value system and political power relations ever.

The new approach calculating unemployment rates (defined on the basis of the respective national regulations previously) by uniform principles and Labour Force Surveys is a relatively recent phenomenon.

In accordance with the Decision of the November 1997 Luxembourg Summit, the European Union, in an effort to develop a common employment policy, started to use as "official" unemployment statistics the results of the Labour Force Surveys carried out in every country and conforming to the recommendations of the ILO. EUROSTAT, the statistical office of the European Union, released the following, seasonally adjusted, data on December 1997 with the comment that these may differ from the national unemployment rates owing to the different definitions and measurements methods of the latter.

Table 4.1

Unemployment rate in EU Member States, Dec, 1997

Member state	Rate based on LFS			
	Total	<i>of which</i>		
		male	female	under 25
Luxembourg - (L)	3.6	2.6	5.2	9.4
Austria - (A)	4.3	3.4	5.5	6.6
The Netherlands - (NL)	4.6	3.5	6.1	7.6
Denmark - (DK)	5.7	4.3	7.3	7.2
Portugal - (P)	6.6	5.8	7.6	15.2
United Kingdom - (UK)	6.6	7.1	5.8	13.1
Belgium - (B)	9.0	7.1	11.7	22.4
Sweden - (S)	9.1	9.7	8.4	18.4
Ireland - (IRL)	9.8	9.6	10.1	14.7
Germany - (D)	10.0	9.2	11.0	10.3
Italy - (I)	-	-	-	-
France - (F)	12.2	10.4	14.3	28.0
Finland - (FIN)	12.6	11.8	13.5	23.9
Spain (E)	20.4	15.5	27.9	37.9
Greece - (GR)	-	-	-	-
EU average:	10.4	9.0	12.3	20.3
USA	4.7	4.7	4.7	10.5
Japan	3.4	3.5	3.4	7.1

Source: EUROSTAT News release, No 20/98, 13 March 1998

The average 10.4 % December unemployment rate is somewhat lower than the annual average (10.6 %), but it still corresponds to 17.5 million unemployed.

At the Luxembourg Summit, the Member States committed themselves to reduce this figure substantially within a few years' time.

4.2 Unemployment in Hungary

4.2.1 According to the LFS

It is a well-known fact that parallel with the registration kept by the National Centre for Labour Methodology, CSO has also been preparing its survey based on questions addressed to the population and conforming to the recommendations of the ILO since 1992.

According to the criteria of the Labour Force Survey, the unemployed are those members of the 15 to 74 year-old population who, in the survey period (the so-called reference week including the 12th day of every month of the quarter, from Monday to Sunday)

⇒ did not work (and had no job from which he/she was temporarily absent),

⇒ was actively looking for a job in the four months prior to the survey,

⇒ is available, i.e. could take up work within two weeks if he/she found an adequate job,

or has already found a job where he/she would start working within 30 days.

Hence the survey disregards whether the respondent had a regular job earlier or is a pensioner: he/she qualifies as unemployed if he/she would be willing to work and conforms to the above criteria.

In 1997, 348.8 thousand were looking for a job actively on annual average, 214.1 thousand men (61.4 %) and 134.7 thousand women (38.6 %). More than one quarter (27.5 %) of those looking for a job were under the age of 25.

The number of the unemployed was 51.3 thousand less than one year earlier.

Table 4.2Distribution of the unemployed by age and gender*thousand persons*

Age groups	1996	1997	Change
	January/December.		
15-19			
male	23.8	19.0	- 4.8
female	15.3	13.5	- 1.8
all	39.1	32.5	- 6.6
20-24			
male	43.7	42.1	- 1.6
female	23.5	21.3	- 2.2
all	67.2	63.4	- 2.3
25-29			
male	33.4	29.8	- 3.6
female	21.1	15.2	- 5.9
all	54.5	45.0	- 9.5
30-39			
male	61.9	50.3	- 11.6
female	39.1	34.7	- 4.4
all	101.0	85.0	- 16.0
40-54			
male	72.1	63.0	+ 0.6
female	52.7	45.6	+ 0.1
all	124.8	108.6	+ 0.7
55-59			
male	7.5	8.1	+ 0.5
female	2.3	2.4	- 0.4
all	9.8	10.5	+ 0.1
60-74			
male	1.3	1.8	+ 0.5
female	2.4	2.0	- 0.4
all	3.7	3.8	+ 0.1
Total			
male	243.7	214.1	- 29.6
female	156.4	134.7	- 21.7
all	400.1	348.8	- 51.3

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

A survey of the development of the relevant data over a longer period of time indicates that this is the first time since 1992 when the number of the unemployed fell below 400 thousand. (Of course, the decline does not necessarily imply the employment of those in unemployed status earlier: it may mean giving up job search considered hopeless or growing participation in subsidised employment programmes etc.)

Despite the decline, and smaller or larger annual fluctuations, the distribution of unemployment by age group and gender having emerged years ago proved rather lasting.

Table 4.3Distribution of the unemployed by age group and gender

%

Period Jan./Dec.	Age groups							
	15-19	20-24	25-29	30-39	40-54	55-59	60-74	All
Male								
1992	10.8	17.6	12.7	28.1	26.2	3.4	1.2	100.0
1993	10.7	17.8	11.5	27.2	28.0	3.4	1.4	100.0
1994	10.4	18.7	12.0	26.6	27.9	2.9	1.4	100.0
1995	11.0	17.9	12.6	26.8	28.3	2.5	0.8	100.0
1996	9.8	17.9	13.7	25.4	29.6	3.1	0.5	100.0
1997	8.9	19.7	13.9	23.5	29.4	3.8	0.8	100.0
Female								
1992	12.1	12.7	11.9	30.2	29.4	2.0	1.7	100.0
1993	12.2	13.1	11.7	29.2	28.0	2.4	3.4	100.0
1994	11.2	14.4	11.4	29.9	28.5	1.1	3.6	100.0
1995	10.8	14.2	10.9	30.0	31.3	1.6	1.2	100.0
1996	9.8	15.0	13.5	25.0	33.7	1.5	1.5	100.0
1997	10.0	15.8	11.3	25.8	33.9	1.8	1.5	100.0
All								
1992	11.3	15.6	12.4	28.9	27.5	2.8	1.4	100.0
1993	11.3	16.0	11.6	28.0	28.0	3.0	2.2	100.0
1994	10.7	17.0	11.8	27.9	28.1	2.2	2.3	100.0
1995	1.9	16.5	12.0	28.0	29.4	2.2	1.0	100.0
1996	9.8	16.8	13.6	25.2	31.2	2.4	0.9	100.0
1997	9.3	18.2	12.9	24.4	31.1	3.0	1.1	100.0

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

Chart 7Unemployment rate, 1992-1997

Unemployment
rate, %

age group

Source: LFS, Quarterly Bulletin 1997, CSO, 1998, p. 46.

According to the fourth quarter 1997 data of the Labour Force Survey, as compared to the status one year earlier, 16 per cent of the unemployed

(64.6 thousand) have never had a job, but 3.7 % (11.7 thousand) only exited the labour market eight or more years earlier. The employment of more than 80 per cent of the unemployed terminated within the last eight years. (Typically for reasons of job loss, although the survey criteria did not exclude the possibility of voluntary termination of employment or retirement.) A distribution of previous employment by industry suggests that, with a few exceptions, the decline in unemployment affected practically everyone to the same degree, irrespective of branch affiliation.

Table 4.4Unemployed by industry and gender, 1996-1997*thousand*

	Industries	1996. (Jan.-Dec.)	1997. (Jan.-Dec.)			Change
			Male	Female	All	
A-B	Agriculture, hunting, forestry and fishing	35.7	19.2	7.7	26.9	- 8.8
C	Mining and quarrying	3.2	3.7	0.1	3.8	+ 0.6
D	Manufacture	99.4	50.7	37.0	87.7	- 11.7
E	Electricity, gas, steam and water supply	5.7	4.2	1.4	5.6	- 0.1
F	Construction	38.8	28.4	1.9	30.3	- 8.5
G	Wholesale and retail trade; repair etc.	44.1	17.3	17.9	35.2	- 8.9
H	Hotels and catering	16.3	6.5	8.0	14.5	- 1.8
I	Transport, storage and communication	23.9	12.2	4.3	16.5	- 7.4
J	Financial intermediation	3.6	1.0	1.7	2.7	- 0.9
K	Real estate, renting and business activities	9.4	2.9	3.6	6.5	- 2.9
L	Public administration and defence, mandatory social insurance	19.8	13.8	6.4	20.2	+ 0.4
M	Education	12.3	2.9	6.3	9.2	- 3.1
N	Health care and social work	7.9	2.9	4.5	7.4	- 0.5
O	Other services	15.4	10.0	6.5	16.5	+ 0.9
	Total -	335.5	175.7	107.3	283.0	- 52.5
	Unknown	64.6	38.4	27.4	65.8	+ 1.2
	Unemployed persons together	400.1	214.1	134.7	348.8	- 51.3

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

A decisive proportion of the unemployed used to be employees; both the number and ratio of former co-operative members and self-employed are infinitesimal.

Table 4.5Number and distribution of the unemployed* by nature of the earlier job

Nature of employment		1992	1993	1994	1995	1996	1997
Employee	000 pers.	347.1	391.7	336.5	320.8	312.0	262.4
	%	86.9	89.4	90.6	91.9	93.0	92.7
Co-operative member	000 pers.	24.5	21.2	14.0	11.0	6.9	4.3
	%	6.1	4.8	3.8	3.1	2.1	1.5
Member of partnership	000 pers.	15.9	10.9	9.3	7.6	3.8	5.4
	%	4.0	2.5	2.5	2.2	1.1	1.9
Sole proprietor	000 pers.	9.6	12.6	11.0	9.3	12.1	10.1
	%	2.4	2.9	2.9	2.7	3.6	3.6

Family member	000 pers.	2.0	1.5	0.7	0.4	0.7	0.8
	%	0.5	0.3	0.2	0.2	0.2	0.3
Total	000 pers.	399.1	437.9	371.5	349.1	335.5	283.0
	%	100.0	100.0	100.0	100.0	100.0	100.0

* Exclusively persons having had a regular job earlier

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

The decrease by 51 thousand of the unemployed over a period of one year affected every one of the major occupational groups. Within the group of non-manual workers, the decline, by 16 thousand overall, was most marked among those whose main job required a higher educational degree (but not the independent exercise of the profession), whose number fell by 10 thousand. As for those having manual skills, the decrease was most significant among those in industry and construction (by 13 thousand) and those performing simple jobs requiring no vocational qualification (12 thousand).

In the dimension of educational qualification, it is a long-term tendency that approximately 40 % of the unemployed finished eight-year elementary school or less. The number and ratio of unemployed skilled workers is also permanently high. Despite the drop by more than a hundred thousand of the number of the unemployed since 1994 having affected every group irrespective of educational qualification, distribution relations have hardly changed.

Table 4.6

Distribution of the unemployed by education

Education	1992	1993	1994	1995	1996	1997
Incomplete primary education	6.8	5.8	4.5	4.1	4.9	4.4
Primary education	37.4	35.9	35.6	34.9	32.9	36.5
Apprentice school	30.3	32.6	33.9	35.5	35.1	34.5
Vocational school	1.5	1.1	1.1	1.2	1.4	1.3
High school	8.4	8.2	7.8	7.9	8.6	8.7
Other secondary school	12.0	13.1	13.3	12.4	12.9	11.7
College	2.1	2.4	2.7	3.0	2.7	2.0
University	1.4	1.0	1.1	1.1	1.4	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

1997 data corroborate the phenomenon observed for years and in agreement with the findings of numerous other sources, namely that labour market demand prioritises the better qualified. 22 per cent of the earners and more than 40 per cent of the unemployed had eight-year elementary school qualification or less, the corresponding ratios for those having secondary or higher qualifications being 34.7 and 14.5 per cent, respectively.

The average job search period, i.e. the duration (permanence) of unemployment, has been increasing steadily. According to the data of the last quarter of 1997, the number of those having been looking for a job for more than twelve months was 190 thousand in 1993, 181 thousand in 1994, 216 thousand in 1995, 199 thousand in 1996 and 160 thousand in 1997. Despite the decrease in unemployment, at the end of 1997, the same as one year earlier, more than half of the unemployed had failed to find a job for twelve months or more. The average duration of unemployment was 16 months at the end of 1996 and 18.9 months at the end of 1997.

Table 4.7Unemployed persons* by length of job search*thousand persons*

Length of job search	QIV 1996		QIV 1997	
	persons	%	persons	%
less than 1 month	19.4	5.3	12.4	4.2
1 to 3 months	50.3	13.8	35.5	12.0
4 to 6 months	45.3	12.4	36.6	12.4
7 to 11 months	52.3	14.3	50.9	17.2
12 months	15.3	4.2	12.7	4.3
13 to 18 months	57.0	15.6	45.5	15.4
19 to 24 months	32.8	8.9	26.6	9.0
25 months and more	93.4	25.5	75.3	25.5
Total	365.8	100.0	328.7	100.0
Average duration of job search, months	16.0		18.9	

* Exclusive of persons starting work in a new job within 30 days.

Source: LFS, *Quarterly Bulletin*, CSO, 1998. p.36.

The survey does not make it possible to specify the numbers of those among the unemployed who found a job (as opposed to having given up job search), but the growth of the number of the economically inactive by 58 thousand from end 1996 to end 1997 clearly points to the significant presence of the second alternative.

Although 1997 data indicate a modest fall, there is little hope that the number and high ratio of the long-term unemployed should decrease substantially, that is, not until employment in general sets out on a path of marked growth.

The decline in the number of the unemployed was reflected in the households concerned: at the end of 1996 and 1997, 8.7 and 7.3 per cent of the households, respectively, included one or more unemployed.

Table 4.8Households with unemployed members

Size of household	Number of households (thousand)	<i>of which:</i> number of unemployed persons in the household is		% ratio of households with unemployed members
		one	two or more	

QIV 1996				
Single	1,034.2	26.6	-	2.6
Two members	1,037.3	52.4	4.1	5.5
Three members	731.5	80.0	8.5	12.1
Four members	710.2	88.6	9.8	13.9
Five and more members	353.3	51.7	14.1	18.6
Total	3,866.5	299.3	36.5	8.7
QIV 1997				
Single	972.0	18.1	-	1.9
Two members	1,046.5	45.2	2.4	4.5
Three members	736.0	66.6	8.0	10.1
Four members	703.6	72.4	8.7	11.5
Five and more members	361.3	47.9	9.3	15.9
Total	3,819.4	250.2	28.4	7.3

Source: Labour Force Survey, Quarterly Bulletin, CSO, 1998.

Chart 8.

Unemployment in the 15-74 year-old population by county, in %, 1997

National ratio: 4,5 %

4.2.2 Unemployment according to the Hungarian regulations

Unemployment and entitlement to unemployment benefits/provisions and the duration of the latter is defined in Hungary, as elsewhere, by national legislation.

The legal regulations in question are summarised under Act IV of 1991 in effect since 1 March 1991 and amended practically every year owing, among other things, to the fact that at the time of the creation of the Act no one expected such dramatic decline in employment and aggravation of

job losses. Unemployment management was a territory unknown to both public opinion and the government, and even part of the professional circles concerned misinterpreted the causes and management options of the suddenly high level of unemployment (starting out from theories valid in the developed countries for the most).

Despite the amendment of innumerable details, the fundamental principles of the Employment Act concerning the definition of the unemployed in Hungary did not change. The Act starts out from the Hungarian definition of working age, excluding persons under the age of fifteen or past retirement age from the jurisdiction of social solidarity to support the unemployed.

Other criteria include that, in order to qualify as unemployed, former earners have to register with the labour service after having lost their job, co-operate with the former in order to be placed, perform active job search and be available for work.

Participants of employment promotion programmes (re-training, public works etc.), on the other hand, do not qualify as unemployed, at least not until the termination of the programme, and neither do temporary workers (for the period of the work) and those on child-care leave benefiting from an allowance of some sort for that purpose. (Labour market trainees are included among the inactive for the period of training.)

