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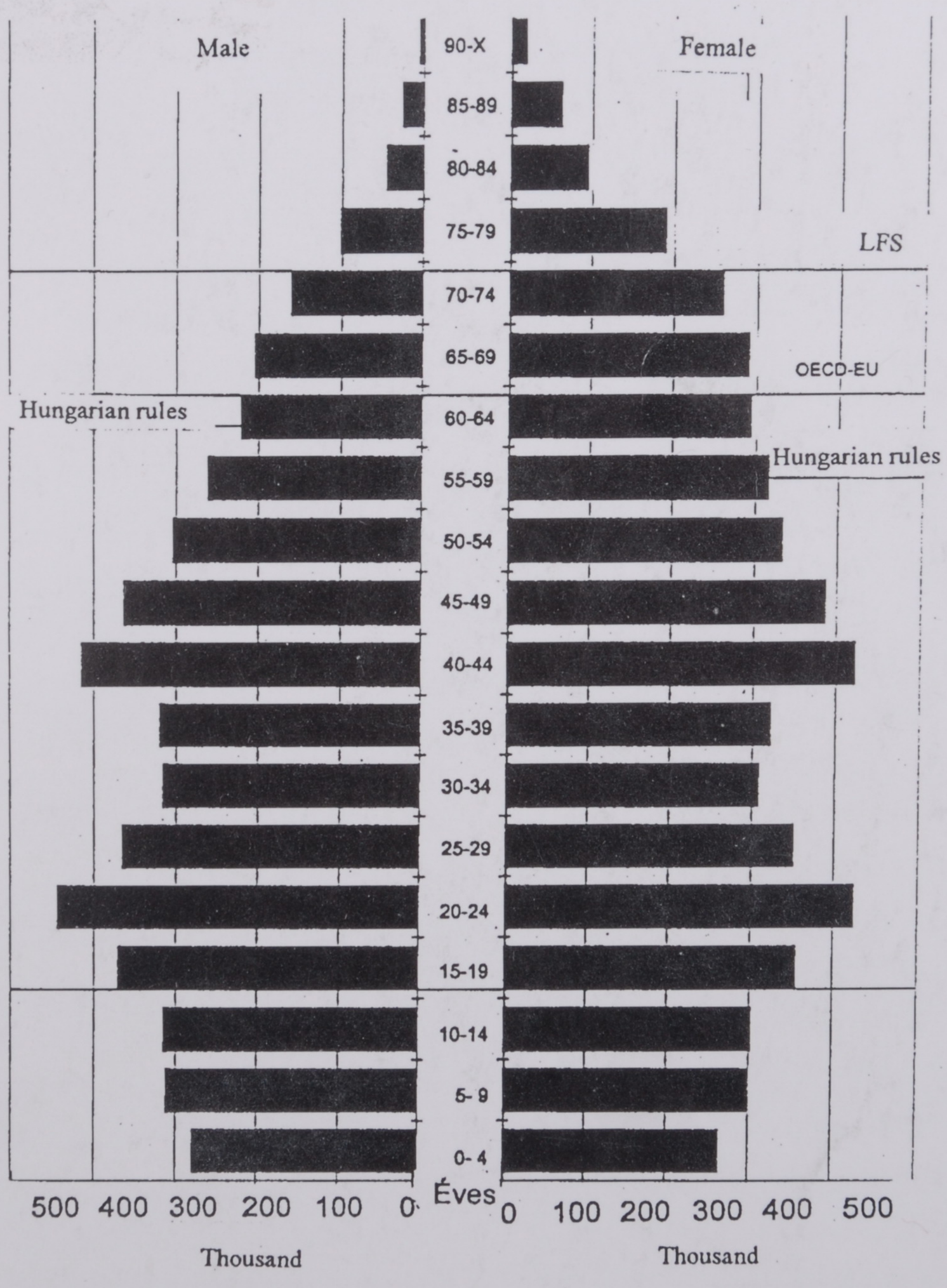
YEARLY REPORT ON THE LABOUR MARKET

MAIN TRENDS IN LABOUR DEMAND AND SUPPLY



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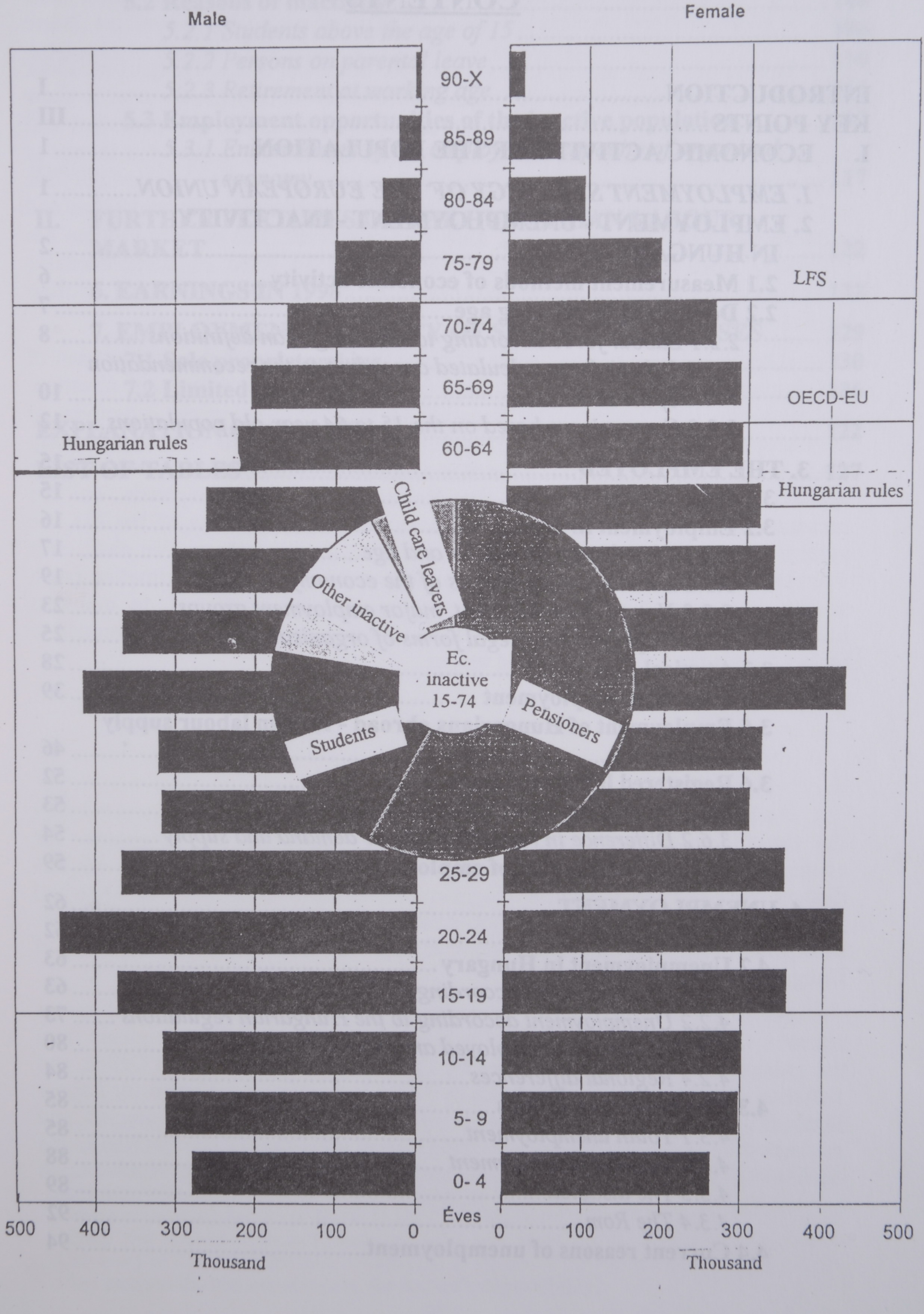

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INTRODUCTION

This is our sixth annual overview of the situation of the Hungarian labour market published since 1993. Our main objective has been from the start to show the socio-economic processes exerting a decisive influence on the extent and directions of the development of labour demand and supply behind the shorter or longer term trends revealed by the multitude of statistical data, in the hope that our analysis of diverse partial phenomena would contribute to the orientation and understanding of a larger circle of interested observers. The present volume has originally been prepared for Hungarian readers in need of comprehensive information regarding recent developments of the labour market due to their professional or general line of interest.

It has become more and more obvious by the year that the presentation of the domestic situation should use as reference base the employment situation, and since the 1997 Luxembourg Summit, the priority employment directives, of the European Union. In our best interest, we should be aware of changes taking place in the European Union as well as of employment promotion programmes approved there. Consequently, the Report puts great emphasis on the presentation, at least in great lines, of relevant (available) data of the EU, the system of concepts and measurement methodology used there. We shall omit from the present, English, version of the Report EU data and information (such as the employment policy status reports of the EU published, to our best knowledge, for the first time in Hungarian in the Hungarian version) assumed to be familiar to the English-speaking reader.

As before, the backbone of the Report consists of three chapters presenting the three inter-related labour market sub-systems, viz. the employed, the unemployed and the economically inactive, individually. Two additional chapters discuss one basic condition of employment each: one presents wage development in 1998, and the other surveys the job-creating capacity of unincorporated micro-enterprises (the self-employed) representing the overwhelming majority of Hungarian business organisations.