Registered unemployed are entitled to labour exchange services and, in case they comply with the relevant regulations, to unemployment benefits of a fixed amount for a fixed period of time, and to participation in training and employment programmes improving their placement chances.

Although this definition of the "unemployed" is much more restricted in scope than the one used by CSO' Labour Force Survey, the labour organisation has nevertheless registered a much higher number of unemployed persons for years. (One possible explanation for that is that the subjects of the CSO surveys mostly consider themselves unemployed only in case they receive allowance or income supplementing allocation. Moreover, under the Labour Force Survey, those having performed a minimum of one hour of earning activity in the base week also qualify as employed, while the registered unemployed include even those performing an earning activity for a wage not exceeding 50 per cent of the mandatory minimum wage. Moreover, it is to be assumed that NCLM's registration system includes many recurrent unemployed (from agriculture, public benefit works etc.), figuring as new "additional" unemployed in the monthly data, while CSO's surveys register a status lasting for a longer or shorter period of time.)

As compared to 1996, the number of those registered by the labour service fell by some 12 thousand.

Table 4.9**Number and rate of registered unemployed in 1990-1997**

Year, December*	Registered unemployed		Unemployment rate**
	thousand persons	share of females	
1990	79.5	42.0	1.4
1991	406.1	39.8	7.4
1992	663.0	41.2	12.3
1993	632.1	40.5	12.1
1994	519.6	41.8	10.4
1995	495.9	42.5	10.4
1996	477.5	42.3	10.5
1997	464.0	43.7	10.4

* Data of NCLM include the number of registered unemployed on the 20th of the reference month.

** Computation of the unemployment rate was based on the number of active earners until December 1991. After that, the reference base became the economically active population (labour force). The two unemployment rates are published according to the practice of the NCLM.

Source: *Labour Market Monitoring*, NCLM, 1998.

105.7 thousand among the registered unemployed (22.5 %) were under the age of 25 and 386.3 thousand (82 %) had manual occupations.

One factor shaping the size of unemployment is the number of new entrants. In 1997, school leavers not included, the monthly number of new registrations exceeded the corresponding figures recorded one year earlier once again (monthly averages in 1994, 1995, 1996 and 1997 being 34,589, 37,619, 45,278 and 46,899 persons, in that order.)

New unemployed were registered, in different quantity every month, from every branch of the economy. It is to be assumed that some among them were recurrent (more precisely long-term) unemployed, whose unemployed status was suspended for a few months only due to employment on public works, re-training or agricultural or other seasonal employment.

Table 4.10**Newly unemployed by sector, 1997**

1997.	Sector							Total
	1.	2.	3.	4.	5.	6.	7.	
January	14,243	15,335	9,291	6,907	2,529	20,686	331	69,322
February	9,650	14,619	5,704	7,330	2,256	19,740	539	59,838
March	6,905	12,005	3,597	5,878	1,806	15,492	364	46,047
April	6,043	10,891	2,898	5,391	1,627	14,543	357	41,750
May	5,728	10,479	2,702	5,117	1,630	13,412	261	39,329
June	6,264	11,480	2,944	5,699	1,914	15,421	310	44,032
July	5,631	10,275	2,535	5,244	1,625	15,188	220	40,718
August	5,200	9,353	2,547	4,788	1,435	13,355	212	36,889
September	5,774	9,644	2,695	5,934	1,532	14,921	276	40,776
October	5,746	10,335	2,875	6,174	1,539	14,910	211	41,790
November	8,409	13,231	4,491	6,702	2,035	17,062	252	52,182

December	9,300	11,366	5,360	5,104	1,886	16,902	196	50,114
Distribution, %								
January	20.5	22.1	13.4	10.0	3.6	29.9	0.5	100.0
February	16.1	24.4	9.5	12.3	3.8	30.0	0.9	100.0
March	15.0	26.1	7.8	12.8	3.9	33.6	0.8	100.0
April	14.5	26.1	6.9	12.9	3.9	34.8	0.9	100.0
May	14.6	26.6	6.9	13.0	4.1	34.1	0.7	100.0
June	14.2	26.1	6.7	13.0	4.3	35.0	0.7	100.0
July	13.8	25.2	6.2	12.9	4.0	37.3	0.6	100.0
August	14.1	25.3	6.9	13.0	3.9	36.2	0.6	100.0
September	14.2	23.6	6.6	14.5	3.8	36.6	0.7	100.0
October	13.7	24.7	6.9	14.8	3.7	35.7	0.5	100.0
November	16.1	25.4	8.6	12.8	3.9	32.7	0.5	100.0
December	18.5	22.7	10.7	10.2	3.8	33.7	0.4	100.0

* 1=Agriculture, forestry; 2=Industry; 3=Construct.; 4=Trade and catering; 5=Transp., storage; 6=Non-material services; 7=Unclassifiable

Source: NCLM

As shown by the above monthly data, most unemployed came from the aggregate branch group of "non-material services" including budgetary branches as well. This is where most of those employed on public or public benefit works temporarily and becoming unemployed anew after that came from. The number of those employed in education, assigned to the same category, also declined.

The other branches, on the other hand, showed a rather marked labour turnover, a topic to be discussed in more detail later on. Lay-offs, occasionally for shorter periods of time only, no doubt raised the level of unemployment.

Despite the high number of new entrants, exits in excess of that resulted in the decrease of the number of the registered unemployed.

Table 4.11

Monthly breakdown of the registered unemployed,* 1997

1997	Number of unemployed at the beginning of the month	New entrants	Exit due to					
			re-employment**		other reason		total	
			persons	%	persons	%	persons	%
January	438,103	69,322	5,384	27.6	66,518	72.4	71,902	100.0
February	435,523	59,838	7,884	19.6	32,342	80.4	40,226	100.0
March	455,135	46,047	12,135	24.3	37,771	75.7	49,906	100.0
April	451,276	41,750	11,168	21.6	40,432	78.4	51,600	100.0
May	441,426	39,329	8,897	18.3	39,824	81.7	48,726	100.0
June	432,039	44,032	7,462	15.1	41,887	84.9	49,349	100.0
July	426,722	40,718	5,837	13.0	39,172	87.0	45,009	100.0
August	422,431	36,889	6,096	14.3	36,658	85.7	42,754	100.0
September	416,567	40,776	7,916	16.9	39,035	83.1	46,951	100.0
October	410,392	41,790	6,394	13.6	40,608	86.4	47,002	100.0

November	405,180	52,182	5,262	9.8	38,273	87.9	43,535	100.0
December	413,827	50,114	3,303	7.9	38,628	92.1	41,931	100.0

* Exclusive of school leavers.

** Cancelled from among the benefit recipients due to re-employment.

Source: *Monthly Reports*, NCLM

The optimum reason for leaving the register is placement. As mentioned already, in 1997, 88.7 thousand unemployed were placed at vacancies registered with the labour service, i.e. some 7,400 every month, corresponding to some 13 per cent of those leaving the register. This number/ratio includes real demand and also employment at subsidised jobs (public benefit works most frequently).

In view of the stagnation of employment, the low number of placements is not surprising. The data themselves testify to the enormous contribution of efforts at subsidised employment.

However, the decisive majority of those leaving the register are cancelled for some other reason, the most common one of these being the expiry of the (twelve-month) entitlement to benefits. The experience of the so-called follow-up surveys reiterated in several consecutive years was that although more and more among the approximately 900 thousand (776 thousand exclusive of school leavers) persons having exited the provision system from 1991 to 1996 find a job every year, the still unemployed or inactive majority lose contact with the labour service.

Part only of the unemployed having left the provision system remained registered with the service, the beneficiaries of income supplementing allocations in the first place (in 1996, 2.3 thousand only among the 20.5 thousand unemployed covered by the survey, exclusively those having acquired entitlement to income supplementing allocation). Members of the numerically also decreasing group of those having become inactive no longer qualify as unemployed (those acquiring old-age or disability pension, for example), but many have also given up job search or at least renounced the assistance of the labour service for that (*György Lázár, Judit Székely: Detailed report on the results of the follow-up survey on those having lost entitlement to unemployment benefits in 1995, NCLM, September 1996.*)

That is to say that a significant proportion of those no longer entitled to benefits broke their relationship with the labour service (especially if they no longer believed the latter could assist them with finding a job) and were consequently cancelled from the total registered unemployed population as well. Participants of one or another of the programmes designed to promote re-employment (from training to public benefit works) also leave the register. Finally, those having their benefits suspended (for reasons of temporary employment, conscription etc.) and

those cancelled from the register for having failed to co-operate or some other reason also leave the registration system.

Programmes designed to promote the labour market position and placement of individuals, as mentioned already in a different context, absorb in the course of the year, at least for a transitory period, approximately half of the unemployed. In 1997, the ratio in question was 55 per cent.

Table 4.12

Number of registered unemployed, participants of active employment programmes and training

	1993	1994	1995	1996	1997	
Registered unemployed persons*	672,050	568,366	507,695	500,622	477,122	
Participants in active employment programmes**	pers.	123,395	171,028	160,211	227,600	195,725
	%	18.0	30.0	32.0	45.0	41.0
Participants in retraining programs for the unemployed **	pers.	83,251	93,927	71,182	71,980	75,993
	%	13.0	16.0	13.0	14.0	16.0

* Annual average

** Annual total sum, including everyone who participated for at least one day

Source: *Monthly Reports*, NCLM

That is to say that, as of now, the number of the registered unemployed ever depends to a larger extent on programmes aiming at improving the labour market position of the individual rather than the employment demand of the economy.

In this respect, Hungary's situation is akin to that of many of the Member States of the European Union.

4.2.3 Registered unemployed and benefit recipients

Of all registered working age unemployed who had been previously employed, only those are eligible for some form of unemployment benefit (unemployment benefit, wage supplement or prepension) who satisfy the criteria set forth in the Employment Act.

At the time of the beginning of large-scale unemployment, approximately 75 % were entitled to assistance, particularly unemployment benefit under the auspices of social solidarity. In conjunction with the massive increase in unemployment, however, the time of eligibility to benefits declined (from a maximum of 24 months at the beginning to 18 months, and then to 12 months in 1993), as did the amount of benefits, and conditions of eligibility were also more restricted. In accordance with the provisions of the Social Act, since 1993, unemployed people whose entitlement to benefits expired, but who have been unable to find employment, and were in need of social support, have been entitled to a

fixed income supplement. In 1994, their number almost reached, and since 1995 it has surpassed, the number of those receiving benefits.

Prepension was an option for those who were unemployed, received unemployment benefits for a minimum of six months, and who satisfied the criteria set forth under the Employment Act (which has undergone a number amendments as well).

Table 4.13

Registered unemployed and benefit recipients

Year	Registered unempl.	Benefit recipients				Recipients in % of reg. unempl.
		Unempl. benefit	Income supplement	Pre-pension	All	
1990	47,739	30,302	-	n.a.	30,302	63.5
1991	227,270	174,641	-	n.a.	174,641	76.8
1992	556,965	412,945	18,408	17,864	449,217	80.7
1993	671,745	404,823	89,329	25,877	520,029	77.4
1994	568,366	228,924	190,303	29,430	448,657	78.9
1995	507,695	182,788	209,982	22,914	415,684	81.9
1996	500,622	171,737	211,309	28,975	412,021	82.3
1997	470,112	141,731	201,304	29,505	372,540	79.2

Source: NCLM Time Series, 1998; *Monthly Bulletins*, CSO

This means that although only about 30 % of all the registered unemployed received unemployment benefits, combined with income supplements, the proportion of those receiving support in 1997 was almost 80 %.

This support has varied from year to year, but it has been around 80 % since 1991, a clear indication of social solidarity and a sense of duty. (In order to secure these benefits, employers and employees alike are obliged to pay a solidarity contribution.)

On the other hand, however, the rates in question clearly point to a stagnating labour market and the grave internal structural problems of unemployment: for several years, approximately 200,000 people, or over 40 % of all the unemployed have been impossible to place in jobs, and these men and women have been in need of an income supplement.

All forms of the wide range of unemployment benefits may be regarded as extremely modest. The amounts of unemployment benefits have for a number of years constituted an ever smaller proportion of average earnings.

Table 4.14

Average monthly earnings and average monthly unemployment benefits

HUF

Reference period	Average monthly gross earning	Average monthly unemployment benefits	Unemployment benefit related to earning (%)
1990	13,446	3,845	28.6
1991	17,934	7,903	44.1
1992	22,294*	8,798	39.5

1993	27,173*	9,949	35.9
1994	33,939**	10,841	31.9
1995	38,900**	11,891	30.6
1996	46,837**	13,461	28.7
1997	58,002**	16,141	27.8

* Coverage: economic units employing more than 20.

** Coverage: economic units employing more than 10.

Source: Yearbooks of CSO; Monthly Reports, NCLM.

In accordance with regulations effective since 1993, the amount payable as unemployment benefit was 75 % of the average earnings of the previous year for the first period, and 60 % thereafter. Since the amendment in November 1996, the amount of the unemployment benefits has been 65 % of the benefit base, that is, of the subject's average earnings in the preceding year. Its minimum is equal to 90 % of the minimum amount of old-age pension, while its maximum is double the amount established.

The average amount of unemployment benefits is smaller than the minimum wage (HUF 19,500) even in the case of degree holders.

Table 4.15

Average unemployment benefits, 20 November - 20 December 1997

Educational qualification	Number of benefit recipients		Average monthly unemployment benefit HUF/pers	Average spell of the benefit days
	pers.	%		
Incomplete primary education	5,794	3.6	14,761	371
Primary education	50,359	31.3	15,622	295
Apprentice school	57,530	35.8	15,823	278
Vocational school	3,297	2.1	16,023	238
Vocational secondary school	18,406	11.5	16,965	234
High school for technicians	5,645	3.5	18,026	241
High school	13,654	8.5	16,836	237
College	4,170	2.6	18,961	208
University	1,689	1.1	19,344	214
Total	160,544	100.0	16,141	273

* Exclusive of school-leavers.

Source: *Monthly Reports*, NCLM.

Of those registered unemployed who have exhausted their eligibility for benefits, only those are entitled to income supplement in whose family per capita income does not exceed 80 % of the minimum old-age pension ever. This was HUF 9,700 in 1997, which is also the amount of the monthly supplement.

The income supplement, which is needed most by the most disadvantaged, those with the lowest level of schooling, the elderly, those living in depressed regions and small towns, is payable for a period of

two years. Beyond that, unemployed persons become eligible only if they can prove an employment record of 180 days. Frequently, the only form of employment is public benefit work organised in the settlement. In recent years, many people have lost their eligibility for this modest support because they have not even found opportunities for public benefit work.

Prepension does not mean generous support on a large scale either. The pension is established after six months of unemployment benefits, on the basis of the number of years of service.

The low level of benefits may be attributed not only to stringent regulations, but also to the fact that the overwhelming majority of the unemployed have a low level of education, and hence were low-paid in their previous employment as well.

Table 4.16

Number and distribution by education and skill of the registered unemployed

	1995		1996		1997	
	pers.*	%	pers.*	%	pers.*	%
Level of education						
Primary school or less	212,557	41.9	206,097	41.2	191,772	40.8
Vocational school	117,780	35.0	175,634	35.1	167,585	35.6
General secondary school	105,388	20.8	105,211	21.0	97,708	20.8
College or university	11,973	2.4	13,680	2.7	13,048	2.8
Skill group						
Skilled workers	177,362	34.9	174,954	34.9	167,534	35.6
Semi skilled	121,999	24.0	123,067	24.6	117,641	25.0
Unskilled	114,966	22.6	109,390	21.9	100,574	21.4
Manual total	414,326	81.6	407,411	81.4	385,749	82.1
Non manual total	93,369	18.4	93,211	18.6	84,363	17.9
Total	507,695	100.0	500,622	100.0	470,112	100.0

* Monthly average.

Source: NCLM

The foregoing was also an indication that, among the registered unemployed, the majority are long-term unemployed: In December 1997, 75.5 % (350.3 thousand) of the 463.9 thousand registered unemployed had been unemployed for over a year.

4.2.4 *Regional differences*

In spite of the decrease in the number of the registered unemployed, the significant regional differences in unemployment, that is the persistent imbalance between different parts of the country, have been largely unchanged since the beginning.

Table 4.17

The lowest and highest unemployment rate by county

Year, Dec	less		highly	
	impacted counties*			
1990	Budapest	0.3	Szabolcs-Szatmár-Bereg	4.5
	Vas	0.6	Nógrád	4.2
	Győr-Moson-Sopron	1.0	Borsod-Abaúj-Zemplén	3.5
	Pest	1.0		
1991	Budapest	2.6	Szabolcs-Szatmár-Bereg	16.4
	Győr-Moson-Sopron	5.7	Nógrád	16.1
	Zala	6.8	Borsod-Abaúj-Zemplén	13.9
1992	Budapest	5.7	Szabolcs-Szatmár-Bereg	22.4
	Győr-Moson-Sopron	8.0	Nógrád	19.0
	Vas	8.4	Borsod-Abaúj-Zemplén	18.6
1993	Budapest	6.3	Borsod-Abaúj-Zemplén	19.9
	Győr-Moson-Sopron	7.8	Nógrád	19.7
	Vas	8.8	Szabolcs-Szatmár-Bereg	18.7
1994	Budapest	5.4	Szabolcs-Szatmár-Bereg	18.5
	Győr-Moson-Sopron	6.9	Borsod-Abaúj-Zemplén	15.6
	Pest	7.2	Nógrád	15.5
1995	Budapest	5.7	Szabolcs-Szatmár-Bereg	18.8
	Győr-Moson-Sopron	6.5	Borsod-Abaúj-Zemplén	16.6
	Vas	7.1	Nógrád	15.4
1996	Budapest	5.0	Szabolcs-Szatmár-Bereg	19.0
	Győr-Moson-Sopron	6.7	Borsod-Abaúj-Zemplén	18.4
	Vas	6.8	Nógrád	16.3
1997	Budapest	4.5	Szabolcs-Szatmár-Bereg	19.2
	Győr-Moson-Sopron	5.8	Borsod-Abaúj-Zemplén	19.2
	Vas	6.3	Nógrád	15.6

* Since January 1992, the unemployment rate has been computed on the basis the size of the economically active population. Before 1992, it was computed on the basis of active earners.

Source : NCLM, monthly reports

4.3 *Disadvantaged groups*

In the country's endeavours to decrease unemployment at large, particular effort has been made to improve the employment opportunities of disadvantaged players of the labour market, i.e. of young people, women, the handicapped, and ethnic minority groups.

4.3.1 *Youth unemployment*

In several countries of the European Union, one of the problems regarded as most serious is the unemployment of young people. In the 15 to 24 age

bracket, unemployment increased from 16.5 % in 1991 to 21.8 % in 1996 across the European Union.

Just like in the case of the adult population, the average conceals significant differences as well, from 42 % youth unemployment in Spain to 6 % in Austria.

In all Member States, efforts are being made to prepare young people for entering the labour market, or to defer their entry by providing better opportunities via education and labour market training.

For the 15 to 24 year old, European Union statistics indicate the proportion of students and participants of labour market training separately. In addition to regular students in schools, the figures below include data on the employed as well as unemployed, participants of practical labour market training, except for those participating in on-the-job training. Even so, it is worth noting that European Union averages show an 82.55 % participation rate in education or practicum among 15 to 19 year-olds, and 37 % among 20 to 24 year-olds.

Table 4.18

Unemployment rate and participation in education/training among 15-24 year-olds in EU member-states

Member States	Youth unempl.	In education/training	
		15-19	20-24
		year old	
Belgium - (B)	22.9	93.8	41.4
Denmark - (DK)	10.6	81.5	48.5
Germany - (D)	9.6	92.0	37.0
Greece - (GR)	31.0	80.4	30.2
Spain - (E)	41.9	80.7	44.6
France - (F)	28.9	92.9	42.4
Ireland - (IRL)	18.1	82.2	28.0
Italy - (I)	33.5	74.9	35.3
Luxembourg - (L)	9.1	88.3	34.2
The Netherlands - (NL)	11.5	81.3	48.4
Austria - (A)	6.0	81.6	32.3
Portugal - (P)	16.7	76.2	40.5
Finland . (FIN)	38.2	86.7	49.2
Sweden - (S)	21.1	76.2	27.7
United Kingdom(UK)	15.5	70.9	23.8
EU average	21.8	82.5	37.0

Source: *Employment in Europe*, 1997, pp.117-132.

In addition to its efforts to improve the educational and employment chances of young people in general and 15 to 19 year-olds in particular, the European Union provides incentives for further effective measures outlined in the 1998 employment policy directives (cf. Section 1.1).

Figures of the Labour Force Survey in Hungary indicate that although unemployment among young people dropped alongside the general decrease in unemployment (from 106.3 thousand in 1996 to 95.9 thousand in 1997), the proportion of job seekers in the last quarter of 1997 was still only marginally lower (13.7 %) than double the national rate (7.7 %).

Table 4.19Youth unemployment in Hungary*thousand persons*

Year	Age group	Unemployed persons	Discouraged persons	Total	Unemployment rate (%)
1992	15-19	50.3	18.6	68.9	27.0
1993		58.5	17.1	75.6	33.3
1994		48.2	14.5	62.7	29.8
1995		45.6	13.4	59.0	31.1
1996		39.1	13.4	52.5	30.4
1997		32.5	8.7	41.2	28.8
1992	20-24	69.5	13.8	83.3	14.0
1993		82.8	11.5	94.3	17.0
1994		76.9	12.4	89.3	16.0
1995		68.7	13.2	81.9	14.7
1996		67.2	13.4	80.6	14.5
1997		63.4	13.5	76.9	13.0
1992	Total	119.8	32.4	152.2	17.5
1993		141.3	28.6	169.9	21.3
1994		125.1	26.9	152.0	19.4
1995		114.3	26.6	140.9	18.5
1996		118.2	29.1	133.1	18.0
1997		95.9	22.2	118.1	15.9

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

NCLM data indicate that 123,966 registered unemployed were 25 years of age or below in 1996, and 105,578 in 1997. In 1996, one in four registered unemployed (24.8 %) was in the youth age group, and their proportion dropped to 22.5 % in 1997.

In spite of the discontinuation of unemployment benefits payable to entrants into the labour market, the proportion of registered young people has remained high. One reason for this is the active support system that has become applicable, while the other reason is probably the emergence of young people with a maximum of eight-year elementary school education, who had previously made themselves registered only sporadically, as they could reckon with neither support nor offers of employment.

It is feared that the overwhelming majority of young people with a low level of schooling and no vocational training or at least lacking sufficient practice will continue to be unsought for on the labour market. In

addition to occasional work, it is mostly their participation in (further) education schemes that may improve their chances on the labour market.

4.3.2 *Female unemployment*

It appears from European Union figures that by 1996 the disadvantaged labour market position of women had decreased considerably in several countries, presumably partly in conjunction with the spread of part time employment.

Although within the 10.6 % unemployment rate of the European Union overall 23.3 % of all women (as opposed to 9.6 % of men) are unemployed, these large differences are characteristic of a few countries only. (Unemployment rates in Greece: men 6 %, women 15.3 %; in Spain: men 17.5 %, women 29.5 %, while in Italy 9.4 % and 16.4 %, respectively).

Unemployment among women has traditionally been lower in the United Kingdom and Sweden (United Kingdom: men: 9.5%, women: 6.5 %; Sweden: 10.5 % and 9.4 %).

In a few other countries, hardly any differences were observed in the extent of unemployment between the two sexes (Finland: 15 % and 15.8 %, Ireland: 11.6 % and 12 %, Germany: 8.2 % and 9.8 %).

The rate obviously depends on a large number of factors, with tradition, the acceptance or rejection of traditional male and female roles, differences in the level of schooling or the spread of forms that allow their employment (part-time work etc.) playing a significant role.

For Hungary, earlier analyses had mentioned the long-term lower level of unemployment among women (as opposed to men) as proof of the equality between the two sexes. It is indisputable that even in 1997, the 9.5 % unemployment rate of men was countered by 7.8 % among women. {CSO LFS }

In spite of the foregoing, unemployment among women has already slightly surpassed that of men in several age groups.

Table 4.20

Distribution of unemployed persons by age group and gender, 1997

Age-group	Male	Female
	Unemployment rate	
15-19	8.9	10.0
20-24	19.7	15.8
25-29	13.9	11.3
30-39	23.5	25.8
40-54	29.4	33.9
55-59	3.8	1.8
60-74	0.8	1.5

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

The real difference, however, lies in the extent of employment and inactivity rather than in unemployment; masses of women have left or have been forced to leave the labour market. (The issue of inactivity is covered in depth in Chapter 5.)

When assessing the situation of women, the extent of unemployment is only one of the indicators; interpretation requires the combined consideration of employment and inactivity.

One of the objective factors is that in the early 1990s the serious decline in employment affected branches with a tradition of employing women as the majority of workers to a lesser extent (education, health and social services, financial services, accommodation services and hospitality – with 50 to 80 % of those employed being women).

As a result, unemployment among women can be assessed only under own conditions, just like in other countries, particularly because, unlike in the majority of European countries, one of the key forms of the (re)employment of women, part-time work, is still absent, even though it would probably allow many to (re)enter employment.

4.3.3 *Disabled persons**

A large proportion of the long-term handicapped and challenged people have been forced out of the labour market, and the majority of them have been reduced to take passive support (social benefits, or disability pension). In the 1990s, the number of recipients of disability benefits signifying a low yet secure income has grown from 540 thousand to 740 thousand, and of them 450 thousand belong to the economically active age group.

In order to provide equal opportunities for persons with changed working ability, and to ensure employment rehabilitation rather than passive provision, Parliament enacted its Regulation 75/1997 (VII.18) on the transformation of the social security and social provision systems of the disabled and handicapped.

According to the Regulation, the Ministry of Welfare became responsible for the transformation of medical conditions and financial support, and the Ministry of Labour for establishing the legal and institutional framework of employment rehabilitation.

By the 1997 amendment of the Employment Act, conditions of paying unemployment benefits and disability pensions changed, and it became possible to pay them unemployment benefits for an extended period.

Starting 1 January 1998, rehabilitation working groups have to be established as the professional centres of employment rehabilitation, within the central units of the labour market organisation.

* This chapter has been prepared on the basis of a paper written by Gere Ilona (Labour Research Institute)

In spring 1997, formation of the models of rehabilitation working groups began in three counties (Baranya, Fejér and Nógrád) with different labour market features. In all three counties, the proportion of people with disabilities among the registered unemployed was surveyed (10 % approx.), and rehabilitation counselling was begun.

In order for more effective rehabilitation, the sphere of employers under obligation to employ people with disabilities was modified. As from 1 January 1998, all employers with more than 20 employees, including those publicly funded organisations which had been exempted, as well as non-profit organisations, have to employ people with disabilities up to 5 % of the statistical number of employees. In 1998, employers which fail to fulfil this employment obligation have to pay a rehabilitation contribution of HUF 11,000 for the shortfall in staff. The extent of the rehabilitation contribution increases year by year, and for 1998 it is 61 % of the monthly minimum wage, and the gap between the nominal wage and the contribution will gradually be smaller and smaller.

A large proportion of the Rehabilitation Fund, whose source is, among other things, the contribution paid by employers, is to be used by the county employment organisations.

In order to compensate for the extra burden imposed by employment rehabilitation, employers which have a larger number of workers with disabilities than the quota may file for subsidies from the central budget, the extent of which is the wages paid to people with disabilities, with a ceiling of 45 to 150 % of the minimum wage, and 50 to 150 % in the case of social employers.

As of 1 January 1998, non-profit organisations and those employing fewer than 20 people, but ones with disabilities, may be granted certain preferences. The law includes a special section which deals with the support of protected employment provided by employers established specifically for the large-scale employment of people with disabilities.

At present, there are 47 such organisations, with 16 thousand employees, of whom approximately 12 thousand are disadvantaged, 6,000 of them gravely so. The overwhelming majority of the amounts spent on the employment of people with disabilities is used by subsidising such organisations.

The aim is to strengthen the system of vocational training and retraining programmes, the pledge of quality rehabilitation, and there are three rehabilitation centres being organised for promoting the employment of young people with disabilities.

4.3.4 The Rom

In Hungary, the largest ethnic minority group is that of the Gypsies. In terms of their social and economic situation, the majority of this largely

heterogeneous population live in poverty and very unfavourable conditions.

At the time of full employment, a large proportion of Gypsies (particularly men) worked, mostly as unskilled or semi-skilled workers. However, in the course of the streamlining that began in the late 1980s, they were among the first to lose their jobs in the wake of the termination of regulations on average wages; and in the early 1990s, when large numbers of jobs were axed, most of them became jobless.

We hold no data on the extent to which their unemployment status is registered (partly because Rom organisations are opposed even to positive discrimination). The Hungarian Household Panel has for a number of years conducted surveys of economically active members of Gypsy families in its sample. Just like in the preceding years, the 1997 sampling also shows that the proportion of unemployed among the Rom population is far larger than among non-Gypsies. According to the sampling, unemployment rate among the Rom was 55 %.

Table 4.21

Unemployment among the Rom

According survey taker, respondent is*	Employed	Unemployed	Ec. inactive	Nr.of sample	Unempl. rate %
Not Rom	45	7	48	2,706	13.1
Rom	20	25	55	109	55.3
Total	44	8	48	2,855	15.1

* Rom organisations are opposed to affirmative action and positive discrimination, therefore questions about ethnicity are not part of the survey.

Source: Hungarian Household Panel, Febr, 1998

One of the devoted researchers of the problems faced by Hungarian Gypsies, Gábor Kertesi showed several years ago that people belonging to the Gypsy ethnic minority make far greater efforts to secure employment than other unemployed people. {*Kertesi Gábor: Employment and unemployment of Gypsies before and after the change of regime. Economics Institute of the Hungarian Academy of Sciences, 1995. Manuscript*}

Although society (and employment policy) has initiated several programmes (e.g. within the framework of the social land programme, the provision of land to those living in villages; the special programmes organised by NEF through non-profit organisations), the results appear to be quite modest. Employment chances for those living in small villages are especially poor (just like for all unemployed people living there); and in the case of Gypsies even these slim chances are weakened by prejudice.

Up to the present, the main form of organised labour for Gypsies has been public work. Helping these mostly large families with their living costs requires more effective societal efforts.

4.4 Current reasons of unemployment

According to the NCLM data quoted earlier, the average monthly number of people registering as unemployed in 1997 was 57 thousand: 46,899 adults (83.5 %) and 9,240 school-leavers (16.5 %).

The large number of newly (or repeatedly) registered unemployed people, with an increasing monthly average since 1994, indicates primarily that the processes of transition in the economy are far from complete. There is still a large number of jobs lost; even though part of those newly registered may be people returning to the labour market from maternity leave or the army, those terminating their seasonal work, as well as those leaving their jobs voluntarily. However, the CSO Labour Force Survey indicates that 60 to 70 % of job seekers look for work because they have lost their previous jobs. If we accept this as an approximate figure, then we may reckon that the majority of the jobs lost in the economy are still the result of the strong transition process. With current levels of employment, layoffs are still large in number.

The termination of jobs may be attributed to earlier and yet uncompleted processes as well as to new ones.