As in previous years, the Report took into account databases and recent research findings relating to special subject areas. The basic data originate from the Labour Force Survey carried out by CSO, the Central Statistical Office, and statistics compiled on a regular basis by NCLM, the National Centre for Labour Methodology. In addition to these, we have relied on data collected and processed by various sections of CSO, annual data processed by NHIF, the National Health Insurance Fund, and employment-related data processed upon our request by APEH, the Internal Revenue Office, on the basis of tax returns.

Several ministries, first of all the Ministry of Labour and its successor, the Ministry of Family and Social Affairs, having taken over part of its functions, have kindly made available to us their analyses prepared on different topics. As usual, we have relied on the findings of many researchers; we shall make explicit reference to these at their place of occurrence in the text*

Budapest, July 1999.

Teréz Laky

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Let me express my special gratitude to Judit Lakatos, Head of the Division of Standards of Living and Human Resources Statistics, CSO and János Tímár, Professor of Budapest University of Economics for their contribution as readers of the text and their friendly advice. (Any errors in the text are, of course, the Author's responsibility.)

KEY POINTS

Labour market, 1998

Unless specified otherwise, main data and conclusions are based on the Labour Force Survey of CSO, the Central Statistical Office.

Let us note here that CSO, adapting to the European practice, has altered the system of concepts and methodology of several of its data processing procedures. Consequently, some data are not directly comparable with their antecedents collected in previous years. We shall make reference to the changes at the relevant places.

The general situation of the labour market improved slightly in 1998, but not to the extent of altering the essentially low level of employment relatively stable since 1995. The rate of employment increased slightly, by around 1%. Of a total population of 10 million, according to calculations based on age limits as specified by the recommendations of the ILO, 7.75 million aged 15 to 74 qualified as persons of working age; and 3.69 million among them (47.7 %) were in employment.

According to the limits used for international comparisons, 3.68 million (53.9%) of a population of 6.8 million 15-64 year-old were in employment.

According to the Hungarian legal regulations, 6.2 million qualify as persons of working age, and 3.63 million (58.6%) among them were in employment.

The number of the unemployed has continued to decline (that of the registered unemployed from 464 thousand last year to 423 thousand, or, according to the data of the LFS, from 349 to 313 thousand). For the registered unemployed, the rate was 9.5; 4 % according to the LFS.

The number of the economically inactive having shown persistent growth for years did not increase further in 1998. Within the population aged 15 to 74, 3.7 million (48.3 %); among the 15 to 64 year-old 2.8 million (41.6 %); according to the Hungarian regulations 2.6 million (36.5 %) belonged to the group of persons not in employment and not unemployed either.

A decisive portion of the economically inactive is absent from the labour market owing to Hungarian retirement age being relatively low in European comparison, but the inactivity rate of the Hungarian working-age population, especially that of women, is also high.

Persons in employment

⇒ As in the previous year, the 1998 level of (registered) employment was shaped by two opposite tendencies. On the one hand, a significant number of jobs was lost again (NCLM registered 55 thousand recurrent unemployed on a monthly average); on the other, labour demand generated by the development of active firms and by greenfield investments has remained lively for the most. New jobs not only replaced lost ones, but even exceeded their number to a modest degree.

⇒More than half of those in employment (55.2%) are male. As for their age, as in many countries the world over, the majority of those in employment belong to the 30 to 54 age group.

⇒The relative proportions of the three broad employment sectors hardly modified in 1998. The tendency expressing the modernisation of the economy - the decline in the employment weight of the two production sectors (agriculture, industry) in favour of that of the services - is, in the framework of the normal operation of the economy, a slow process of necessity, with changes becoming perceptible in a longer time perspective only.

⇒Some 84 % of those in employment are employees, 1.5 % co-operative members and the rest independent (sole proprietors and their assisting family members, members of unincorporated collective partnerships). The proportion of manual versus non-manual employment modified somewhat in 1998 in favour of the latter (1997: 36.8 %, 1998: 37.6 %).

⇒As for organisation size, 31 % of earners worked alone or in (micro) organisations employing less than 10 staff; 10 % in small enterprises with a staff of 10 to 49, 14 % in medium-size ones (staff: 50-249), and 45 % in 250+ ones. According to CSO's data on active organisations, the share of micro-enterprises is still as high as 97 %. Computations based on NHIF data suggest that the average staff number of sole proprietorships was 1.1, that of unincorporated partnerships (limited partnerships, business societies) 1.6 in 1998. Limited liability companies operated with 8, and companies limited by shares with 22.5 staff on average.

⇒In the European Union, extra jobs in excess of those replacing the lost ones have for some time been created typically in one of the non-traditional, i.e. atypical, forms of employment. In Hungary, no steps of merit were taken in 1998 either to naturalise more flexible forms of employment in order to expand the range of registered employment.

⇒Beside the self-employed (whose increasing number is due to a decisive extent to the growth of labour costs imposed on employment), the number of those employed part-time has remained infinitesimal, that of those undertaking (registered) temporary work is still very small; while the ratio of employees with fixed-term contract exceeds 20 %. This last group presumably coincides by and large with seasonal employment in the organised economy.

⇒On the other hand, society allocated large amounts, nearly HUF35 billion in 1998, to the, mostly transitory, employment of the unemployed. The employment promotion schemes in question (from public benefit work/ public works and wage subsidy to programmes organised to promote the employment of the youth) provided employment, for a shorter or longer period of time, to some 230 thousand unemployed persons. (Of course, the number of the beneficiaries is included in the annual employment figures.)

⇒The order of magnitude of legal employment of Hungarians abroad and of foreigners in Hungary is, at least among those covered by statistical accounting, identical. Both groups are marginal at 20 to 26 thousand and their weight of less than 1 % is of relevance in certain definite market segments only. (Presumably, however, both groups are much bigger in reality, but employment without authorisation cannot be covered by statistical accounting.)

Hungary receives foreign workers coming typically from the Hungarian-speaking areas of neighbouring countries in the shortage vocations only (seamstresses, miners, iron workers etc.). The number of sportsmen with a Hungarian contract and of representatives of numerous branches of art is also on the rise.

At the end of 1998, EU residents working in Hungary with labour permit numbered 2,400 only.

⇒Some 40 % of the labour demand is registered at the labour service. Foreign companies launching major investment projects typically address their demand to the service.

Foreign direct capital around USD1,935 billion having entered Hungary in 1998 (together with investments launched earlier) created, according to the estimates, some ten thousand new jobs in 1998.

⇒More lively demand, including demand generated by subsidised jobs, highlights more than ever the weaknesses of supply as represented by the registered unemployed, (i.e. low level of education, non-marketable vocational skills, deviations from typical personal target parameters - concealing, occasionally, discrimination by age, sex, ethnic origin etc.). All in all, in 1995 3.5 % of the vacancies (a monthly 28.6 thousand on average) registered with the labour service could not be filled even after 180 days, the corresponding figures for 1997 being 16 % of 42.6 thousand registered vacancies on average per month, and in 1998 12 % of 48.3 thousand vacancies on average per month.

⇒Regional differences in employment change but slowly. Although foreign investments and new jobs created by them now tend to spread, partly as a result of major central job creation subsidies, from the Transdanubian counties and Budapest and vicinity prioritised earlier to the northern and eastern parts of the country, their positive impacts are hardly perceptible yet.

Unemployment

⇒Despite the steady decline in unemployment, the number of job seekers and of the registered unemployed is still high at 313 and 423 thousand, respectively.

CSO's survey registers, in addition to those seeking a job actively, another 110 thousand passive, i.e. discouraged, unemployed, having given up job search.

⇒With the exception of the oldest generations whose members showed a somewhat higher propensity to work than before, the number of job-

seekers decreased in every age group. Despite this general decline, unemployment ratios by gender and age group having emerged years ago have remained relatively constant with smaller or greater fluctuations. Nearly one third of the unemployed are people aged 40 to 45, making up, together with the 30-39 year-old, more than half (54.5 %) of the group in question. More than 60 % of the unemployed taken into account here are men.

Of the 313 thousand job-seekers, 48.8 thousand did not work earlier (they were pensioners or non-earning family members, or still at school) and nearly 18 thousand had had no regular job.

The decisive majority of those having had a regular job (93 %) was in employee status (the same as the majority of those in employment).

Job loss has remained the decisive reason of unemployment. In the early nineties, persons becoming unemployed due to layoffs used to make up some 80 % of job-seekers. This ratio has gradually, by the end of the decade, decreased to around 70 %, but nevertheless in 1998 job-losers still numbered 174 thousand (corresponding to 69.2 %).

The same as before, most people becoming unemployed have a low level of education. Some 40 per cent of the unemployed finished eight-year elementary school or less. The number and ratio of unemployed persons with vocational qualification not in demand or not marketable in the given region is also permanently high; together with persons having GCSE and no vocational skills they make up more than 80 % of the unemployed. Despite the decline in the number of the unemployed since 1994 by more than 138 thousand affecting every group irrespective of educational qualification, until 1998, the relative proportions of the groups in question hardly changed.