One such characteristic process is still the liquidation of companies unable to recover after going bankrupt in the early 1990s, bankruptcies, and mainly the loss of jobs through liquidation procedures.

a.) Bankruptcies, liquidation procedures

In conjunction with the consolidation of the economy (and the termination of the institution of voluntary bankruptcy) new bankruptcy cases showed a noticeable decline after 1993 (1995: 145 new cases, 1996: 80, 1997: 50). Due to the large number of previous cases, however, courts continued to deal with up to 3,000 bankruptcy procedures annually. Experience from past years indicates that bankrupt companies have been trying to regain their operational ability by reducing their assets or their staff.¹⁹ At the same time, the inclination of creditors for a settlement has deteriorated noticeably in recent years and, as a result, courts have been forced to order the liquidation of bankrupt companies. On 1 January 1998, 18,410 legal entity companies were under liquidation or final settlement as a result of old and new bankruptcies. *{The number of operating economic entities, CSO, 1/1998}*

¹⁹ At the Újpest Machine Parts Factory, offices and production areas have been cut by 60 % and 40 %, respectively, and 75 % of employees have been laid off. In 1995-6, the factory was able to reduce its workforce further by only 10 people. *{Világgazdaság, 9 April 1997}*

When they no longer see a chance for the sale of the operational company, liquidators are forced to lay off the people who are still employed. Although over the years most companies have been emptied, liquidation still means the loss of jobs. A new wave of layoffs is generated by companies having gone bankrupt one or two years ago.²⁰ In the case of larger companies, layoffs may have affected several hundred persons.

b.) Reorganisations

For the sake of simplicity, the generic term “reorganisation” subsumes downsizing exercises for a variety of reasons. The large-scale reorganisation and market-oriented activities of companies affect state-(bank) owned, foreign- and Hungarian-owned, small and medium sized enterprises alike. The objective is always the same: to improve economic positions, and to increase efficiency. One of the elements of the efforts affecting the entirety of company operation is the most economical use of staff. Although this depends on the size of the company, the extent of downsizing is usually modest, and in this case the total of many small-scale layoffs is added to the differently induced and usually larger scale-layoffs.²¹

Downsizing, to be an ongoing process, began at the public utility companies: MOL, the Hungarian Oil Company cut its workforce by 800, KÖGÁZ, a major gas supplier by 600, and 600 people left the Tisza Power Plant.²²

²⁰ Some newspaper reports:

- Sepsiker have laid off approximately 600 employees. The liquidation procedure has begun. *{Világgazdaság, 15 December 1997}*
- The ceramic fibre plant at Mosonmagyaróvár is closing down. Last year the French-owned company used only about 60 % of the capacity of its plant, built at a cost of half a billion forints. The company will be liquidated within a year, and employees will be laid off. *{Világgazdaság, 4 March 1997}*
- For want of orders, about 200 employees at the Szolnok Furniture Co. Ltd. are taking involuntary leave of absence. The first round of layoffs in the course of liquidation is expected on 8 August, when 100 workers will be laid off. *{Napi Gazdaság, 11 March 1997}*
- Following the liquidation procedure that began in January, the Vulkán Foundry Co. Ltd., 300 workers are to lose their jobs shortly, although the liquidator has no intention of suspending the operation of viable units for the period of sale.

²¹ For example:

- Reorganisation has started at the Atheneum Printing House – Downsizing is inevitable. The printing house, which has for a few days been in foreign ownership, is to lay off 160 persons; of the 260 employees, only 100 will be retained. *{Világgazdaság, 25 September 1997}*
- Tiszai Chemical Works Plc had a profit last year, achieved with a decreasing number of employees. Company headcount came down by a few per cent last year, and 1997 began with 3,800 employees. *{Népszabadság, 27 February 1997}*
- Raab Karcher Co. is fusing its Tüzép operations and is planning to cut some of its 675 workforce. *{HVG, 3 May 1997}*

²² For example:

- At MOL, “downsizing is an ongoing process; the end-of-February headcount is to be cut by approximately 500. Compared to the headcount of 16,155 at the end of August last year,

Downsizing at Hungarian State Railway MÁV also continued, and following a cut by 4,753 persons in 1995 and 7,405 in 1996, another 2,556 persons are planned to be laid off. *{Világgazdaság, 22 April 1997}*

Hungarian Television PLC is planning to lay off a thousand employees by the end of the year. *{Népszabadság, 12 August 1997}*

Major banks have cut the number of their employees by almost 2,500 over a year. *{Napi Gazdaság, 13 May 1997}*

At the same time, layoffs in the public sector that had been anticipated alongside the budget reform have stopped, although in the public administration and compulsory social security sectors the number of employees decreased by some 13 thousand, and in education by 33 thousand in the last quarter of 1997 compared to the same period in the previous year. In the same period, there was a growth by 20 thousand employees in the health and social services branch. *{Labour Market Features, 4th Quarter 1997, CSO, 1998, p. 23}*

company headcount will have to be reduced by at least ten per cent by 30 June 1997, in addition to outsourcing certain operations". *{Világgazdaság, 9 April 1997}*

- This year, KÖGÁZ "has reduced its workforce to 800 from 1,400 last year". *{Napi Gazdaság, 4 February 1997}*
- The deadline of applications for the voluntary restarting package at the Tisza Power Plant is to expire on 15 January. 600 people took advantage of this offer at the Lyukóbánya Mine. *{Népszabadság, 7 January 1997}*

c.) Miscellaneous layoffs

In addition to layoffs which had a more or less clear reason, there have been other, less frequent yet repeated layoffs due to specific problems and interests facing individual companies, just like in every economy.²³

Cutbacks in coal-mining continued as a result of decisions taken by the government earlier. *{In the last quarter of 1997, the number of employees in coal-mining dropped by 3.7 thousand compared to the same period one year earlier. Labour Market Features, 4th Quarter 1997, CSO, 1998, p. 23}*

The aforesaid may indicate that, behind the more or less stabilised balance, processes causing job losses were still strong.

It is altogether another matter that a low level of employment was maintained by job-creating processes, particularly developments and greenfield investments, and work opportunities funded from money spent on the active means of employment policy.

²³ Some examples:

- Stone mines of Basalt Ltd. have cut their workforce because of a lack of orders, and a mere 100 people have remained as opposed to 800 employed earlier. *{Napi Gazdaság, 25 February 1997}*
- The Nitrokémia Plc at Fűzfő has laid off 200 employees, mainly in an attempt to raise the wages of those retained to average levels at other plants in the area. *{Népszabadság, 8 January 1997}*
- The American company providing services for the army has laid off 250 Hungarian employees as a result of the sizeable reduction in the number of American servicemen at Taszár and Kaposvár. *{Napi Gazdaság, 20 January 1997}*
- Coca Cola has closed down its bottling plant in Győr in a cost cutting exercise, thereby reducing the number of its 1,500 employees by about a hundred persons. *{Világgazdaság, 19 September 1997}*

5. **THE ECONOMICALLY INACTIVE**

Economically inactive persons are defined as those adults of the employment age who stay away from the labour market either voluntarily or involuntarily; that is, who are not employed or unemployed.

Staying away may be voluntary (those living on their wealth, high-income families, dependent wives, children, long years of study, old-age pension), but may also be involuntary (no suitable job within reach, care for small children, sick family members, or the person's own age or medical condition limiting regular work performance, etc.).

As mentioned earlier, economic inactivity in Europe is typically of a larger scale in the less wealthy or less developed countries.

5.1 **Level of inactivity**

In Hungary, where employment has stabilised itself at a (statistically shown) low level, the most striking process accompanying the drop in the number of unemployed persons is the increase in the number of the economically inactive. Since the early 1990s, tens of thousands of people have left the labour market (or have never entered it).

Among 15 to 74 year-old population, the proportion of inactive persons in 1997 (3,804.9 thousand persons) already surpassed that of those employed (3,646.3 thousand persons).

Table 5.1

Number and percentage of economically active and inactive persons in the 15-74 old population

Year	15-74 age	Economically active		Change 000 pers.	Inactive		Change 000 pers.
		000 pers.	%		000 pers.	%	
1992	7,728.9	4,526.9	58.6		3,202.0	41.4	
1993	7,763.3	4,346.2	56.0	- 180.7	3,417.1	44.0	+ 215.1
1994	7,779.6	4,202.7	54.0	- 143.5	3,576.9	46.0	+ 159.8
1995	7,819.7	4,095.3	52.4	- 107.4	3,724.4	47.6	+ 147.5
1996	7,808.0	4,048.2	51.8	- 47.1	3,759.8	48.2	+ 35.4
1997	7,800.0	3,995.1	51.2	- 53.1	3,804.9	48.8	+ 45.1

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

Economically inactive persons can be found in all age groups, yet the reasons for inactivity are clearly different for those aged 15 to 24, those in employment age by Hungarian rules and regulations, and those who have reached retirement age.

Table 5.2**Percentage of economically inactive persons* by age group**

Age group	1992	1993	1994	1995	1996	1997
15-19	77.0	79.2	80.9	83.2	84.7	85.8
20-24	28.9	31.5	33.9	35.6	38.7	40.3
25-29	22.4	24.0	24.3	27.0	27.6	28.1
30-39	13.4	15.1	17.2	18.7	19.0	20.6
40-54	18.3	20.6	22.5	23.5	23.8	24.8
55-59	65.7	69.1	72.6	71.8	70.8	71.3
60-74	89.7	92.1	93.3	94.7	95.4	95.8
Total	41.1	44.0	46.0	47.6	48.2	48.8

* Including persons on child-care leave.

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

The majority of those who reach retirement age typically leave the labour market. The general European experience is that as their years go by, those having reached retirement age as specified in the given country are less and less inclined to work. (Let us not forget, however, that in the majority of cases men retire 5 to 7 years, and women 10 years later than in Hungary.)

In Hungary, of the 3.8 million inactive, some 1.6 million are retirement age people (in 1997, 565.6 thousand men and 1,038 thousand women).

This means that some 2.2 million inactive persons are, by Hungarian rules and regulations, of employment age. Therefore, more than a third (36.6 %) of the 6 million employment-age persons were not present on the labour market in 1997.

Stimulating abstention from the labour market and consciously narrowing supply is one of the elements of employment policy in a number of countries (for instance, by extending the education of young people, which delays the entry of new generations into the labour market, etc.). Since the emergence of overt unemployment, there have been two government rulings in Hungary serving to reduce supply: the opportunity for early retirement driven by employment policy considerations (this has reduced supply by more than 40 thousand persons annually); and supporting so-called full-time motherhood, i.e. supporting mothers with at least three children financially and, acknowledging child-rearing time spent at home as employment from a social security point of view.

Although the aim was not to relieve the labour market, in reality this was the effect of staying away from the labour market for the two different types of child care leave. At the same time, other rules that were put in place in Hungary served the expansion of labour supply rather than its conscious limitation, especially in critical years of job losses. To take just one example: the number of young people drafted has declined steadily

and so has the time of military service: the army now counts 45 thousand with under a year of service, as opposed to 110 thousand and 2 years of service earlier, constituting employment for young people.

Raising retirement age for women has retained a cumulatively growing number of 60 thousand women annually among the working-age population. New regulations on child care leave also add to the number of those staying on the labour market, etc. Although all of the measures taken can be justified in the economics sense, expanding yet unemployable supply has meant an increase in inactivity and massive departure from the labour market.

Below, we shall give an overview of the known and presumed reasons for the inactivity of the 2.2 million (Hungarian working- age) population.

5.2 Reasons of inactivity

Absence through further education is undoubtedly an advantageous form of absence from the labour market for individual and society alike. Further studies are the reason why 60 % of 15 to 19 year-olds are withdrawn from the labour market, while among 20 to 24 year-olds this ratio is only 12.5 %.

5.2.1 Students above the age of 15

The school system has for decades withheld a growing number of young people from entering the labour market. The number of those continuing with their studies has shown constant growth since 1988/89, i.e. the appearance of large generations, and in 1996/97 there were already 631.2 thousand young people, i.e. 10.3 % of those in employment age participating in full time education.

Table 5.3

Number and % of full time students in 1959/60 - 1996/97 school years

thousand persons

School year	Number* of pers. aged 15-25	<i>of which: students'</i>			
		Number of students'	%	Female students	
				Number	as % of 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
1980/81	1,400.3	374.2	26.7	174.6	46.7
1989/90	1,445.5	483.0	33.4	232.6	48.2
1990/91	1,511.4	519.5	34.4	249.6	48.0
1991/92	1,561.0	547.6	35.1	267.3	48.8
1992/93	1,592.6	565.4	35.5	278.9	49.3
1993/94	1,609.4	577.7	35.9	287.8	49.8
1994/95	1,619.2	589.6	36.4	292.2	49.6
1995/96	1,618.9	605.3	37.4	301.1	49.7
1996/97	1,614.4	631.2	39.1	317.4	50.3

* This classification by age groups differs from that of the LFS as it includes the 25 year-old as well.

** Census data.

Source: Yearbooks, CSO

Large generations have been replaced by considerably smaller ones (the number of 15-year-olds on 1 January 1995 was 154.6 thousand, on 1 January 1997 approximately 138 thousand, and on 1 January 1998 129 thousand). Heightened social need for studying is shown by the fact that, within the diminishing numbers, the number of those remaining in education is steadily on the rise, particularly among 15 to 19 year-olds.

In 1996, 85 % of the 15 to 19 year-old population was classified as economically inactive, with 86 % in 1997. The respective percentages for 20 to 24 year-olds were 39 and 40 %. According to Labour Account data, of the total of 1.2 million inactive young people, 564 thousand were students in 1996-97, 70 % among them 15 to 19 year-olds and 34 % 20 to 24 year-olds.

With the advancement of age, participants in full time education drop in number. While 85 to 90 % of 15 and 16 year-olds are students, among 24-year-olds the ratio is only 4.5 %.

Table 5.4

Full time students by age and by type of school in the school year 1996/97

Age	population total 1 Jan 1997	Students*		<i>of which:</i> in percent					
		persons	%	primary school	for handicapped children	vocational secondary school	apprentice school	secondary school	college university
15	138,066	116,679	84.5	4.7	2.5	2.5	23.9	80.9	-
16	143,715	130,217	90.6	1.4	1.6	2.5	31.1	54.0	-
17	154,536	104,960	67.9	-	0.8	1.5	12.8	52.8	-
18	161,937	63,756	39.4	-	0.3	0.9	5.7	24.5	8.0
19	170,814	43,396	25.4	-	0.1	0.4	3.0	7.2	14.6
20	177,977	40,190	22.6	-	0.1	0.2	2.1	4.1	146.1
21	189,318	26,691	14.1	-	-	0.1	-	-	14.0
22	181,062	20,264	11.2	-	-	-	-	-	11.2
23	150,677	11,386	7.6	-	-	-	-	-	7.6
24	146,306	6,555	4.5	-	-	-	-	-	4.5
25	141,631	3,854	2.7	-	-	-	-	-	2.7
26 + or elder	-	6,907							
Total	-	574,855							

* At the beginning of the school year (15 September).

Source: Yearbook 1996, CSO

The absence of 564 thousand out of more than a million 15 to 24 year-old inactive young people is justified by the school system, but for 400 thousand people, the reasons are different. (They may be post-

primary school 15 to 16 year-old boys and girls, who do not even attempt to seek employment due to their lack of chances; those expecting university or college admission or being called up, as well as those young mothers who are already raising their children.) From a labour market point of view, they are largely hidden unemployed.

5.2.2 *Persons on parental leave*

Unpaid leave (subsidised by social security) for child care (usually for one or two years) has been an institutionalised form of absence from the labour market since 1967. From the point of view of employment, this absence has been regarded as service, and the employment of a parent on child-care leave could not be terminated. The two earlier forms of child care- leave (child-care aid/fee – different in their period and social security cover) have been supplemented by assistance provided to mothers raising three or more children, as mentioned earlier (child-care assistance).

These systems of parental leave, supported by social security as well, have for decades withdrawn hundreds of thousands of parents (particularly mothers) from the labour market.

Table 5.5

Number of persons on parental leave, 1980-1997

1 January	Persons on child care leave (by aid/fee)			GYET* female	Total
	male	female	total		
	thousand persons				
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

* GYET = Child-care assistance

Source: Labour Account, 1 January 1997, CSO

The system of parental leave was modified as of 15 April 1996. Child-care fee, i.e. the means tested form of child care, which could be taken until the child reached two years of age, was discontinued; however, it still affected the parents of children born before that date. At the same time, the opportunity to take child-care aid, i.e. a fixed amount support until the child is three years old became a civil right. Taking child-care assistance became means tested.