⇒Steady growth over the previous years was replaced in 1998 for the first time by the decrease of the duration job search, i.e. the duration of unemployment. It is a significant sign of the decline in unemployment - not concurrent with the perceptible growth of employment yet though - that while at the end of 1997, the same as one year earlier, more than half of the unemployed had been looking for a job in vain for a year or more (at end-1997, the average job search period was 18.9 months), by the end of 1998 this average fell to 17.4 months. The ratio of the long-term unemployed has also decreased to some extent, from 50 % in 1997 to 45 %.

⇒NCLM data indicate that 56 % of the 423 thousand registered unemployed were men, 82 % manual workers, 21 % younger than 25 and more than three-quarter had primary education or skilled worker's qualification at best.

⇒In 1998, a monthly average of more than 55 thousand registered with the labour service, i.e. more than in 1997 (when the monthly average was 47 thousand). More than 75 % of the new entrants were recurrent unemployed (having participated in seasonal work or active programs such as public works or training.)

⇒On the average, 12 % of those having left the register (monthly average: 7,160) found a job (in part a subsidised one). The majority breaks contact

with the labour service after the end of the twelve-month period of entitlement to unemployment benefits. Only those remain registered who hope to get placement support or are entitled to income-supplementing allocation on the ground of their social situation. The unemployed are also cancelled from the register for the period of participation in labour market programmes. Around half of the registered unemployed are „withdrawn" (temporarily) from the register due to participation in such programmes.

⇒76.4 % of the registered unemployed received (a modest) allowance (unemployment benefit, income-supplementing allocation, pre-pension). Some 31 % among them (130.7 thousand) were extended unemployment benefits (average amount: HUF18,895, i.e. around 38 % of the gross earnings of manual workers). More than 42 % received income supplement (a monthly HUF10,960); and some 10.6 thousand preliminary pension.

⇒Regional differences of registered unemployment did not change in 1998.

⇒Among the disadvantaged strata of the labour market, unemployment among the 15 to 24 year-old has shown steady decline (LFS: 12.6 %, NCLM: 21 %), but it is still twice as frequent as among adults.

⇒Although the unemployment rate of women (LFS: 7 %) is still lower than the corresponding one for men (8.5 %); the decisive difference lies in the extent of inactivity: masses of women have left the labour market or been driven out of it.

⇒Every fourth of the 3.2 million pensioners registered in Hungary in 1998 has disability or accident pension. In 1998, more than 400 thousand active-age persons were extended disability pension, and more than 200 thousand social or other allowance. According to CSO's information bulletin on the first quarter of 1998, more than 26 % among the pensioners and allowance recipients were under the age of 60.

Important practical measures have been taken in 1998 to promote the employment rehabilitation of the persons in question, as a result of which 5,830 persons with changed working ability found placement.

⇒The Rom are Hungary's largest ethnic minority. Their living conditions and employment situation is a very serious social problem. According to a paper processing the survey carried out by Szonda Ipsos, those declaring themselves Rom are in the worst position. It is typical of their labour market situation that only every fifth among them approximately has an earning job, while nearly every third is unemployed.

⇒The causes of unemployment modified perceptibly in 1998. The labour market impacts of the earlier decisive cause, namely massive bankruptcies and liquidations, are by and large over. They have been over-ridden by negative economic trends (rippling effects of the marked decline in food exports due to the crisis of the Russian market; decline in sugar consumption; surplus capacity of steel industry etc.).

Transformations started several years ago in order to modernise the structure of the economy have continued (shut-down of coal mines, modernisation of power plants, etc.). That is, the Hungarian economy, integrated to the global economy, is now subject to the latter's impacts, and the Hungarian labour market is also shaped to a growing extent by changes in world economic trends.

The economically inactive

⇒The most noteworthy phenomenon of the development of the Hungarian labour market is the fact that the stabilisation (at a low level) of employment has been accompanied by the steady decline of the number of the unemployed and the large-scale growth of that of the inactive population. Over the past ten years, some half a million 15 to 74 year-old exited (or never entered) the labour market - as many as some 48 thousand even in 1998.

In the group of those aged 15-64, 42 % are inactive (34.4 % of men and 49.2 % of women) – a ratio exceeding corresponding levels in every other European country.

⇒The high rate of inactivity is due to a decisive extent to the Hungarian retirement age limit, but the proportion of those not in employment is high in every other age group of the working-age population as defined under the national regulations: even among members of the prime employment group, that of the 25 to 54 year-old, every fourth or fifth man or woman is absent from the labour market. All in all, of the approximately 6.5 million persons of working age according to the Hungarian regulations nearly 2.2 million, i.e. 36 %, were inactive in 1998.

⇒Of the 2.2 million, 616 thousand were students and nearly 300 thousand had recourse to one or another form of parental leave, giving them an opportunity to stay away from the labour market.

⇒The number of persons retiring in active age is increasing every year. According to the 1 January 1998 Labour Account, in 1997, those sent to retirement under the generally valid retirement age due partly to working conditions typical of the given vocation and partly to health damage and to employment policy reasons numbered 412 thousand.

⇒The above, however, explain around two-third only of the inactivity cases. The absence from the labour market of the remaining one third is not explained by such simple reasons as the above. The proportion of women is especially high among the inactive: 410 thousand of the 681 thousand having stayed away without „good" reason (pension, child-care, studies) were women.

⇒It is an essential condition of the (re)entry to the labour market of the economically inactive that cost burdens associated with employment be reduced and forms of employment matching current demand become naturalised, i.e. officially recognised.

Development of earnings

⇒In the circle covered by CSO's surveys (typically business organisations employing more than 10 staff and budgetary institutions irrespective of staff number) the average gross earnings of full-time employees increased by 18.3 %, to HUF 67,760 on average. Real earnings grew at about the same rate as gross ones, by 18.4 %, corresponding by and large to last year's rate of inflation.

⇒The development of the earnings levels of the competitive and the public sector, respectively, was unusually balanced in 1998.

⇒Differences in earnings by branch did not change in 1998 either. Earnings growth was generally most marked in the branches characterised by high average earnings (e.g. electricity, gas, heat and water supply, financial intermediation, real estate, business services etc.), while it lagged far behind the average in several of the manufacturing branches, in business organisations with more than 10 staff in agriculture, construction and accommodation, and in several areas under the central budget.

⇒The gross average earnings of non-manual workers increased by 3.6 percentage points in 1998, to exceed by as many as 88 % the corresponding amount for manual workers, the net difference being 66 %.

⇒Earnings differences are most significant between the competitive and the public sector at every level of educational qualification. The competitive sector is in a position to give financial remuneration for higher qualification, foreign language skills, scientific degrees etc. than the public sector made rigid from the earnings point of view by the wage tariff system.

Employment capacity of small enterprises

⇒Within the category of the self-employed (sole proprietors and unincorporated partnerships), carrying a decisive weight (81 %) among Hungarian business organisations, the job-creating capacity of sole proprietorships decreased and that of limited partnerships increased.

⇒According to NHIF, the number of those employed by sole proprietorships (main job holders and working pensioners) decreased by 34 thousand in 1998 over 1997.

Sole proprietorships in industry, mainly manufacture, are much fewer in number and the number of persons employed there is also nearly ten thousand less than it used to be. A significant decrease, by more than six thousand, was registered in trade also.

At the same time, the number of sole proprietors suddenly grew in supplementary activities to financial activities, probably due to the employment of former employees as permit-holder entrepreneurs - a cost-saving alternative for the employer -, and also in education and health care. In the three sectors in question, the number of main job holders increased over a year from less than 3,600 to 16.2 thousand.

⇒Despite hopes to the contrary, sole proprietorships have not acted as job creators, not even as job preservers for that matter, in 1998, although in the past decade this circle has been one of the major job (financial existence) creating forces.

⇒Three-quarter of sole proprietors worked alone, without employee or (registered) assisting family member. (In the EU, the corresponding ratio is 60 %.) Half of the remaining 25 % employed one employee (assisting family member) only. The proportion of those employing more than two persons hardly exceeds 10 %.

⇒In Hungary, the most popular legal form of business after sole proprietorship is the limited partnership, very easy to establish, without any capital of merit. NHIF data indicated some 50 thousand main job holder limited partnership members in 1997 (44 thousand + 6 thousand pensioners), whose number rose to more than 127 thousand in 1998 (112.6 thousand + 14.7 thousand pensioners). The number of second job holders, on the other hand, decreased significantly, from nearly 30 thousand to 8 thousand.

⇒There is a growing number of limited partnerships in every branch of the economy, but their main activity area has, for years, been trade and the repair of public goods, business activity support, manufacture and construction; more than three quarters among them operate in these four branches of the economy.

⇒The majority of limited partnerships is small also in terms of staff: in 1997, average staff number was 1.7. Average staff number is higher among those performing labour-intensive production and service activities, but does not attain 5 even there, while in the main areas of intellectual services it is either below or just above 1.

⇒Unincorporated forms of self-employment still play a significant role in employment in Hungary. Nevertheless, the desirable alternative would be for the number of those in employment to increase thanks to the proliferation of capital-strong incorporated companies.

I. ECONOMIC ACTIVITY OF THE POPULATION

1. EMPLOYMENT STRATEGY OF THE EUROPEAN UNION

It is a well-known fact that the end-1997 Luxemburg Summit of the EU resulted in a shift of emphasis in the employment policy of the Community: the new target set by the Member States was not only to reduce unemployment, but to increase the number of the employed and to mobilise the reserve labour supply of Europe. The basic principle of the joint strategy is that the most effective social capital is a well-prepared, educated, healthy and properly motivated labour force - society suffers a loss by leaving that unexploited, by letting it go wasted.[1]

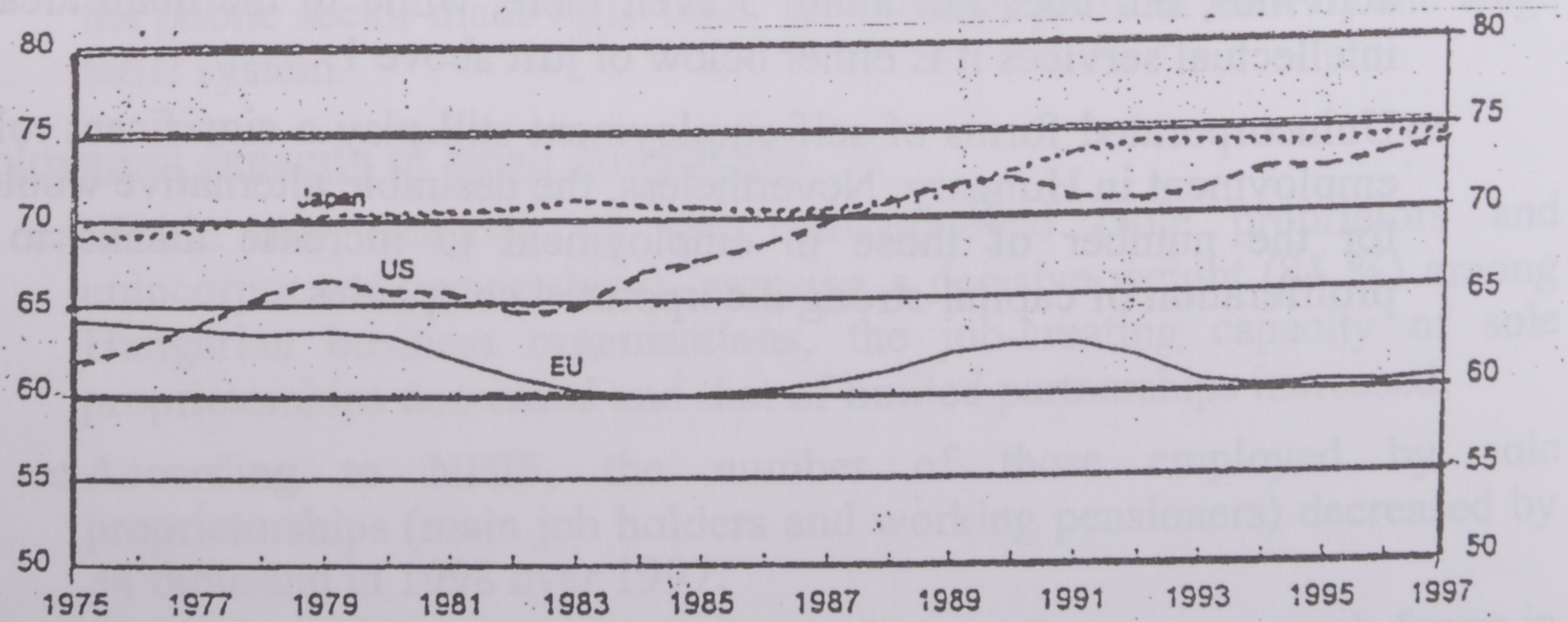
The fullest possible utilisation of human capital, for the sake of economic development, but also for the sake of promoting quality human life, has become the priority goal of the Union.

The target level is the rate of employment in the United States and in Japan, where 74 and 75 per cent, respectively, of the 15-64 year-old population is in employment, as opposed to the average 60.5% rate of the EU. Twenty years ago, the ratio of those in employment was still similar in the USA and in the EU. The current 14 % gap corresponds to some 34 million jobs. The relevant analyses have also shown that the employment rate of the 25 to 54 year-old is near-identical in the EU and the USA, but the corresponding rates for the European youth (ages 15-24), women and the older generations (ages 55-64), and especially men among them are much lower. *{1998 Joint Employment Report* and *Employment Rates Report 1998, COM (1998) 572 final*

Chart 1

Employment rates in the EU, in the USA and in Japan, 1975-1997

% of 15-64 year-old population



Source:Employment Rates Report, 1998., Employment Performance in the Member States, p.4.

The four pillars of the joint strategy to increase employment in Europe (and the total of 19 specific tasks summarised under them) essentially aim at the elimination of the European „weak points".

Member States worked out National Action Plans (NAP) conforming to the directives, identifying specific tasks for 1998 and the years after.

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[1] Pádraig Flynn, Chief Commissioner of Employment and Social Affairs of the European Commission expounded this idea on the occasion of his Budapest visit in December 1997, after the Luxemburg Summit, in a lecture held at Parliament.

2. *EMPLOYMENT - UNEMPLOYMENT - INACTIVITY IN HUNGARY, 1998*

CSO's Labour Force Survey data indicate the continuation of slow changes typical of employment since 1995 in 1998. The rate of employment increased somewhat among the 15 to 74 year-old (by around 1 % according to the computations of CSO), the rate of unemployment decreased and that of the economically inactive showed no increase of merit.

Figures for 1998, however, cannot be compared directly to those for the previous years. Since 1998, CSO interviews one third more households (and persons) than earlier, and the total population number has also changed. Until 1997, the reference base of the survey was the population count on 1 January of the previous year; since 1998, it is that projected for the given year with the help of a mathematical model.

The changes in question cause differences of a few tenth of percentages only for the most in the results of the relevant computations. Percentage distribution values suggest that the processes indicated for years have persisted essentially unchanged.

According to the assessment of CSO *{Munkaerőpiaci helyzet, 1998 (Labour market situation, 1998)}*, by the end of the nineties, the essential processes related to the establishment of market economy had come to an end; the framework conditions and system of institutions of market economy had been established and privatisation was by and large over. In the course of transition, as a result of economic recession, labour demand contracted significantly, to stabilise in 1996-97 at the low level matching the performance capacity of the economy.

After persistent decline since the beginning of the decade, the size of the labour market - i.e. the number of the economically active (persons in employment or seeking a job) present on the labour market - remained unchanged compared to the previous year for the first time in 1998. Simultaneously, the growth of the economically inactive population, a typical feature of the decade, has also come to a standstill.

The level of employment remained lower than the Union average in 1998 as well, that is, Hungary belongs to the group of countries with a low employment rate. However, the ratio of the employed to the total population has not deteriorated further either among the 15-74 year-old, or in the population defined by Hungarian working age. Less than half of the 15-74 year-old, 47.7 %, were in employment, the corresponding rate based on Hungarian working age being 58.6 %.[2]

The number of the unemployed (active job seekers) decreased to around 313 thousand, their ratio among the 15-74 year-old to 4 %.

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[2] Let us note that NHIF showed some 125 thousand more persons in employment (main job holders or pensioners) for 1998 on annual average, i.e. a total of 3,822 thousand, than the LFS. NHIF, however, adds up figures based on individual contribution payment records, and cannot, in the absence of individual-specific registration, identify occasional overlaps (if,. for example, a person is subject to several legal relations, but he/she works less than a weekly 36 hours under each of these, the mandatory contribution will be paid under every one of the relations in question).