In 1996, the changes were not noticeable yet. Taking the opportunity of child-care leave and using modest support, approximately 300 thousand parents stayed away from the labour market. According to NHIF data, the number of parents taking one form of child care allowance or other decreased by less than 10 thousand in 1997 as well. (The number of parents who are registered as unemployed yet gaining eligibility for child-care aid, thus lacking unemployment benefits, was modest: in

December 1997, only 13,312 persons were on record at the employment service.)

In recent years, absence through parental leave has for many meant an escape route from unemployment as well. At the same time, we have to assume that this relief effect of absence from the labour market through parental leave is to decrease gradually.

5.2.3 *Persons retired at working age*

In addition to those reaching retirement age, a growing number of people are retiring at working age.

Table 5.6

Early retirement*

Year 1 January	Retired at working-age, 000 persons			of which:		
	male	female	Total	Pensioners exempted by age	Pre- pensioners	Total
1989.	161.4	81.3	242.7			
1990.	157.1	93.9	251.0	28,632		28,632
1991.	175.8	106.3	282.1	37,518		37,518
1992.	202.2	144.1	346.3	28,219	17,846	46,065
1993.	215.9	149.0	364.9	17,127	25,877	43,004
1994.**	219.3	151.2	370.5	11,648	29,430	41,078
1995.	231.0	154.0	385.0	11,151	22,914	34,065
1996.**	233.4	153.6	387.0	15,026	28,975	43,992
1997.	259.6	149.4	409.0	12,953	29,505	42,456

* Excluding working age pensioners in employment.

** By the corrected data of CSO

Source: Labour Account, 1 January 1997, CSO, Official communication of National Pension Fund

Early retirement may occur for one of three major reasons:

- a) for certain vocations, rules and regulations establish retirement age lower than general practice (e.g. in some jobs in coal-mining, Hungarian Railways, and the armed services). Each year, those taking early retirement have constituted approximately 80 % of all persons retiring. It is presumed that, with the rise in retirement age, the extent of the allowances will be modified.
- b) early retirement for health reasons. They number about 60 to 65 thousand annually: before 1991, they had constituted about 20 % of all early retirements.
- c) for reasons of employment policy, early retirement and prepension became possible as from 1990. Rather than being laid off, employees have been given the option to take early retirement if they had less than five years before retirement age. The cost of this has been, in part or wholly, covered by the Employment Fund. Prepension could be taken by those who became redundant and have received unemployment benefits for a minimum of 6 months, provided they fulfilled conditions prescribed by the Employment

Act. (The cost of this was borne by the Solidarity Fund.) Between 1990 and 1997, a total of more than 274.4 thousand people retired for reasons of employment policy. As part of those concerned are transferred into the regular retirement group every year, at the end of 1997 the number of people forced to take retirement for reasons of employment policy was 100 thousand.

According to the reasons outlined above, the absence of 2.9 million out of the 3.8 million inactive has a justified cause:

	<i>thousand persons</i>
- above (Hungarian) retirement age	1.604
- student	631
- on parental leave	295
- early retirement	409
Total:	2.939

In the case of approximately 875 thousand, working-age absences cannot be accounted for in such simple terms as the above.

Smaller or larger groups of people who are unwilling, or unable to take employment are a natural phenomenon in every economy. In the years of virtually full employment, Hungary had approximately 250 to 300 thousand working-age persons who were unable or unwilling to take paid work, and depended on their families.

With appearance of large-scale unemployment and the sudden and massive narrowing of job opportunities, more and more people have given up job search on the ground that it is a hopeless exercise. We know little about their demographic and other features. As the data above indicated, about 40 % of them are under 24 years of age, and in 1997 more than 60 % of them were women.

Among those withdrawing to the household, there is a continually growing number of women. In 1997, there were a total of 2,322.2 thousand inactive women out of the 4,059.7 thousand 15 to 74 year-olds accounted for. Especially large is the proportion of 20 to 24 year-olds among those absent from the labour market, and almost half of 25 to 29 year-olds are also inactive women.

Table 5.7

Percentage of economically inactive females by age group

Age group	January to December					
	1992.	1993.	1994.	1995.	1996.	1997.
15-19	78.5	80.2	82.4	85.9	87.1	88.2
20-24	39.4	42.6	43.5	46.6	50.7	50.8
25-29	37.9	40.2	40.3	45.7	46.5	47.1
30-39	20.1	22.2	25.0	28.1	28.9	30.7
40-54	22.7	24.7	27.5	28.8	28.6	29.8

55-59	80.7	83.2	86.2	85.3	84.5	83.8
60-74	92.1	94.2	95.0	96.6	96.5	97.0
Total	49.0	51.5	53.7	56.2	56.6	57.2

Source: LFS, Time Series 1992-1997, Database 1997, CSO, 1998.

Chart 9.**Percentage of economically inactive persons in the 15-74 year-old population
by county 1997****National ratio: 48,8 %****5.3 Employment goals of the inactives**

Data of the Labour Force Survey indicate that 85 to 90 % of those who leave the labour market have no intention of returning.

In 1997, only 11 % of inactive (14 % of men and 10 % of women) would have taken, but did not seek employment, or sought employment, yet was unable to accept the job (were „not available”).²⁴

In the foregoing we found natural reasons for the absence of 2.9 million inactive persons; yet data of the survey do not offer answers for almost 900 thousand cases.

Part of the inactive population had regular, albeit mostly modest, income (child care allowance, aid or support, old-age or disability pension, early retirement pension or prepension).

²⁴ The NCLM survey mentioned earlier has offered somewhat different conclusions. The survey provides information only about those who receive unemployment benefit; yet masses of inactives were probably not eligible, and therefore they did not have themselves registered. It is supposed that the number of those who did not make it to the employment office runs into hundred thousands. In 1993 48.4 thousand, in 1994 36.4 thousand, and in 1995 21.5 thousand persons became inactive of those who exhausted their eligibility for unemployment benefit; they indicated as a reason largely that their health had deteriorated, or that there were family circumstances (care of a sick relative, etc.) barring them, in addition to eligibility for disability pension or parental leave. Only a fraction of those concerned (300 persons in 1996) indicated that they had no intention of taking employment. {Lázár Gy.-Székely J., *op. cit.*}

Our calculations show that society provided income to a total of 2.3 million persons for one of the above reasons. And even though these payments inflict serious burden on social security, the pension fund and the central budget, they mean only modest income for the individual. (The amount payable under most support schemes, e.g. child care allowance, early retirement and general disability pension, is typically under 15 thousand forints per month.) For hundred of thousands of families, these forms of support presumably mean the only regular monthly income.

However, approximately 866 thousand men and women (excluding students) stayed away from the labour market without any visible source of income, depending on their families.

It is to be assumed that a large proportion of those who enjoy modest support and dependents try to find work of one sort or another if this is at all possible, wherever work may be available: on the non-institutional labour market, e.g. for other families, and periodically in agriculture, etc.

Such work should in theory be accounted for in the data of Labour Force Surveys, but those concerned fear the consequences of declaration: forfeiting their benefits, and the obligation to pay taxes and other contributions deducted from all work-related income.

Although experience shows that there is a wide range of informal networks largely among the inactives (and partly the unemployed) based on trust to communicate work opportunities to each other on the non-institutional labour market, under the given conditions these networks remain "hidden". In addition, one must not forget that it is largely due to these work opportunities that members of the most disadvantaged groups, having no other chance to work, may earn a living, and that poverty and destitution have not become large-scale and unbearable.

Intentions to make the work opportunities open can only be successful if, in the case of those who have left the labour market involuntarily, the aim is not to tax occasional income but, rather, to acknowledge that "jobs" created by the self-defense mechanisms of society and the new forms of division of work have helped with the subsistence of a multitude of otherwise irretrievably lost people.

The acknowledgement of the operation of the non-institutional labour market for inactives (already in excesses of wage-earners), and the promotion of their open operation requires special solutions. (For instance, the creation of local employment associations and non-profit organisations, and their support.)

The problem is apparently well-known in member states of the European Union as well. Experience shows, however, that in these countries undeclared work is primarily undertaken as a second job, although in several countries its extent is rather significant among the inactives, primarily in agriculture, construction, tourism, i.e. areas connected to the

first economy. The main reason for non-declaration is high taxes; and growth in declarations is expected primarily by a reduction of burdens.²⁵

Although there exists in Hungary, too, undeclared work connected to the organised labour market, the typical terrain is the unorganised economy; and the majority of those undertaking work are inactive.

II. FURTHER FEATURES OF THE HUNGARIAN LABOUR MARKET

6. EARNINGS IN 1997*

In all countries, gathering regular data on earnings usually covers only the typically “traditional” group of employees, and this means that there is no information on earnings from the smallest (generally under 10, occasionally under 5 employees) businesses. One reason for this is a practical one, namely that administrative burdens endurable by small organisations with often not more than 1 or 2 persons are lower than average, and the other is one of principle. In this sphere, incomes from ownership and employee status are mixed, and it is common practice that, among those officially employed, part of the earnings is paid legally, and the rest from the owner’s pocket. This means that expanding and extending the sphere of observation may spoil the quality of the information on earnings.

In line with the above considerations, when CSO conducted a statistical survey of monthly earnings, it gathered, in 1997 as well, data for economic units employing more than 10 staff, non-profit organisations qualifying as significant from the employment aspect (e.g. foundation and church schools, and social establishments), and, regardless of their size, for public organisations. The 2,509 thousand persons employed in these areas constituted 80 to 85 % of all employees.

In 1997, employment for those in the above areas became stabilised, and, as opposed to a staff loss of 7.5 % in 1996, such loss was only 1.5 % and mostly concentrated in the public sector. In a few areas of the competitive sector, staff numbers increased in 1997, for the first time in several years. As a result, there were 9 % more persons working in the machine industry, and almost 7 % more in accommodation services. Numbers continued to decline in construction, and in agriculture, where decline was counterbalanced by the growth in the number of those undertaking seasonal work.

Similarly to the previous year, 94 % of those employed in the sphere surveyed were employed full time. Their average gross earnings in 1997 (public figures on earnings traditionally cover full-time employees only) were up by 22.3 %, reaching HUF57,270. Compared to the 18.3 % increase in the consumer price index, the significant growth in gross earnings meant an even larger real increase of 24.1 %, due to modifications in the tax burden in 1997 (tax for the top bracket was lowered from 48 % to 42 %). As a result, real earnings in 1997 rose again (for

²⁵ Communication of the Commission on undeclared work European Commission, Directorate General 5, Brussels, V/A/1, April 1998

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the first time since 1994), by almost the same percentage, 4.9 %, as the drop in 1996.

Table 6.1

Monthly gross and net average earnings, the consumer price index and the real earnings, 1989-1997

Year	Average monthly earnings of full-time employees*				Consumer price index	Index of real earning
	gross	net	gross	net		
	HUF/months/pers.						previous year = 100.0
1989	10,571	8,165	117.9	116.9	117.2	99.7
1990	13,446	10,108	128.6	121.6	128.9	94.3
1991	17,934	12,948	130.0	125.5	135.0	93.0
1992	22,294	15,628	125.1	121.3	123.0	98.6
1993	27,173	18,397	121.9	117.7	122.5	96.1
1994	33,939	23,424	124.9	127.3	118.8	107.2
1995	38,900	25,891	116.8	112.6	128.2	87.8
1996	46,837	30,262	120.4	116.9	123.6	94.6
1996	46,837	30,544**	120.4	117.4**	123.6	95.0
1997	57,270	38,145**	112.3	124.1**	118.3	104.9

* Coverage of earnings data: 1989-1991: all organisations with legal entity; 1992-1994: 20+ organisations only; 1995-1997: 10+ organisations.

** Net earnings data calculated by the upper limit of social insurance rate.

Source: Employment and rate of earnings from 1993 to 1996, CSO, 1996; Main processes of labour in QI-IV 1997, CSO, 1998

In terms of the levels and dynamics of earnings, there is still a large disparity between the competitive and the public sectors. The earnings gap became especially wide in 1996, when earnings increased by 23.2 % in the competitive sector as opposed to 14.6 % in the public sector. Against this low base, the 1997 growth by 23.2 % of earnings in the public sector surpassed that of the competitive sector, supported by a number central measures. In 1997, the extent of the increase was also helped by the fact that the organisations funding public institutions (local governments and the social security service) took a greater share of the increase than in 1996. Therefore, against the 17 % agreed for 1997, there was an additional increase of six percentage points, which somewhat surprised the government as well, but this could only counterbalance the 5 percentage point shortfall in the previous year. (As the agreement reached by the Interest Reconciliation Council of Public Institutions in 1996 was 19.5 %.)

The dynamics of the three publicly financed economic branches showed considerable disparity. Compared to the previous year, 1997 gross earnings in public administration and in the compulsory social security service increased by 27.4 %, considerably more than the average²⁶. The increase was more modest in education, and in the health and social services (23.2 % and 21.1 %, respectively). If we examine the earnings indexes of the budget centrally and locally, disparity is still large. Increase in earnings in the central budget exceeded the increase of 22.2 % in local budgets by 2.4 percentage points²⁷.

²⁶ If we disregard the growth of earnings of those on community work, growth is 26.9%.

²⁷ If we disregard the growth of earnings of those on community work, growth is 22.0%.

In terms of legal status, there are even more considerable differences within the public sector. The average gross earnings of civil servants in white-collar jobs was 86,350 forints, 62.3 % more than those of public employees. In addition to the occasionally strong power of different groups to enforce their interests (e.g. the courts, prosecutors' offices, central public administration), the difference between branch and legal status is attributed to the fact that a departure from the will of the state is more difficult in public administration. This also means that, with the exception of 1997, it was in this area that the growth index showed the least rhapsodic changes within the entirety of the budget.

Table 6.2

Increase of gross earnings in the public sector, 1992-97
(previous year = 100.0 %)

	1992	1993	1994	1995	1996	1997
Total gross increase	120.1	114.4	127.0	110.7	114.6	123.2
<i>of which</i>						
public adm.	111.9	116.0	119.1	113.4	116.6	127.4
education	122.9	112.4	131.9	107.4	111.8	123.2
health care and social work	120.4	112.6	132.4	109.2	115.4	121.1

Source: CSO

In spite of the relatively high growth rate in earnings, branch level differences in earnings did not drop in 1997. In branches and areas where earnings were high anyway (e.g. financial services and their supplementary services, mining, public administration, and chemical industry) the growth rate surpassed that of the national average, while in areas representing the bottom one third, earnings increase remained under 20 % for social services, accommodation services and hospitality, and some traditionally low earnings areas like agriculture, the textile industry, clothes and leather manufacturing were also characterised by a lower-than-average rate of increase. Earnings ratios are naturally affected by the quality of the workforce employed. (For instance, in financial activities and their supplementary services, at the top of the earnings list, most of the employees work in non-manual jobs, which, compared to an area of a different composition, raises average earnings. However, examples to the contrary can also be quoted. In education, despite the extremely high proportion of degree holders, gross earnings are 86 % of the national average, while in the financial services they were double the national average already in 1997.) For all this, the survey conducted on the basis of so-called comparative (i.e. calculated by the comparison of earnings of people holding more or less the same jobs) earnings shows a more or less identical ranking. The best-paid areas, in this case as well, include branches and areas with traditionally high earnings (e.g. mining, the energy sector, and the oil industry) with a better-than-average power to enforce their interests, and highly profitable areas (the tobacco industry, certain areas in the chemical industry, and financial services).

A common feature of all high earnings branches and areas is that, within costs, labour costs are relatively low, which not only facilitates wage negotiations in the

course of interest reconciliation, but also allows employers to demonstrate their “open-handedness”.

The majority of the low earnings areas have low profitability in the long term (e.g. agriculture and the so called light industry), labour costs constitute a high proportion within costs in general, or perhaps they are highly susceptible to slumps (e.g. accommodation services, hospitality and construction).

In terms of branch ranking, the two large and traditionally backward areas largely financed from the central budget, education, and health and social services, were characterised by a growth in the gap in 1997. While in the majority of Western European countries earnings of people working in these areas, due partly to the high proportion of degree holders, are above the national average (education), or follow it closely (health), their 1997 backlog in Hungary was 14 % and 21 %, respectively.