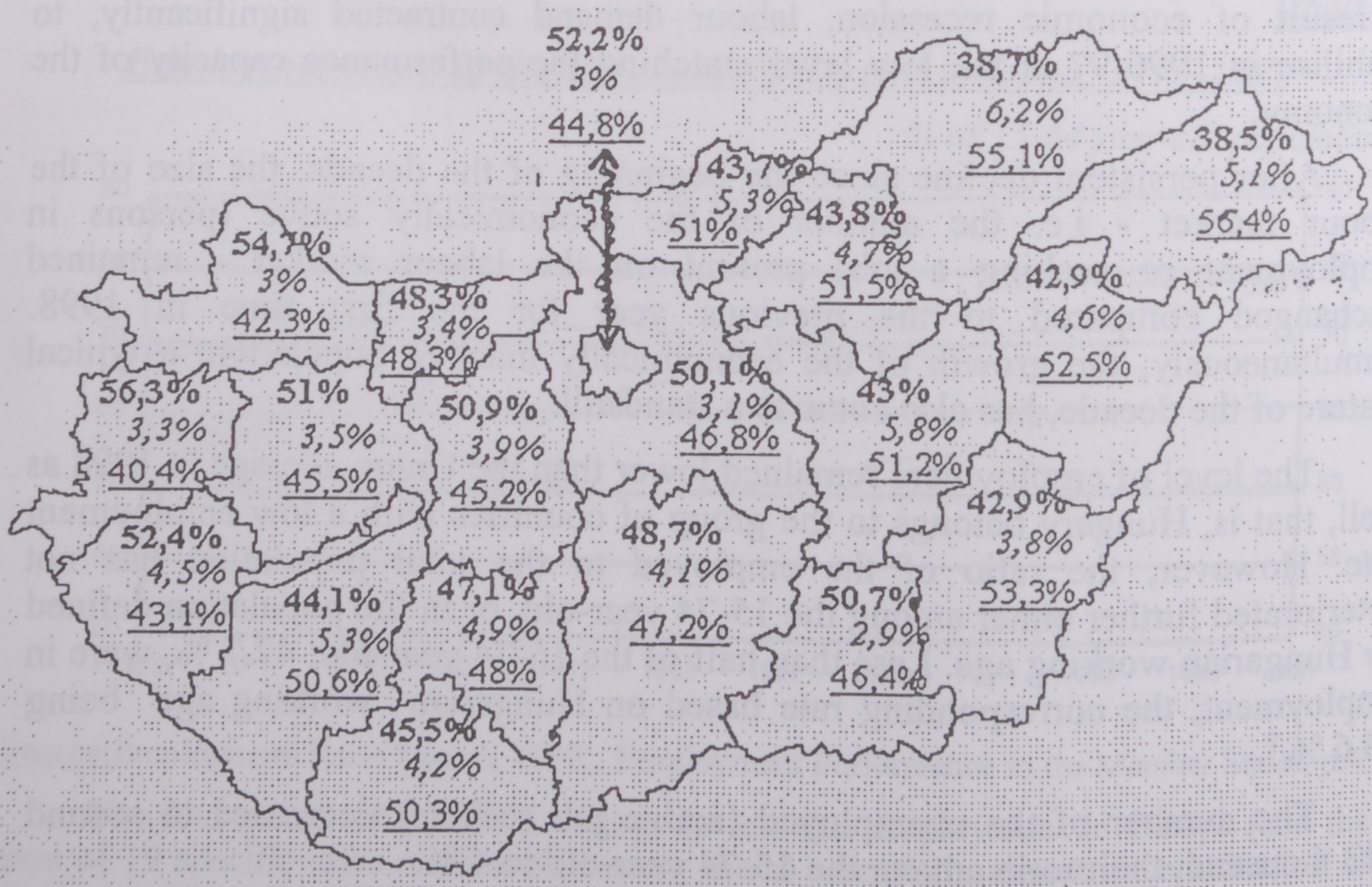
The number and ratio of the economically inactive is still high. The population staying away from the labour market grew over the decade partly due to demographic reasons, but mainly as a result of negative economic trends. Economic inactivity is enhanced by retirement age for men and women being relatively high in comparison with corresponding rates of the European countries. Although retirement age was raised as of 1 January 1998 to 57 years for women and 61 for men, and the delayed retirement of these generations moderates the growth of the group of the inactive, 48 % of those aged 15-74 nevertheless stayed away from the labour market. The number of the inactive increased under the impact of the growing propensity of the younger age groups (ages 20-29) to remain in education and also the extension of the education period itself.

As a result of the unfavourable development of labour demand, many workers had recourse to special early retirement options, but many of those who used to be in employment have also been driven out of the labour market, giving up active job search for lack of hope. Part of the non-registered employed presumably also figure among the economically inactive.

After significant decline through the entire decade, the economic activity of the population has not deteriorated any further in 1998.

Chart 2

Economic activity of the 15-74 year-old



Employed = 47.7%

Unemployed = 4.0%

Economically inactive = 48.3%

Source: LFS, Time Series, 1992-1998, CSO, 1999.

Table 2.1

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

thousand

Period	Employed[a)]	Unemployed	Economically active	Economically inactive[b)]	Total
thousand persons					
Male					
1995	2,049.6	261.5	2,311.1	1,435.9	3,747.0
1996	2,036.3	243.7	2,280.0	1,453.0	3,733.0
1997	2,043.5	214.1	2,257.6	1,482.7	3,740.3
1998*	2,041.7	189.2	2,230.9	1,489.7	3,720.6
Female					
1995	1,629.2	155.0	1,784.2	2,288.5	4,072.7
1996	1,611.8	156.4	1,768.2	2,306.8	4,075.0
1997	1,602.8	134.7	1,737.5	2,322.2	4,059.7
1998*	1,656.0	123.8	1,779.8	2,255.4	4,035.2
All					
1995	3,678.8	416.5	4,095.3	3,724.4	7,819.7
1996	3,648.1	400.1	4,048.2	3,759.8	7,808.0
1997	3,646.3	348.8	3,995.1	3,804.9	7,800.0
1998*	3,697.7	313.0	4,010.7	3,745.1	7,755.8
%					
Male					
1995	54.7	7.0	61.7	38.3	100.0
1996	54.6	6.5	61.1	38.9	100.0
1997	54.6	5.7	60.3	39.7	100.0
1998*	54.9	5.1	60.0	40.0	100.0
Female					
1995	40.0	3.8	43.8	56.2	100.0
1996	39.6	3.8	43.4	56.6	100.0
1997	39.5	3.3	42.8	57.2	100.0
1998*	41.0	3.1	44.1	55.9	100.0
All					
1995	47.1	5.3	52.4	47.6	100.0
1996	46.7	5.1	51.8	48.2	100.0
1997	46.7	4.5	51.2	48.8	100.0
1998*	47.7	4.0	51.7	48.3	100.0

a) Exclusive of persons on child-care leave and including conscripts.
b) Including persons on child-care leave.
* Data based on method valid from 1998 on.
Source: LFS Time Series, 1998. CSO, 1999.

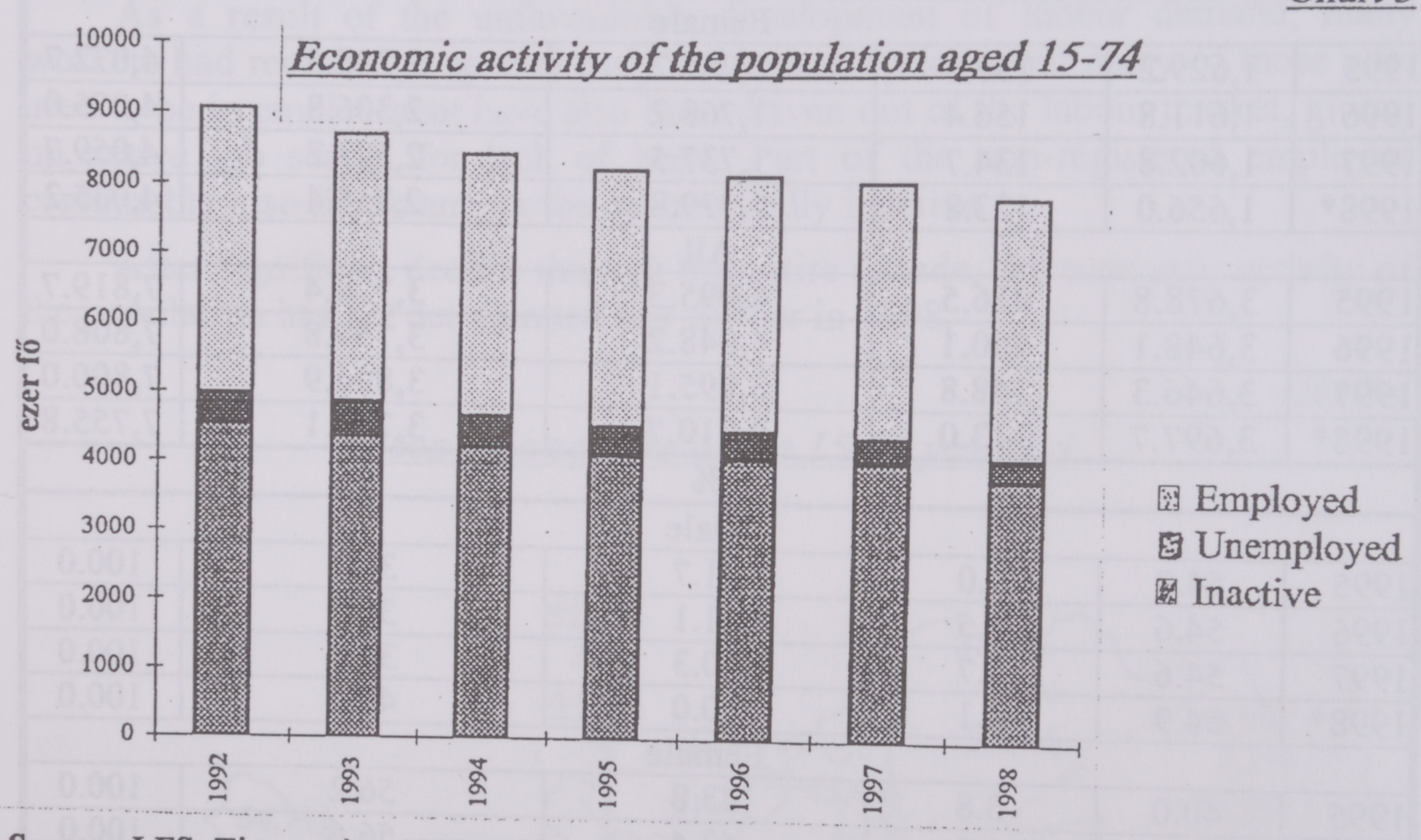
Modest figures reflecting hardly perceptible changes for years actually conceal quite forceful processes having taken place in 1998 as well. A significant number of jobs was lost in 1998 once again. (The labour service registered a monthly 55 thousand new or recurrent unemployed on average - more than in 1997.) That is, although the essential changes are over, transformation and adjustment to world economic processes continue in the economy.

Newly created jobs, however, not only replaced lost ones but, for the first time in long years, in 1998 a modest number of extra jobs was also created.

Job losses were still due to some extent to earlier processes (liquidation procedures in progress, mine shut-downs decided upon earlier etc.), but a major part was actually triggered by current economic trends (insolvency of the Soviet market; decline in demand for numerous agricultural and food industrial products, e.g. bread wheat, sugar etc.; transformation of the product pattern of multinational companies relocated to Hungary such as Siemens etc.).

The creation of new jobs was due to a decisive extent to foreign investments and greenfield investments put into operation. After a certain period of stagnation, the job creating capacity of small unincorporated companies established on own initiative to ensure self-employment has improved somewhat.

Chart 3



Source: LFS, Time series, 1992-1998., CSO 1999.

In what follows, we shall present major processes typical of the Hungarian labour market in 1998 in detail.

In order to do so, however, we must note in advance that economic activity is calculated in Hungary according to three methodologies, and the size of the population taken into account as (potential) labour supply depends on the definition of the reference base.

2.1 Measurement methods of economic activity

The present Report relies on two main sources to describe the economic activity of the population a.) the national Labour Account and b.) the Labour Force Survey. Both are published by CSO, the first on an annual and the main data series of the second on a quarterly basis. The annual average data series of the Labour Force Survey are used for international comparisons with the economic activity of the 15 to 64 year-old in countries of the OECD, including Member States of the European Union.

a.) The Labour Account presents the economic activity of the population in accordance with the Hungarian legal regulations as of 1 January of the year under scrutiny.

According to the relevant Hungarian legislation, in 1997, men aged 15 to 59 and women aged 15 to 55 qualified as persons of working age. Moreover, men past the age of 59 and women past 55 (i.e. having reached retirement age) still in employment in the given year are taken into account as supplementary labour supply.
The actual utilisation of the labour force, i.e. the number of persons in employment, that of the registered unemployed (i.e. together, the economically active) and that of the economically inactive, respectively, is computed on the basis of the available labour supply.
Until 1 January 1998, persons on child-care leave were taken into account among those in employment. However, in view of the drastic deterioration of the chances of those concerned to return to their old job after two or three years of absence due to the massive growth of unemployment from the early nineties on, in accordance with ILO's relevant 1995 recommendation, the 1 January 1998 Labour Account already assigns them to the category of the inactive.
Labour accounts prepared year on year make it possible to survey, within the conceptual framework of the account, the long-term trends of the Hungarian labour market. It is an additional advantage that since the bulk of their data originate from organisations subject to mandatory data provision, they can be called to account and checked.

b.) In Hungary, the economic activity of the population has been assessed regularly since 1992 by quarterly Labour Force Surveys based on personal interviews with members of a representative sample of the population including some 50 thousand 15 to 74 year-old members of 24 thousand households. As indicated above, in 1998, the sample was extended by 33 % approximately, and the calculation of the population number taken as reference base was also altered. As a result of these two methodological changes, data for the year of 1998 cannot be compared directly to earlier ones, but conversion between data collected in 1997 and 1998 is ensured.
Since the interviews are based on a uniform international system of concepts conforming to the recommendations of the ILO, Hungarian labour market data are suitable for international comparisons.
It is a weakness of the survey, on the other hand, that the truth value of communications by interviewees cannot be controlled directly.
Owing to its definite advantages, especially the up-to-date conceptual system and topicality allowing to mirror changes quickly, however, our analysis essentially relies on this latter statistical base, although information provided by the Labour Account is also taken into account wherever possible.

c.) The reference base for international comparisons among OECD -- and European Union – countries with a view to measure economic activity in the first place is the population aged 15 to 64, irrespective of national retirement age limits. The rates of those in diverse labour market positions, identified by Labour Force Surveys, is calculated over that base.

Of course, results of the three surveys covering different circles of the population and based on different methods and principles of accounting 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 system in order to provide guidance in the increasingly complex world of labour giving birth to a multitude of new formations day by day.

2.2 Definitions of working age

Definitions of working age may differ significantly by country in function of the relevant national legislation shaped by tradition, political decisions and social agreements.

The bottom limit of 15 years of age is identical all over Europe and also in many other country of the world: the employment of persons under the age of fifteen, i.e. of children, is prohibited by the law in accordance with the relevant international conventions. Moreover, the population in question is usually kept within the school doors up to around that age by the system of mandatory schooling.

The upper limit of working age (i.e. retirement age), on the other hand, may differ significantly by country and also for men and women.

In Europe, the typical upper limit of working age is 64 years of age (that is, people reach retirement age at the age of 65), but it is somewhat higher or lower in many countries (France: 60, Denmark: 67, Belgium: 60 to 65, Finland 63 to 65; as for women, the corresponding age limit is 60 years of age in Austria and 55 in Italy etc.).

In Hungary the same as in the other former socialist countries, the ceiling of working age was typically lower than usual in Europe: women reached retirement age at 55 and men at 60. Under the regulations in effect now (since 1996), the upper limit of working age will gradually be raised to 62 for both sexes, that of women by 1 year every two years (it was 55 years in 1996 and 1997 and 56 in 1998) and that of men to 60 instead of 59 as of 1 January 1998. (That is, in 1998, retirement age was raised to 57 years for women and 61 for men.)

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

2.2.1 Labour force according to the Hungarian definitions

According to the Central Statistical Office, on 1 January 1998, the total population of the country was 10,135 thousand, i.e. some 30 thousand less than one year earlier. And although the number of the working-age population also decreased a little (by 7.9 thousand), its ratio to the total population increased from 57.4 % in 1990 to 60.5 %.[3] (For demographic reasons and the increase in female working age, the proportion of those reaching retirement age has remained unchanged (22 %), while that of those under 15 declined from 20.6 % to 17.5 %.)

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[3] The increase due to the higher working age of men is not reflected yet in the labour account of 1 January 1998, i.e. covering the year of 1997.

On 1 January 1998, a total of 6,136.9 thousand qualified as persons of working age; 51.6 % among them were men and 48.4 % women.

Table 2.2

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

thousand persons

Year 1 January*	Population number	Working-age population		*of which:* female	
		number	%	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
1998	10,135.4	6,136.9	60.5	2,970.7	48.4

* Data on working-age population referring to the period of 1949-1980 published in Census 1980, Volume 3, according to the regulations having entered into force in 1982.

** 1996 was the first year when female working age was extended from 15-54 to 15-55 years of age.

Source: *Census 1980*, Vol.4, p.22.; for data on 1949-1980: *Labour Account*, 1 January 1998.

The generation reaching the age of 15 and hence entering working age add some 2.4-3 % to the active-age population every year.

The generation in question has kept declining steadily in the nineties, by nearly one third (32.3 %) from 1991 to 1998.

Table 2.3

Persons entering working age, 1949-1998

thousand persons

1 January	Male	Female	Total	% ratio to 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
1998	66.3	62.9	129.2	2.1

Source: CSO Yearbooks, Tables: "Number and distribution of the population by sex and age".

The number of those leaving working age every year is also somewhat lower than that of the new entrants, despite the fact that since 1996 (1 January 1997) more than 120 thousand women have „remained" of working age due to the elevation of retirement age. As opposed to 113 thousand in the previous year, in 1996 and 1997, the number of the working-age population decreased only by the number of men having reached the age of 60 (44.7 and 45.2 thousand, respectively).

Table 2.4

People entering retirement age, 1949 - 1998

thousand persons

1 January	Males aged 60	Females aged 55	Total	% ratio of retirements to 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
1998	45.2	62.6*	45.2	0.7

*Women reaching the age of 56.
Source: Yearbooks of CSO

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

Table 2.5

Mortality at working age, by gender, 1960-1997

thousand persons

Year	Males, 15-59	Females, 15-54	Total	as % of the working-age population
1960	13.1	6.2	19.3	0.34
1970	13.0	5.1	18.1	0.30
1980	19.4	6.3	25.7	042
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
1997	20.1	6.6	26.7	0.44

Source: Yearbooks and publications of CSO

All in all, under the impact of demographic processes over a longer period of time and due to the elevation of female working age, the number of the working-age population has increased by 180 thousand since 1990.