The earnings disadvantage of these two budget areas is likely to persist, at least in the medium term, as no significant increase in earnings is possible without an increase in criteria of efficiency. Even major restructuring and a considerable improvement in technical conditions, if they get under way at all, may only bear fruit in the longer term.

Table 6.3

Monthly average gross earnings of full-time employees in the national economy

Sectors	Relative weight in empl.*	Manual		Non manual		All employed	
		HUF	1996 =100.0	HUF	1996 =100.0	HUF	1996 =100.0
Agriculture, forestry	6.3	35 667	120.2	66 041	121.4	42 216	120.4
Mining	0.5	64 751	127.2	130 340	128.2	76 952	128.0
Manufacture	27.4	46 254	120.8	99 868	126.1	57 597	122.1
<i>Of which</i>							
Manufacture of food, beverages, tobacco	5.0	44 334	116.5	96 119	122.1	55 379	118.6
Textiles, wearing apparel, footwear, leather	5.0	32 281	122.2	70 106	122.3	36 675	121.9
Wood, paper prod., publishing and printing	2.0	46 170	123.9	92 867	129.0	58 850	125.8
Chemistry	3.3	61 618	118.1	127 520	127.2	83 269	123.0
Non- metallic mineral products	1.2	50 644	120.3	103 719	125.1	60 306	121.3
Metals, metal products	2.9	50 930	121.5	93 306	125.1	59 378	122.1
Machinery	7.1	50 477	122.5	100 551	127.4	61 312	122.3
Furniture, recycling	0.9	34 566	122.5	68 218	122.7	40 664	122.6
Electricity, gas, steam and water supply	3.3	61 586	120.8	107 484	119.9	75 729	121.1
Construction	3.6	37 174	118.9	80 924	125.7	46 884	122.1
Wholesale, retail trade, repair	7.9	34 502	117.8	81 262	121.2	53 733	118.2
Hotels and restaurants, catering	2.4	30 560	117.0	66 337	121.0	41 012	116.3
Transport, storage, post and commun.	9.0	49 879	119.7	84 329	124.8	63 288	122.9
Finance, business services	2.5	65 962	138.6	115 222	127.5	114 083	128.5
Real estate, renting and business support	4.0	36 083	114.2	88 999	123.2	61 146	118.2
Public administration, mandatory social insurance	11.3	41 341	122.9	82 634	127.9	65 329	127.4
Education	9.8	28 262	121.3	54 448	122.1	49 460	123.0
Health-care and social welfare	9.2	32 264	121.4	51 704	120.1	45 376	120.9

<i>Of which:</i>							
Health	6.7	34 128	123.0	54 049	120.5	48 176	121.5
Social provision	2.3	27 705	118.1	39 863	118.2	34 721	118.7
Other communal, public and personal services	2.8	38 670	116.3	71 432	113.7	54 533	113.9
All	100.0	42 419	120.2	77 202	123.9	57 270	122.3

* Number of employed persons in the given sector, compared to the whole statistically observed population.

Source: CSO

The size of the economic unit is not necessarily in itself a factor affecting earnings, although it may be said in general that levels of earnings in businesses employing a smaller number of people fall behind those of the average even within the sector concerned. In the increasing earnings level and dynamics of 20+ economic units, organisational size manifests itself in a powerful way.

Table 6.4

Main data of the labour-statistic by staff categories 1997

	Staff categories			
	11-20 pers.	21-50 pers.	51-300 pers.	300+ pers.
Number of active economic organisations				
31 Dec. 1996	10,774	7,855	5,718	1,319
31 Dec. 1997	10,918	7,843	5,584	1,196
Number of employees				
Thousand persons	140.8	197.1	558.9	1,612.0
Previous year = 100.0	109.0	97.2	102.5	97.0
<i>Of which:</i>				
Manual				
Thousand persons	96.3	138.1	373.3	845.3
Previous year = 100.0	109.5	99.2	101.5	96.0
Non manual				
Thousand persons	44.5	59.0	185.6	766.7
Previous year = 100.0	108.0	92.8	104.5	98.1
Monthly gross average earnings of full-time employees				
HUF	40,474	45,729	57,135	60,100
Previous year = 100.	112.2	113.4	125.3	123.2
<i>Of which:</i>				
Manual				
HUF	29,780	33,050	39,887	46,461
Previous year = 100.0	119.0	113.2	120.5	121.6
Non manual				
HUF	63,695	75,024	91,388	74,696
Previous year = 100.0	107.4	116.7	128.6	123.7

The highest gross average earnings in 1997 were reached in economic organisations employing more than 300 persons (60,100 forints, 23.2 % up on the previous year). White-collar workers, however, reached considerably higher gross average earnings (91,400 forints, at a dynamics of 28.6 %) in organisations of 51 to 300 persons. It is a fact that medium-size companies are willing to pay higher-than-average salaries to professionals who are responsible for fewer people, but

who take more individual responsibility than those in managerial positions in large companies. However, considering earnings in this category, it is not immaterial that the smaller banks and insurance companies where average earnings are extremely high also belong to this size category.

Naturally, individual earnings depend on a large number of factors. Of these, however, we only have room to mention two which have become more accentuated in recent years and which are intertwined.

The first of these is the rapid growth in the advantage in earnings of non-manual workers, which was particularly intensive in 1997, when earnings of intellectuals

increased by 23.9 % compared to the earnings of manual workers, and the ratio between gross earnings changed to 1:1.8. Considering that the average of earnings among intellectuals is lowered significantly by education and health, if we are to examine the competitive sector, we find even greater differences: dynamics of 19.6 % and 24.5 % at a ratio of 1:2.1. There are a number of factors that have contributed to the rapid shift in earnings-related differences between the two categories, from Western-level earnings of a narrow band of managers, more demanding intellectual work, to the more realistic appreciation of state and family investments underlying higher qualification. We can also presume that changes in the interest assertion capacity of different groups and the counter-reaction to egalitarianism imposed earlier by state ideology find their reflection in the relatively radical changes over the past years. (According to the so-called individual earnings survey of the Ministry of Labour, the average earnings of HUF102,000 of miners was almost 4 thousand forints below that of engineers in general. We hardly need to remind the reader that 10 years ago this ratio would have been completely different.)

In close conjunction with the above, the largest shift in Hungarian earnings has occurred by level of schooling/vocational qualification. In the competitive sector, earnings in 1997 of university graduates were 4.2 times more than that of persons with primary education only, while this ratio was 3.4 in 1993. The earnings advantage of college graduates is 2.9, and of technicians nearly twofold. The backlog of the public sector is significant at all levels of qualification, and it increases as we advance in the educational hierarchy.

Table 6.5Gross monthly average earnings by education, 1997*HUF*

Educational qualification	Competitive sector	Public sector	Together
Primary education or less	41 041	30 967	38 156
Apprentice/vocational school	47 477	37 742	46 271
Vocational secondary school	63 077	46 398	57 716
Secondary school	62 953	47 786	57 013
High-school for technicians	80 686	59 495	77 654
College	117 814	61 835	79 208
University	172 348	93 287	126 506
All	60 579	52 478	58 022

Source: Ministry of Labour

In manual work, qualifications required for the job also affect earnings significantly. In 1997, gross earnings of so-called master-skilled workers, at the top of the hierarchy, exceeded more than 2.5 times those of unskilled workers.

To summarise:

- The 1997 rate of increase in gross earnings in the competitive sector was near the ceiling recommended by the Interest Reconciliation Council, and it was

even higher in the case of the budget. As a result, the level of earnings in the two areas came as near as they had gone apart in the previous year.

- Changes in tax brackets resulted in an increase in net earnings that surpassed gross figures; an increase of nearly 5 % in real earnings. The 1997 growth rate was due in part to the delay to 1997 of non-regular elements of earnings, and that the extension of the social security base redirected further elements of income into earnings.
- Amidst a relatively high growth rate in earnings, differences in earnings between businesses, branches and areas also increased. In addition to differences in the power to enforce interests, an increasingly important factor contributing to the difference is the proportion of labour costs among total costs.
- The earnings advantage of those in non-manual jobs continued to grow, increased further, as far as net earnings are considered, by changes in tax brackets which primarily affected those with higher earnings only. The earnings-related appreciation of higher levels of schooling also continued to improve, while in budget areas (mainly in education) the relative shortfall in the earnings of graduates continued to grow.

7. **LABOUR COSTS***

With the international flow of capital and of labour, describing key directions of this flow and revealing motives and internal relationships have become increasingly important. Individual countries have naturally claimed to influence these processes using the instruments available to them, and in accordance with internal movements of capital and the labour market. By the late 1990s, tracing movements in the labour market and revealing general and specific information concerning the level and structure of costs relating to the employment of the workforce have become widespread phenomena in the European Union as well as in the transition economies.

Subsumed under the term 'labour costs' are all such costs incurred by the employer which are related to the employment of the workforce. "Costs" are in all cases costs on the part of the employer (occasionally an obligation to settle). From a statistical point of view, subsumed under the concept of 'labour costs' are all remuneration for work, payments made for periods of leave, bonuses, incentives, overtime payment, payments in kind, luncheon vouchers, housing support, training costs, social and other benefits, travel costs to and from work, the cost of working garments, costs related to recruitment, social security contributions paid by the employer, and other tax-type payments and credited support related to wages.

In Hungary, costs involving labour were investigated in 1992 and 1996 in their entirety. In businesses of the competitive sector with more than 20 employees, in 1996 the cost of an average employee was 1,041 thousand forints for the year. In addition to the monthly average of approximately 50 thousand forints payable, the employer paid another 75 forints for every hundred forints as the cost of employment. Thus employing an average employee cost the employer 87 thousand forints per month, compared to the labour cost of 39,590 forints in 1992. Therefore, work-related costs employers have to incur increased by a factor of 2.2 over four years, which is identical with the rise in consumer prices. As a result, the forint real cost of labour remained unchanged, a favourable situation from the point of view of competitiveness.

* Author: Ms E Lindner Eperjesi (CSO)

Table 7.1**Labour Costs in 1996**

code	Industry		Monthly labour cost		Monthly labour cost	
	denomination		HUF/pers	1992=100%	USD/pers	1992=100%
	10	Mining of coal	96 774	200.0	634.3	103.5
	13	Mining of metal ores	119 106	209.6	780.7	108.5
	14	Other mining	98 233	240.0	643.9	124.3
C	10-14	Mining	111 506	217.3	730.9	112.5
	15	Manufacture of food products and beverages	79 362	223.1	520.2	115.5
	16	Manufacture of tobacco products	136 833	202.3	896.9	104.7
	15,16	Man. of food, beverages and tobacco products	80 401	222.2	527.0	115.1
	17	Manufacture of textiles	54 946	201.6	360.1	104.4
	18	Manufacture of wearing apparel, dressing and dyeing of fur	46 380	198.9	304.0	103.0
	19	Tanning and dressing of leather, etc.	47 597	206.7	312.0	107.1
	17-19	Manufacture of textiles, wearing apparel, leather etc.	49 445	200.4	324.1	103.8
	20	Manufacture of wood	59 743	208.9	391.6	108.2
	21	Manufacture of paper and paper products	102 133	227.0	669.4	117.6
	22	Printing and publishing	93 876	196.2	615.3	101.6
	20-22	Manufacture of wood, paper and printing products	82 681	206.8	541.9	107.1
	23	Man. of coke and refined petroleum products	..	..	..	..
	24	Manufacture of chemicals and chemical products	122 377	264.0	802.1	136.7
	25	Manufacture of rubber and plastic products	80 827	205.9	529.8	106.6
	23-25	Chemical industry	121 147	240.4	794.0	124.5
	26	Man. of other non-metallic mineral products	83 828	225.1	549.4	116.5
	27	Metallurgy	100 153	248.9	656.4	128.9
	28	Manufacture of fabricated metal products	72 924	203.7	478.0	105.5
	27,28	Metallurgy, manufacture of metal products	84 573	224.2	554.3	116.1
	29	Manufacture of machinery and equipment n.e.c.	80 640	211.8	528.5	109.7
	30	Man. of office machinery	79 715	175.9	522.5	91.1
	31	Man. of electrical machinery and apparatus n.e.c.	89 124	205.5	584.2	106.4
	32	Man. of radio, TV and comm. equipment	80 014	223.3	524.4	115.6
	33	Man. of medical, precision and optical instr., clocks	82 527	213.8	540.9	110.7
	34	Man. of motor vehicles, trailers and semi-trailers	97 368	256.2	638.2	132.7
	35	Manufacture of other transport equipment	112 412	298.7	736.8	154.7
	29-35	Machine industry	85 936	221.5	563.3	114.7
	36	Manufacture of furniture, manufacturing n.e.c.	55 082	198.3	361.0	102.7
	36,37	Other manufacture	55 926	201.0	366.6	104.1
D	15-37	Manufacturing	81 310	221.8	532.9	114.8
	40	Electricity, gas, steam and hot water supply	122 323	243.3	801.8	126.0
	41	Water production, management and distribution	81 924	220.3	537.0	114.1
E	40-41	Electricity, gas, steam and hot water supply	111 222	244.4	729.0	126.5
C-E		Industry	85 486	224.2	560.3	116.1
F	45	Construction	71 364	194.6	467.7	100.7
	50	Sales, maintenance/ repair of motor vehicles etc.	89 192	274.4	584.6	142.1
	51	Wholesale trade	105 958	211.2	694.5	109.4
	52	Retail trade	61 286	187.1	401.7	96.9
G	50-52	Wholesale and retail trade, etc.	77 002	198.7	504.7	102.9
H	55	Hotels and restaurants	66 159	209.9	433.6	108.7
	60	Land transport and transport via pipeline	82 305	212.8	539.5	110.2
	61	Water transport	84 276	245.2	552.4	127.0
	62	Air transport	..	..	..	..
	60-62	Transport	85 295	216.3	559.1	112.0
	63	Supporting and auxiliary transporting activities	81 932	187.5	537.0	97.1
	64	Post and telecommunications	97 868	243.1	641.5	125.9
I	60-64	Transport, storage and communication	88 180	221.6	578.0	114.8
	65	Financial intermediation	165 424	233.5	1084.2	120.9
	66	Insurance and pension funding	139 875	176.1	916.8	91.2
	67	Activities auxiliary to financial intermediation	238 357	289.0	1562.3	149.7
J	65-67	Financial intermediation	155 151	212.4	1016.9	110.0
K	70-74	Real estate, renting and business activities	86 429	191.5	566.5	99.1
C-K		Industries under scrutiny, total	86 763	219.2	568.7	113.5

Source: Average yearly exchange rate of the Hungarian National Bank in 1992 79 HUF to the USD; in 1996 152,57HUF to the USD.

Labour costs show a rather wide spectrum by the branch or area of economy, hovering in the 192 thousand forint band. They stand out especially in the supplementary services of financial activities: an average of 238 thousand forints per employee a month, and 1,600 forints an hour. The lowest labour costs can be found in clothes manufacturing and fur finishing, at 46.4 thousand forints per month. In 1992, the labour costs of financial activities and their supplementary services were 84 % higher than those of the branches surveyed, while in 1996 their advantage dropped to 79 %.

Table 7.2

The rank of industries in Hungary by monthly labour costs, 1996

Rank order of industries by monthly labour costs	% rate of labour costs to average of surveyed industries
Financial intermediation	178.8
Mining and quarrying	128.5
Electricity, gas, steam and water supply	128.2
Transport, storage and com.	101.6
Real estate, renting and business activities	99.6
Manufacture	93.7
Wholesale and retail trade: repair of motor vehicles, motorcycles, pers. goods	88.7
Construction	82.3
Hotels and restaurants, catering	76.3

The rank of industries shows a change in that manufacture has improved its position, surpassing the repair and maintenance of vehicles and consumer goods, although labour employed in the manufacturing industries is still nearly 7 % “cheaper” than average.

In Poland, the rank of industries by labour costs is quite different from that in Hungary. The highest costs can be found in mining, which is due to high average monthly earnings, as in this industry the proportion of labour costs other than earnings and compulsory contributions is relatively low, compared especially to financial activities and their supplementary services, ranking second.