2.2.2 *Labour force calculated according to the recommendation of the ILO*

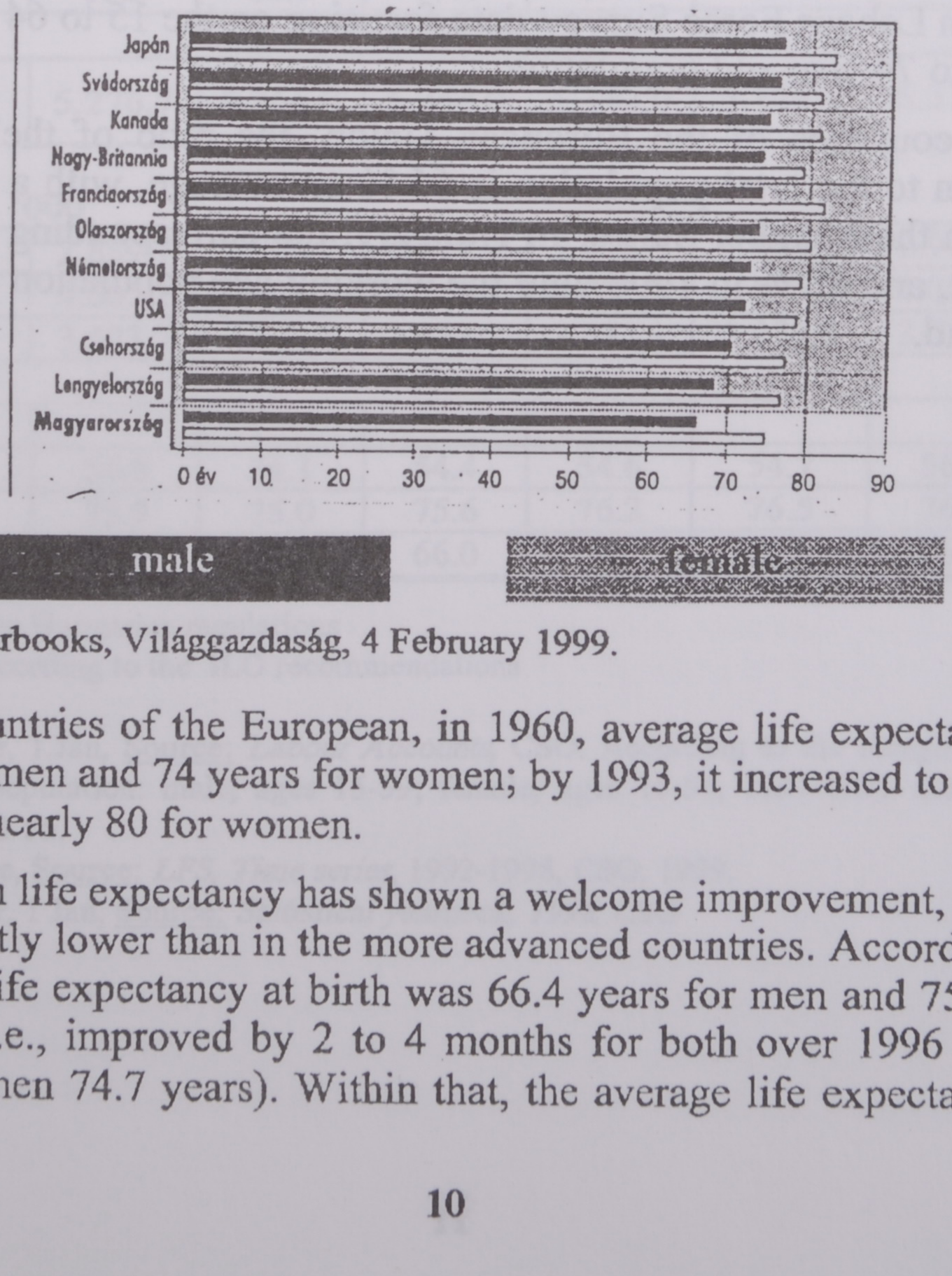
The Hungarian working-age population increases by more than 1.6 million if we consider as able to and capable of work those between the ages of 15 and74.

The recommendations of the ILO - differing significantly from the usual national pension system criteria - are based, on the one hand, on taking into account the continuous increase of average life expectancy, and the fact that many continue their activities irrespective of having reached retirement age as specified in their own country (and may actually be in need of what they earn thereby).

According to the estimate of the World Bank, by 2010, in the countries of the European Union, the ratio of those older than 60 will be 23-25 % (except for Ireland, where it will be 18 %, and Italy where it will be 27 %); in Japan, 29 % is expected and in the United States 19 %. The estimate for Hungary is 21 % (*World Development Indicators*, World Bank, 1997.). A significant proportion of persons of high age, making up one fourth/one fifth of the populations of countries, is still able to and capable of work.

Chart 4

Average life expectancy at birth



Source: CSO Yearbooks, Világgazdaság, 4 February 1999.

In the countries of the European, in 1960, average life expectancy was 65 years for men and 74 years for women; by 1993, it increased to 72 years for men and nearly 80 for women.

Hungarian life expectancy has shown a welcome improvement, but it is still significantly lower than in the more advanced countries. According to CSO, in 1997, life expectancy at birth was 66.4 years for men and 75.1 years for women, i.e., improved by 2 to 4 months for both over 1996 (1996: men 66.6, women 74.7 years). Within that, the average life expectancy at birth

of women was the highest ever, while that of men is still six months less than it was in 1972. According to the data of the World Bank, in „high-income countries" gathering 16 % of the total population of the Earth, men can expect to live 74, and women 81 years on average at their birth. *{CSO Reports, Társadalom és Gazdaság, 1998/6. p. 49.}*

According to an EU analysis, the withdrawal from the labour market of those older than 55 before the age of 65 is due to lack of jobs, lower mobility and inadequate qualification rather than the determination not to work any more. To corroborate this statement, they quote the results of a 1993 survey: in the 12 Member States at that time, nearly two-fifth of pensioners would have liked to go on working and more than half to continue working part-time. The survey has also confirmed the assumption that the intention of early retirement is typical of persons having a lower educational qualification above all. *{Employment Rates Report, 1998. p. 16.}*

Owing to similar demographic processes (persistent decline of births, growing life expectancy), the ratio of the 15-74 year-old to the total population is relatively stable. In Hungary, partly as a result of demographic trends matching the European processes, and partly owing to the change in reference base as compared to 1997, the proportion of the 15 to 74 year-old is slightly growing: in 1998, it attained 76.5 % over 74.8% in 1992. The number of persons of working age was 7,755.8 thousand.

2.2.3 Comparisons based on the 15 to 64 year-old populations

OECD and EU countries tend to base international comparisons more and more on Labour Force Survey data focusing on the 15 to 64 year-old within the 15 to 74 year-old population.

In the countries of the European Union, the ratio of the generations in question to the total population is 66 % on average, with a scatter of 60 to 68 % in the Member States. In Hungary, the corresponding ratio was 67 % in 1992, and 65 % in 1998, and the working-age population totalled 6,901.1 thousand.

Table 2.6

Number of working-age population in Hungary calculated by different measurement methodologies

	1992	1993	1994	1995	1996	1997	1998
TOTAL							
Number of population, '000	10,337.2	10,310.2	10,277.0	10,245.6	10,212.3	10,174.4	10,135.4
of which Working-age population, '000							
A*	6.031,4	6.056,5	6.071,6	6.082,0	6.080,7	6.144,8	6.136,9
B**	7.728,9	7.763,2	7.779,7	7.819,7	7.808,0	7.800,0	7.755,8
C***	6.919,2	6.936,0	6.939,7	6.939,1	6.626,0	6.917,6	6.901,1
in %							
A*	58.3	58.7	59.1	59.4	59.5	60.4	60.5
B**	74.8	75.3	75.7	76.3	76.5	76.7	76.5
C***	66.9	67.3	64.9	67.7	64.9	68.0	68.1
MALE							
Male population, '000.	4.960,5	4.943,4	4.923,0	4.903,6	4.883,9	4.863,3	4.841,9
of which of working-age, '000							
A*	3.141,7	3.152,6	3.159,3	3.163,5	3.164,6	3.167,5	3.166,2
B**	3.723,8	3.737,1	3.731,8	3.747,0	3.733,0	3.740,3	3.720,6
C***	3.395,5	3.403,7	3.406,0	3.404,8	3.398,5	3.394,8	3.388,2
in %							
A*	63.3	63.8	64.2	64.5	64.8	65.0	65.7
B**	75.1	75.6	75.8	76.4	76.4	76.9	76.8
C***	68.5	68.9	69.1	69.4	69.6	69.8	69.8
FEMALE							
Female population, '000	5.276,7	5.366,8	5.354,0	5.342,0	5.328,4	5.311,1	5.293,5
of which of working-age, '000							
A*	2.889,7	2.903,9	2.912,3	2.918,5	2.916,1	2.977,3	2.970,7
B**	4.005,1	4.026,1	4.047,9	4.072,7	4.075,0	4.059,7	4.035,2
C***	3.523,7	3.532,3	3.533,7	3.534,3	3.227,5	3.522,8	3.512,9
in %							
A*	54.8	54.1	54.4	54.6	54.7	56.1	57.1
B**	75.9	75.0	75.6	76.2	76.5	76.4	76.2
C***	66.8	65.8	66.0	66.2	66.3	66.3	66.4

A = According to the Hungarian regulations
B = Ages 15-74, according to the ILO recommendations
C = Ages 15-64

* Reference year, 1.Jan, Source: *Labour Accounts*, CSO. According to the Hungarian regulations, working-age population: male, ages 15-59; female, ages 15-54, 1997-1998: male, ages 15-59, female, ages 15-55.