Table 7.3

The rank order of industries in Poland, by monthly labour costs, in 1996

Industries by monthly labour costs		% rate of labour costs to average of surveyed industries
C	Mining and quarrying	165.3
J	Financial intermediation	148.7
E	Electricity, gas, steam and water supply	135.2
K	Real estate, renting and business	104.8
I	Transport, storage and com.	99.1
F	Construction	89.5
D	Manufacture	89.3
G	Wholesale and retail trade: repair of motor vehicles, motorcycles, pers. goods	89.2

H	Hotels and restaurants, catering	66.0
C-K	Surveyed industries together	100.0

7.1 Labour Costs in the EU

When the competitiveness of countries and businesses is measured internationally, changes in the level of labour costs and their internal structure play an important role in wage negotiations everywhere in the world.

Historically, the road to the evolution of the concept of labour costs in market economies has led along processes of gradual liberalisation in the social security system. Along this route, pension, life, accident and health insurance, etc. have come to cover an ever wider group of people. Social security benefits, and social and welfare benefits in general, have become more widespread and have also become important motivating factors of decisions about the labour market. This means, on the one hand, that benefits of this kind are significant elements of the income of employees and, on the other hand, that costs incurred in connection with personal costs play an important role in shaping management's human resources policy. This is the reason why highly developed market economies have for decades gathered information about labour costs. Therefore, shaping and applying internationally unified measurement principles are indispensable factors to understanding labour market processes and creating the foundation for political decisions aimed at improving chances of employment. ILO formulated its recommendations on the concept and content of labour costs in 1966. In European Union countries, the level and structure of labour costs are measured every four years using highly harmonised statistical methods adopted by Hungary as well in 1992. Results of the 1996 survey are expected to be available at the end of 1998. Between two surveys, data are supplied by methods of estimation, so there are opportunities for preparing comparative annual analyses. Of the countries in transition, the Czech Republic, Poland and Hungary are expected to join the European Union soon, so these countries compete not only for foreign capital, but also for fulfilling European Union requirements as soon as possible and, primarily, in order to convert accession advantages into a competitive edge in international markets. Therefore, assessment by European standards is in their best interest.

Table 7.4

Hourly labour costs in industry*, 1996

Countries	Hourly labour cost in ECU	Hungary=1
Belgium – (B)	25.11	8.37
Germany – (Old D)	28.62	9.54
Germany – (D, new Länder)	19.51	6.50
Spain – (E)	12.96	4.32
France – (F)	22.28	7.42
Ireland – (IRL)	13.94	4.65
Luxembourg – (L)	19.97	6.66
The Netherlands – (NL)	22.25	7.42
Finland – (FIN)	20.30	6.77
Sweden – (S)	19.51	6.50
Norway – (N)	21.66	7.22
Japan – (J)	17.43	5.81
Poland – (PL)	3.00	1.00
Hungary – (H)	3.00	1.00
Czech Republic** – (CZ)	2.60	0.87

Slovakia** – (SL)	2.30	0.77
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* Industry: mining, manufacture, electricity, construction

**Manufacture.

Source: EUROSTAT, Polish CSO, Hungarian CSO, preliminary data of follow-up labour-costs.

In industry, labour costs per hour were highest in old Germany, at 9.5 times the costs in Hungary, while in the Netherlands, France and Sweden they are higher by a factor of 7. Employers in Ireland and Spain paid 4 to 5 times more for domestic labour, and in Japan 6 times more than in Hungary. Labour costs for Polish businesses are nearly identical to those in Hungary, while in the Czech Republic and Slovakia employers pay 13 % and 23 % less, respectively.

In the European Union, Spain experienced a drop in labour costs between 1992 and 1996²⁸, while in Ireland and Norway they rose modestly, though faster than in Hungary, and in Sweden slower than in Hungary. Our relative position showed no significant change. Hungary continued to be an attractive territory for Western European capital, at least in terms of human resource costs.

Table 7.5

Hourly labour costs in industry

Countries	Changes	
	growth rate 1992–1996	index 1992=100%
Belgium – (B)	4.2	118.1
Germany – (Old D)	5.5	123.7
Germany – (D, new Länder)	13.0	163.0
Spain – (E)	- 3.8	85.8
France – (F)	3.9	116.5
Ireland – (IRL)	2.2	108.9
Luxembourg – (L)	3.9	116.4
The Netherlands – (NL)	3.7	115.5
Finland – (FIN)	5.8	125.1
Sweden – (S)	0.6	102.6
Norway – (N)	2.8	111.8
Japan – (J)	1.4	105.7
Hungary – (H)	0.9	103.6

7.2 Labour costs by main components

There are usually three components considered within labour costs. The first of these is wages, or earnings, the extent of which is determined by supply and demand on the labour market and, largely, agreements between the social partners (branch and company level collective agreements). In Hungary, earnings increased by 120.2 % between 1992 and 1996, following the inflation. (As the increase in net earnings was 16 percentage points lower than that of gross earnings, the real value of employee's earnings dropped by 14 %). The proportion of earnings within the total of labour costs was virtually unchanged (56.9 % in 1992, and 57.1 % in 1996).

²⁸ Source: Labour Costs Updating 1992-1995 EUROSTAT.

The second component is mandatory taxes and contributions prescribed by the state. The costs of economic transition had to be borne partly by employees (due to the lower growth of real earnings than of consumer prices), and partly by employers, as costs of employment increased. In 1995 and 1996 there was a small decline in the extent of compulsory contributions, but the extension of the contribution base to income other than that from earnings eventually meant an increase by 121 %, i.e. slightly faster than earnings growth, in compulsory contributions. In 1996, compulsory social security contributions amounted to 29.2 % of the labour costs, as compared to 29 % in 1992, and this is regarded as rather high internationally, particularly if we are to consider that these contributions exclude additional compulsory components such as part of the sick-leave costs payable by the employer. By comparison, in the average of the 12 European Union member states, the proportion of compulsory social security costs was 15 % in 1992.

The third component is the additional burden undertaken by employers in excess of compulsory contributions, usually on a voluntary basis. The extent is determined by tradition, the size and relative financial situation of the employer, and the role played by social and welfare activities within general company policy and often, though in a limited way, influences exerted by regulations imposed by the state as well. In addition to the high level of compulsory contributions, there are a number of other benefits and cost factors where the minimum level of benefits is regulated by legislation (e.g. per diem, transport to and from work, severance pay, advance payment of prepension, and the compulsory payment of a fixed period of sickness leave by the employer, etc.). While in 1992 every 100 forints earnings had 25 forints of additional work-related expenses, the figure for 1996 was hardly lower at 24 forints. In the economic branches surveyed, the proportion of these cost components went down by 0.4 percentage points over four years to 13.7 % in 1996.

Among fringe benefits, the highest is the proportion of welfare, social and cultural costs, at 17.2 %. Among social benefits, estimated to be approximately 2,048 forints per month, luncheon vouchers represent 1,116 forints. This favourable form of benefit (for employers and employees alike) encompasses practically all full-time employees, and it is perhaps the “cheapest” item on the list of work-related income, as it is not subject to social contributions or personal income tax.

Per diem payments made for travel within the country or abroad, enjoyed by some employees only, also constitute a high per capita ratio, although they declined by 2 percentage points as compared to 1992. At the same time, position-related expenses paid by the employer showed an increase. While in 1992 such components, paid in addition to earnings and compulsory contributions, amounted to 12.4 %, by 1996 the figure rose to 15.5 %. The overwhelming majority of position-related expenses are in the area of car use and leases.

It is a positive phenomenon that the proportion of educational and training expenses and benefits paid by the employer has increased, even though we are not likely to be satisfied with the average of 640 forints per months.

Although the financial situation of the majority of businesses has remained largely unchanged, the significance of insurance undertaken voluntarily by the employer has increased in recent years. In 1996 this form of insurance, which appeared in 1992, already amounted to 4.0 % of fringe benefits.

Table 7.6Elements of labour costs beyond earnings and compulsory contributions

Element of labour costs		HUF/pers/ month	1992=100%
18.	Welfare, social, cultural expenditures	2,048	184.8
22.	Grants to trade or credit unions	102	237.2
23.	Per diem, domestic and abroad	1.732	186.8
24.	Position-specific payments	1.848	265.5
26.	Contribution to disability insurance scheme	26	118.2
27.	Benefits in kind	503	247.8
28.	Early retirement schemes	669	243.3
29.	Severance pay	522	116.0
30.	Sickness payments	891	345.3
32.	Vocational training cost	640	300.0
33.	Reimbursement of fare expenses	732	211.6
34.	Jubilee gratuities	54	83.1
35.	Voluntary insurance schemes	471	1,023.9
36.	Other expenditure	229	119.3

Compared to European Union member states, the share of direct costs within labour costs in Hungary is considerably lower. Among the countries listed, direct costs are similar in Belgium. The extent of costs related to social security is nearly the same at slightly over 90 %. One difference between the two countries is that in Hungary, other costs are also relatively high, a feature Hungary shares with Austria.

Table 7.7Composition of labour costs, 1996

Countries	%		
	Direct	Social security	Other
Costs in percentage of labour costs			
Belgium – (B)	66.7	32.8	0.5
Old Germany – (Old D)	75.4	22.5	2.1
New Germany – (New D)	76.6	20.6	2.8
Ireland – (IRL)	82.7	14.4	2.9
Luxembourg – (L)	85.1	14.3	0.6
The Netherlands – (NL)	75.6	21.9	2.5
Austria – (A)	75.0	18.3	6.7
Finland – (FIN)	73.6	23.6	2.8
Sweden – (S)	71.5	28.5	-
Norway – (N)	84.3	15.7	-
USA	77.7	22.3	-
Hungary – (H)	62.2	31.4	6.4

8. EMPLOYMENT CAPACITY OF AGRICULTURE*

8.1 Major changes affecting employment

In 1997, the number of people employed in agriculture showed another slight drop (by 14.6 thousand). In 1996, the decline in numbers, which was quite drastic initially and slowed down later, appeared to stop, and the CSO labour survey indicated a modest growth by 7.3 thousand. However, growth did not prove to be permanent. The inevitable decline along the route of socio-economic changes in the number and proportion of those employed in agriculture appears to continue. This process, observed in Hungary since the turn of the century, has accelerated since the early 1990s, albeit showing a slight lag compared to the developed industrial economies, as the aftermath of deep-ranging ownership/structural transformation in agriculture.

By the mid-1990s, the process of transition had largely though not completely been finished. The extent and composition of employment in agriculture are expected to be affected in the forthcoming years primarily by the date of accession to the European Union, and the conditions thereof.

The number of economic units in agriculture showed an increase, just like in other areas nation-wide. The number of organisations in operation in 1996 was 2 thousand larger, and in 1997 6 thousand larger than in the previous year.

By the end of 1997, CSO registered 38,149 active economic units in agriculture *{The number of economic organisations. 1/1998.CSO}*. A smaller proportion of them were incorporated organisations (1,915 co-operatives, 4,136 limited liability companies, and 204 shareholders' companies). The overwhelming majority of businesses (72 %) were private farmers (27,427 persons). (We should note that 54 % of those operating private farms do so full time, 26 % part time, and 20 % beside their pension.) However, those registered are likely to be only half, or perhaps even fewer, of the active registered independent farmers. (The difference was indicated by the micro-census of 1996, according to which there were roughly 57 thousand private entrepreneurs in agriculture.) The reason for the discrepancy is that private farmers are not obliged by law to register their activity.

Out of the 4,431 mixed-ownership economic organisations in 1994, 215 (4.8 %) were created in agriculture, while the respective figures in 1995, 1996, and 1997 were 103 out of 3,720 (2.7%), 107 out of 4,088 (2.6 %), and 111 out of 4,396 (2.5 %).

The relative stability of the organisational structure is confirmed by recent figures of employment and unemployment as well.

8.2 Employment in agriculture

a.) According to the Labour Accounts

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Labour Accounts provide a partial overview based on the relevant domestic regulations of the employment situation of agriculture as a whole (including hunting, fishing and forestry).

Table 8.1Employment in agriculture and forestry, 1988-1997

Year, 1 Jan	Employed (000)	Change over previous year		Index 1988=100
		pers.	%	
1988	1,028.0			
1989	986.1	- 41.9	4.1	95.9
1990	955.0	- 31.1	3.2	92.8
1991	835.4	- 119.6	12.5	81.2
1992	647.7	- 187.7	22.5	62.9
1993*	432.8	- 216.4	33.4	42.1
1994*	371.8	- 61.0	14.1	36.1
1995*	348.2	- 23.6	6.3	33.9
1996*	326.5	- 21.7	6.2	31.8
1997*	338.3	+ 11.8	3.6	32.9

* According to the standard international classification.

Source: Labour Accounts, CSO

The overwhelming majority of those working in agriculture full time (91.6 %) are active wage earners²⁹, just like in the whole of the economy. The number of those who work beside their pensions is already negligible; at the same time, the number of those working beside enjoying child care benefit has grown.

Table 8.2Employment in agriculture, 1991-1997

Year 1 Jan	employed 000 pers.	<i>Of which:</i>			
		active earners		employed pensioners	on parental leave
		in % of employed	000 pers.		
1991	835.4	752.2	90.0	57.5	25.7
1992	647.7	588.9	90.9	35.1	23.7
1993	431.3	391.9	90.9	19.2	20.2
1993*	432.8	.	.	.	.
1994*	371.8	344.8	92.7	12.6	14.4
1995*	348.2	323.8	92.9	10.2	14.2
1996*	326.5	298.3	91.4	8.3	19.9
1997*	338.3	309.9	91.6	7.1	21.3

* According to the standard international classification.

Source: Labour Accounts, CSO

²⁹ Hungarian statistics still use the „active earner” category including, essentially, those who qualify as persons of working age (i.e. active persons) under the Hungarian legislation and, moreover, those past working age who go on working but not as pensioners. (I.e., the working pensioners do not qualify as active earners.) The term is used less and less, being replaced gradually by the category of „the employed”. However, the 1990 census used as a key concept the term „active earner” and hence the micro-census also used it as its reference base.

b.) According to LFS

Surveys conducted in agriculture since 1992 have recorded the following employment figures.

Table 8.3Number and % ratio in the economy of persons employed in agriculture

	1992	1993	1994	1995	1996	1997
Nr. of employed, 000	460.1	349.4	327.6	295.1	302.4	287.8
As % of the economy	11.3	9.1	8.7	8.0	8.3	7.9

Source: Labour Force Survey, CSO

According to the 1996 survey, 139.6 thousand, while in 1997 141.9 thousand of those employed belonged to the agriculture and forestry heading, so the majority included non-agricultural persons (e.g. accountants, drivers, veterinaries, purchasers etc.) working in it.

8.3 Unemployment in agriculture

Following the extremely heavy losses in workforce in the first half of the 1990s, the number of those laid off in agriculture has declined significantly since 1995. However, the number of newly registered persons, employed originally in agriculture still showed an increase from 73.8 thousand in 1995 to 83.6 thousand in 1996 to 88.9 thousand in 1997.

As surveyed agricultural losses in the workforce were under 22 thousand already in 1995, and in 1996 there was a modest increase in employment (just under 12 thousand), we can assume that the overwhelming majority of those registered became unemployed only temporarily (seasonally).

The figures of the National Centre for Labour Methodology reflect seasonal effects clear: nearly 50 % of those who became unemployed in agriculture are registered in the winter months (42 % in 1994, 47 % in 1995, almost 40 % in 1996, and almost 47 % in 1997).

Table 8.4Newly registered unemployed from agriculture, 1995-1997

Months	1995		1996		1997	
	pers.	%	pers.	%	pers.	%
Jan	11,004		10,209		14,243	
Febr.	6 544	23.8	7,071	20.7	9,650	26.9
March	4 904		5,681		6,905	
April.	5 089		5,055		6,043	
May.	4 406		6,415		5,728	
June.	4 607		6,844		6,264	
July	5 374		6,923		5,631	
August	4 214		6,006		5,200	
Sept.	5 064		7,003		5,774	
Oct.	5 045		6,912		5,746	
Nov.	8 059		6,854		8,409	
Dec.	9 455	23.7	8,582	18.5	9,300	19.9
All:	73,767	100.0	83,555	100.0	88 893	100.0

Source: NCLM, monthly reports

The CSO Labour Account shows a gradual decline in agricultural unemployment. In the last quarter of 1997, 25.6 thousand of the 15 to 74 age group were classified as unemployed in agriculture, 4.7 thousand less than in the same period in 1996 (30.3 thousand).

8.4 Undeclared employment in agriculture

It has long been known that agriculture employs significantly more people than the number of registered employed there, supplementing their income or saving some money of their outlay on household consumption.

Compared to the figures provided above, the 1996 CSO micro-census sheds new light on employment in agriculture.

Regular statistical data can provide only a limited picture about agricultural employment and its real role in employment, as this branch of the economy is by definition one in which there are a large number of activities that cannot be included in statistical surveys by conventional methods.

The multi-faceted surveys conducted on the basis of the relatively large (2 %) sample of the 1 April 1996 micro-census projected a good overview about changes (among them, about the employment capacity of agriculture) since the last census in 1990. The census, and, for the sake of comparability, the micro-census as well, primarily measured the employment level of (active) wage earners by Hungarian legislation. At the same time, the micro-census provides a comprehensive picture of certain criteria of those employed in agriculture part time, as well as about the activities of the inactives, the unemployed and the dependents.

Key data of the micro-census largely support the tendencies and basic relationships known from other sources but, on the grounds of the difference in their nature, they cannot be interconnected directly. Here, we place emphasis on information that supports and expands the findings outlined above.

8.4.1 Active earners

A few additional figures on active earners:

For several decades, the age composition of active earners in agriculture was significantly more unfavourable than the national average. As a result of new opportunities taken instead of layoffs, such as early retirement, prepension, and, in part, disability pension, the age structure of agriculture has shifted in the direction of the younger and the medium age groups. In 1980, more than a quarter of active earners in agriculture were over 50 years of age, while this ratio was only slightly more than one sixth in 1996.

At the same time, the disappearance of the elderly and the appearance of more highly trained young people has also improved the level of schooling. In the 1980s, and as late as 1990 as well, the tendency was that an

overwhelming majority of agricultural workers' maximum level of schooling was 8 years of primary school. By 1996, the majority of workers were of a higher level of schooling.

The structural changes indicated, and the shift in the structure of ownership have significantly changed employment conditions as well. In 1990, an overwhelming majority of active agricultural earners (92 %) worked as employees or as members of co-operatives in state-owned businesses or in co-operatives; the 1996 figure was 46 %. The majority become self-employed entrepreneurs.

The decades-long decline in the number of those who work in agriculture as their main activity continued, the relevant figures being 273 thousand in 1980 and 181 thousand in 1990, and 123 thousand in 1996. Their proportion (to the entirety of active earners) was low already in 1980 (5.4 %), and it dropped to 4 % in 1990, and then to 3.5 % in 1996. At the same time, the number of those who do not work in agriculture directly, primarily of workers in industry and construction, machine operators, assemblers, drivers, and unskilled workers, is high. (However, there is a smaller number of people, 8 thousand in all, who conduct agricultural activities in a branch of the economy other than agriculture itself.)

Changes in the structure of agriculture find their clear reflection in the shift in the composition of jobs. The comparison is based on the combined major groups described in FEOR-93. These major groups are indicated by numbers as well, serving as points of reference later on.

Table 8.5

Active earners in agriculture by major groups, %, 1980-1996

Year	Total	(1)*	(2-4)	(5)	(6)	(7)	(8)	(9)
1980	100,0	5.7	8.1	1.6	27.1	17.6	15.7	24.3
1990	100,0	7.1	10.5	2.2	24.1	23.3	18.8	14.0
1996	100,0	4.9	10.4	1.2	41.1	14.9	15.4	12.0

* Major groups: 1=Legislators, senior officials and managers; 2=Professionals; 3=Technicians and associate professionals; 4=Clerks; 5=Service workers and shop and market sales workers; 6=Skilled agricultural and forestry workers; 7=Craft and related workers; 8=Plant and machine operators and assemblers; 9=Elementary occupations

The proportions indicate clearly that the employment structure of agriculture was shaped in largely different directions before and after the transition. In the 1980s, mainly at the beginning and the middle of the decade, directing and operating the large number of so called subsidiary enterprises in agricultural organisations necessarily required an increase in the number and proportion of people who were engaged in tasks other than their main activity. The separation and termination of these branches, partly in 1988-9 and mainly in 1990 and in subsequent years, meant that a large part of those who worked in a branch other than agriculture got separated from the area.

The most explicit indicator of the effects of structural changes is the fact that, between 1990 and 1996, the proportion of workers in industry and construction related activities fell by almost a third, by 8 percentage points. Concurrently, the number of those working in the service also declined by almost 50 %. At the same time, the proportion of those involved in the main activity, i.e. agriculture and forestry, took a quantum leap, 17 %, significantly surpassing even the 1980 level, by 14 percentage points. Thus there came a significant purifying process, which, as will be clear from the following, is still continuing.

In addition to agricultural jobs proper (FEOR-93, major group 6), a major part of activities classified elsewhere are also connected to agriculture; primarily in the case of managers directing and organising work (almost 9 thousand persons), highly qualified agricultural intellectuals (more than 7 thousand agricultural, forestry and nature conservation and environmental engineers, and 3 thousand technicians); plus 22 thousand drivers (machine operators) and approximately 16 thousand unskilled workers.

In all, then, there are 179 thousand active earners employed in agricultural jobs in the strict sense of the word, plus to activities more or less related professionally to agriculture, independently of their sectorial classification (somewhat more than 5 % of all active wage earners).

In terms of employment type, the overwhelming majority of managers, highly qualified agricultural professionals and technicians work in one of the larger agricultural businesses as employees or members of co-operatives. However, self-employed entrepreneurs already constitute the majority among agricultural workers in the strict sense of the word. Nearly half of the self-employed are independent farmers (usually without any employees), or their family members helping them with their work. The self-employed constitute the overwhelming majority among those who define themselves as “general agricultural workers”. The majority of power machine drivers and operators are employees, and so are unskilled workers, and 75 % of forestry workers, as numerous forestry companies are still owned by the state.

8.4.2 Supplementary activities

The number of those who do agricultural work as a second occupation in addition to their non-agricultural main job is many times the number of those working in agriculture full time. At the time of the 1996 micro-census, 1 million 108 thousand active earners indicated (by extrapolated data) that they did agricultural work as a second job for some time (including work on the family farm). The majority of them spent only little time on such work. Nearly 17 % of them, however, worked in agriculture for a large part of the year (a minimum of 90 working days). (Of active earners, 113 thousand persons worked 90 to 179 days, and 76 thousand persons 180 days or more).

Combined with those working in agriculture full time, their proportion was 10 % of all active earners.

Out of the 2.9 million employed active earners, the number of second job holders in agriculture came near to a million (955 thousand persons, or 33 %). This means that practically one in three persons employed conduct one kind of agricultural activity or another in addition to their main jobs. Within this sphere, the number of those who worked 90 working days or more was over 150 thousand.

By types of town, the number of second job holders in agriculture in Budapest is negligible, while it is more significant in other cities. In small towns (particularly in villages of less than 5,000 people), the majority of active earners conducted this type of activity.

In addition to active earners, participation in agricultural work by non-active persons is significant. Of the more than 5 million aged 14+ non-active population, nearly 1.7 million worked in agriculture in the year before the micro-census. By definition, this sphere includes those on parental leave, the unemployed, pensioners, other inactive earners and dependents as well.

Table 8.6

Population above age 14, working more than 90 days/year in agriculture, by labour-market status and by gender, 1996

Labour-market status	Population above age 14 Total	Of which: agriculture activity (by days)			90-X day activity as % of 14+ pop.
		90-179	180-X	90-X, all	
Active earner	3 484 825	113 092	75 311	188 403	5.4
On parental leave	316 268	8 035	4 542	12 577	4.0
Unemployed	484 370	28 432	13 210	41 642	8.8
Pensioner	2 687 957	148 773	87 239	236 012	8.8
Pensioner as family member	175 773	8 561	3 491	12 052	6.9
Other inactive	138 384	8 922	4 082	13 004	9.4
Dependent	1 215 147	27 211	12 670	39 881	3.3
All	8 502 724	343 026	200 545	543 571	6.4
Male					
Active earner	1 936 813	68 581	58 726	127 307	6.6
On parental leave	3 095	151	83	234	7.5
Unemployed	308 623	17 977	9 604	27 581	8.9
Pensioner	1 138 747	76 311	47 325	123 636	10.8
Pensioner as family member	6 705	384	143	527	7.9
Other inactive	74 460	4 780	2 165	6 945	9.3
Dependent	541 239	8 839	4 058	12 897	2.4
All	4 009 682	177 023	122 104	299 127	7.5
Female					
Active earner	1 548 012	44 511	16 585	61 096	3.9
On parental leave	313 173	7 884	4 459	12 343	3.9
Unemployed	175 747	10 455	3 606	14 061	8.0
Pensioner	1 549 210	72 462	39 914	112 376	7.3
Pensioner as family member	169 068	8 177	3 348	11 525	6.8
Other inactive	63 924	4 142	1 917	6 059	9.5
Dependent	673 908	18 372	8 612	26 984	4.0

All	4 493 042	166 003	78 441	244 444	5.4
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Therefore, in the one-year period preceding the micro-census there were more than half a million persons working at least 90 days in agriculture as a second activity; of them, 355 thousand were not classified as active earners.

Agricultural activity among the unemployed is worth extra attention, as there appears to be an unequivocal connection between the period of seeking work and participation in supplementary agricultural activity. The longer a person seeks employment, the more likely he/she is to be involved in supplementary agricultural activity. More than one in three persons seeking employment for less than six months, and nearly half of those seeking employment for over two years participate in such activity. Causal relation is, naturally, a matter of discussion: those who are able to utilize supplementary agricultural activity to a greater extent may be forced to seek employment less, but it is equally possible that they work more in agriculture because of the long term lack of work opportunities.

Out of those who are not classified as active earners working in agriculture as a supplementary activity for a minimum of 90 days,

12.6 thousand persons	were on parental leave enjoying a benefit
41.6 thousand persons	were unemployed
248.1 thousand persons	were pensioners
13.0 thousand persons	were other inactive, and
39,9 thousand persons	were dependents.

By including all the items above, we can create “the total number of working population”, to include active earners at the time of the 1996 micro-census, and those working in agriculture for at least 90 working days in the year preceding the micro-census (1 April 1995 to 31 March 1996). That number is 3 million 840 thousand, which is 355 thousand higher than the number of those officially classified as active earners. From this it becomes obvious that a relatively large proportion of those who became redundant as a result of economic transition or were forced to take retirement found opportunities for subsistence in supplementary agricultural activity. It a natural phenomenon that income from this activity chiefly helped those in small villages or those with a family background in the villages with their living.

The overwhelming majority of non-active population working in agriculture were pensioners, with a roughly even distribution between the two sexes. The majority of those working at least 90 days are 55 to 69 years old, while over 70s, even if they do, work less. (We should note that there were nearly half a million people working in agriculture for less than 90 but more than 30 days.)

In summary, we can establish that in the one-year period prior to the micro-census there were 2.8 million people aged 14+ in Hungary who did

agricultural work. Within this wide circle, the number of those who worked 90 days or more in agriculture was significant, more than half a million.

EXPLANATIONS OF TERMS

The Report uses the main terms of employment and unemployment (as defined by the ILO) according to the interpretation of the Labour Account and the Labour Force Survey of the Central Statistical Office and those concerning registered unemployment according to that of the National Labour Centre.

Many terms are explained in detail upon their first occurrence in the main text.

In what follows, we shall provide a definition of the essential general terms only.

CSO's conceptual framework

Labour Account terminology

Labour supply: working-age population plus active earners under or over working age, and pensioners over working age in employment.

Working-age population: men aged 15 to 59, women aged 15-54 up to 1996 and 15-55 in 1997.

Active earner beyond working age: 14-year-old earners, male earners aged 60 or more and female earners aged 55 or more up to 1996 and 56 or more from 1997 on.

Economically active population: aggregate of persons in employment and registered unemployed.

Person in employment (the employed): active earners and working pensioners. Up to 1997, Hungarian labour statistics included persons receiving child-care fee or aid among the employed.

Economically inactive population: persons outside the scope of the economically active population.

Labour Force Survey terminology

1997 data on the employed and the economically active in the Labour Force Survey differ from those released earlier since, in accordance with the international recommendations, persons receiving child-care aid/fee qualify as inactive as from 1 January 1997 and hence are excluded from among those in employment. This change affects the rates of activity and unemployment as well.

A person in employment is someone having performed a minimum of one hour of income-generating activity in the survey week or had a job from which he/she was temporarily absent (for reason of sickness, leave, conscription, etc.)

An unemployed person is someone having performed no earning activity in the survey week and having had no job from which he/she was temporarily absent; who could

have taken up work in the four preceding weeks, had he/she found an appropriate job or who had already found a job where he/she would start work within thirty days.

Economically active: the employed and the unemployed, i.e. the so-called ‘available labour supply’.

Economically inactive : a person who cannot be assigned to the category of the economically active.

Passive unemployed: those among the economically inactive who would be willing to work and are ready to start work within a period of two weeks, could a job be found, but who do not look for a job, deeming job search hopeless.

Activity rate: Percentage rate of the economically active to the total population of the corresponding age group.

Unemployment rate: percentage rate of the unemployed to the economically active 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’s contribution, and earnings elements paid under other titles (wage supplement, supplementary salary, bonus, reward, 13th and further month payments).

Net average earnings: indicator based on gross average earning after the deduction of the employee’s contribution, income tax rates, health insurance and pension contributions, calculated in view of the contribution threshold established for the given year

Business organisations

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.

Active business organisation: enterprise having filed tax returns in the year concerned or in the previous year (corporation tax, VAT etc.) or established in the given year. *Registered budgetary and social insurance, non profit and ESOP organisations qualify as active irrespective of their taxation performance.*

Sole proprietors (individual entrepreneurs) include, in addition to those within the jurisdiction of the Act on Sole Proprietorships, private persons carrying out professional business activity and possessing a tax identification number (e.g. freelance intellectuals).

Terminology of the National Centre for Labour Methodology (NCLM)

Registered unemployed: persons seeking a job/work/self-employment who have no employment, are not pensioners/students/beneficiaries of employment promotion subsidies (retraining, public benefit works etc.) and are ready to work, i.e. to fill a vacancy 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 secondary school, vocational secondary school, college or university studies, under 25 years of age – or under 30 for graduates –, meeting the criteria of establishing a legal employment relation but having no job and registered as unemployed by the labour exchange office of the county (capital) labour centre.

Number of unemployment benefits recipients: unemployed persons receiving unemployment benefits and persons still receiving unemployment benefits for school-leavers.

Unemployment benefits: allowance due to unemployed persons having fulfilled their contribution payment obligation for a minimum of 360 days within a period of four years prior to unemployment, not entitled to pension, whom the competent labour centre cannot refer to an appropriate job and who co-operate with the labour centre or its local office in the interest of their own placement. (The amount and duration of the benefit is defined under the Employment Act.)

Unemployment benefit for school-leavers: terminated on 1 July 1996 and allocated thereafter to those unemployed only whose unemployment benefit for school-leavers was approved prior to that date.

Unemployment rate: base month number of the unemployed as percentage of the economically active population (employees + registered unemployed) on 1 January the previous year (considered a source index by the Labour Account of CSO as well).

Employment promotion subsidies ("active" employment policy measures)

Number of participants in 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 security insurance (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 public workers: actual number of formerly unemployed people in employment at non-profit organisations to perform public works for the population or the settlement in the period under scrutiny.

Number of beneficiaries of part-time employment subsidies: employers unable to employ their employees or part of them full time owing to their employment difficulties and benefiting of subsidies to promote that in the period under scrutiny (partial compensation for earnings losses) and number of employees in part-time employment in the given period with the help of the subsidy in question.

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.

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