** Annual average, Source: *LFS, Time series*, 1992-1998, CSO, 1999.

*** Reference year, 1 Jan, Source: *Statistical yearbook, 1998*, CSO

2.3 The potential labour force

The fullest possible utilisation, i.e. employment, of the labour force defined by age has become one of the most important indicators of the health and development levels of economies. The higher the ratio of the employed to the total reference population of the potential labour supply, the smaller the sub-group of the unemployed and the economically inactive not present on the labour market.

Judgement on the employment status of a given economy may differ to a large extent in function of the reference base (and differences in interpretation). Disregarding for the time being differences in the interpretation and accounting practices of the categories of the employed, the unemployed and the inactive, to be discussed in detail later on, and the already indicated circumstance that both fundamental measurement methodologies in use in Hungary have been altered in 1998, let us highlight the main differences here in order simply to illustrate the tendency itself.

Table 2.7

Economic activity of working-age population, 1998

	Acc. to Hungarian regulations		Ages 15-74		Ages 15-64	
	in '000					
	number	%	number	%	number	%
Working-age population	6,205.1	100.0	7,755.8	100.0	6,831.7	100.0
of which:						
Employed	3,632.7	58.6	3,697.7	47.7	3,678.9	53.9
Unemployed	307.0	4.9	313.0	4.0	309.6	4.5
Together: Economically active	3,939.7	63.5	4,010.7	51.7	3,988.5	58.4
Economically inactive	2,265.4	36.5	3,745.1	48.3	2,843.2	41.6

Source: *LFS Time series, 1992-1998.*, CSO 1999.

In what follows, we shall review in more detail the Hungarian characteristics of employment/unemployment/inactivity, mainly on the basis of data provided by the Labour Force Surveys of CSO.

3. *THE EMPLOYED*

3.1 International trends

Data published in *Joint Employment Report* (quoted several times already) on the employment situation of the EU Member States underline the topicality of joint efforts to enhance employment. In 1992-1997, the number of persons in employment increased by a mere 0.53%, i.e. hardly more than half a percent on Union average. Over five years, the biggest rate of growth was attained in Ireland at 3.63 %, and growth exceeded 1 % in Luxembourg and the Netherlands also. It was less than 1 % in eight countries and declined in four (by 1.4 % in Sweden, nearly the same in Italy, somewhat less in Germany and by 0.03 % in France).

To make things worse, the number of the employed includes those working less than full time, i.e. less than the number of working hours specified under the law of the given country. Given the steady growth of the number and ratio to the total employed population of those working part time, i.e. for a duration not exceeding half of the weekly, monthly etc. working time under the relevant national regulations, statistical surveys nowadays indicate employment values converted to full-time employment as well. This latter value is 2 % less for men and 8 % less for women than the rate based on the number of those in employment. Calculated this way, the rate of employment was 55.5 % on EU average in 1997, instead of the 60.5 % based on the number of persons in employment. (Corrected datum of *Employment in Europe, 1998*: 55 %.)

Of course, it is not indifferent what employment levels the countries concerned use as reference base to identify yearly increase of decrease. We have called the attention already in our previous annual reports to the fact that the level of employment is in close correlation with the prosperity of the country, expressed most easily by per capita GNP. Countries with a high per capita GNP value typically have a highly organised economy and a high rate of employment. Countries having a lower per capita GNP on the contrary are worse off with respect to both the level of organisation of the economy and the number of persons in employment there. (As described in detail in last year's Report, in 1993, for example, Switzerland had one of the highest per capita GNP indicators equivalent to USD 35,760, with a rate of employment of the population aged 15 to 64 of nearly 80 %; followed by high rates also in excess of 70 % in Japan (USD 31,490 - 74.1 %); Denmark : USD26,730 - 73.4 %); Norway (USD 25,970 - 74.4 %); USA (USD 24,740 - 73.5 %) etc. The less advanced countries occupy the other extreme: Ireland with USD 13,000 - 55 %, Spain with USD 13,591 - 46 %, Turkey with USD 2.970 - 54 %, etc.)

Under their respective national action plans, countries specified tasks adjusted to their own development level.

A cornerstone of employment promotion is the trimming of labour costs (wages and wage-related taxes and levies). Over the past decades, taxes and social insurance contributions have steadily increased from 35 to nearly 43 % on EU average from 1980 to 1996, parallel with the decrease of taxes on capital (from 42 % to 36 %), and the stagnation of consumption taxes (at

around 14 %). There are also significant differences in the costs of labour, including wages, by country. In 1996, average hourly wages calculated in ECU (the common European Union currency preceding the euro) were highest in Germany (ECU 28.62) and lowest in Spain (ECU 12.96). In 1992-1997, the Fins and the Irish only could reduce their respective labour costs by around 3 %, the others by 1 % only or less. Achievements in 1997 were on a similarly modest scale: the best results were those of the Fins (-3.6 %), the Germans (-2.4 %) and the Austrians (-2.3 %).

Labour costs can essentially be reduced through the moderation of taxes and levies imposed on wages, for these are the items that make the employment of labour so expensive.

This is the reason why one of the priority Union recommendations concerns the thorough revision of national taxation systems, the trimming of taxes hindering the increase of employment, and the replacement of taxes lost this way by other types of taxes (environmental protection taxes for example).

With the exception of a few diligent countries, however, the majority fear the detrimental effects of tax losses on the central budget and therefore refrain from reforming the taxation system for the time being. Aware of this circumstance, the EU proposed the active and committed participation of ministers of finance in drawing up plans to increase employment.

The EU countries think it feasible to increase employment mainly in the services sector, first of all by satisfying local and communal demand and the elevation to the level of vocations of support activities of different kinds to households - including child care, care for the sick and the old etc., and in the social sector. At the same time, they intend to curb undeclared work outside the organised economy, and to make it part of the organised (registered, taxed) economy. (Such activities are presumably more significant in scale in the less developed, less organised economies.)

3.2 Employment in Hungary

As indicated already in Chapter 2., according to the data of CSO's Labour Force Survey, the rate of employment increased by around 1 % in 1998 - a most promising sign in comparison with the severe losses incurred in previous years but implying no change of merit in the low level of employment.[4]

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[4] It is worth noting that, at the same time, according to NHIF data, 288,567 persons, i.e. some 8% of earners, had a registered second job. The majority (108 thousand) worked at sole proprietorships and unincorporated partnerships, 94 thousand at public organs, and 65 thousand at incorporated companies. Almost 40% of the staff of parties, churches, trade unions, sports and other associations (55 thousand persons) also worked as second job holders.

Table 3.1

Number of the employed, 1992-1998

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
1998	3,697.7	2,041.7	55.2	1,656.0	44.8

* Computed according to the new methodology.
Source: *LFS, Time-series, 1992-1998.*, CSO 1999.

The 3.7 million persons in employment figuring in the LFS include every person aged 15 to 74 having performed at least one hour of income-generating work in the week preceding the survey. The survey hence extends the range of "employment" most considerably, and considers as employed in addition to those subject to one of the traditional forms of employment those employed temporarily in the unorganised economy as well.

3.2.1 Distribution by gender and age

The distribution of employment by gender matches the long-term trend, viz. that although women are in majority in the age groups concerned at 52 %, males represent a larger segment of those in employment (55 %). This phenomenon is not independent of the lower retirement age of women. Few only among the women retiring four or five years earlier than men look for/undertake work again, and if they do so, they usually go to the unorganised economy (family farm, households etc.).

As for their distribution by age, the bulk of those in employment (as practically everywhere in the world) are of "prime" working age: 70 % of the 25 to 54 year-old are in employment.

65 thousand only, i.e. less than half a per cent, among those having reached retirement age as specified by Hungarian legislation are in employment (in 1997, the corresponding number was still as high as 84 thousand).

Although the survey is based on the population aged 15-74, using the 15 to 64 year-old as reference base does not modify the picture significantly: of the 924.1 thousand persons past 65 years of age, only 18.8 thousand (2 %) were in employment. Consequently, the analysis presented here distorts the image to a negligible extent only by reviewing CSO's usual data based on the 15 to 74 year old.

More importantly, in comparison with the analysis of the situation of the European Union, Hungary's deficit is biggest in terms of the withdrawal of 55 plussers from the organised labour market: 194 thousand corresponding

to less than 10 % only of this generation of 2 million persons are in employment.

The present rates of employment of pensioners, however, may also be due to differences in interpretation: NHIF, for instance, registers a slightly higher (+28 thousand) number of pensioners, 154.7 thousand in employment and 67.6 thousand sole proprietors and members of partnerships, a total of 222 thousand persons in all.

Agriculture presumably employs some 250 thousand more pensioners not registered in any way on a regular basis. (As indicated in our summary report for 1998 on the basis of the micro-census performed in 1996, 248 thousand pensioners performed at least 90 days of agrarian work.) The data on those working on family farms do not appear anywhere, neither in the registration system of NHIF, nor in the Labour Force Survey of CSO, since these people do not consider themselves „employed".

Although taking into account those left out of data provision and registration at present would ease somewhat the extent of the employment deficit of the older generations, the low rate of employment in this age group remains a fact.

Chart 5

Number of employed persons by age group, 1992-1998

thousand persons

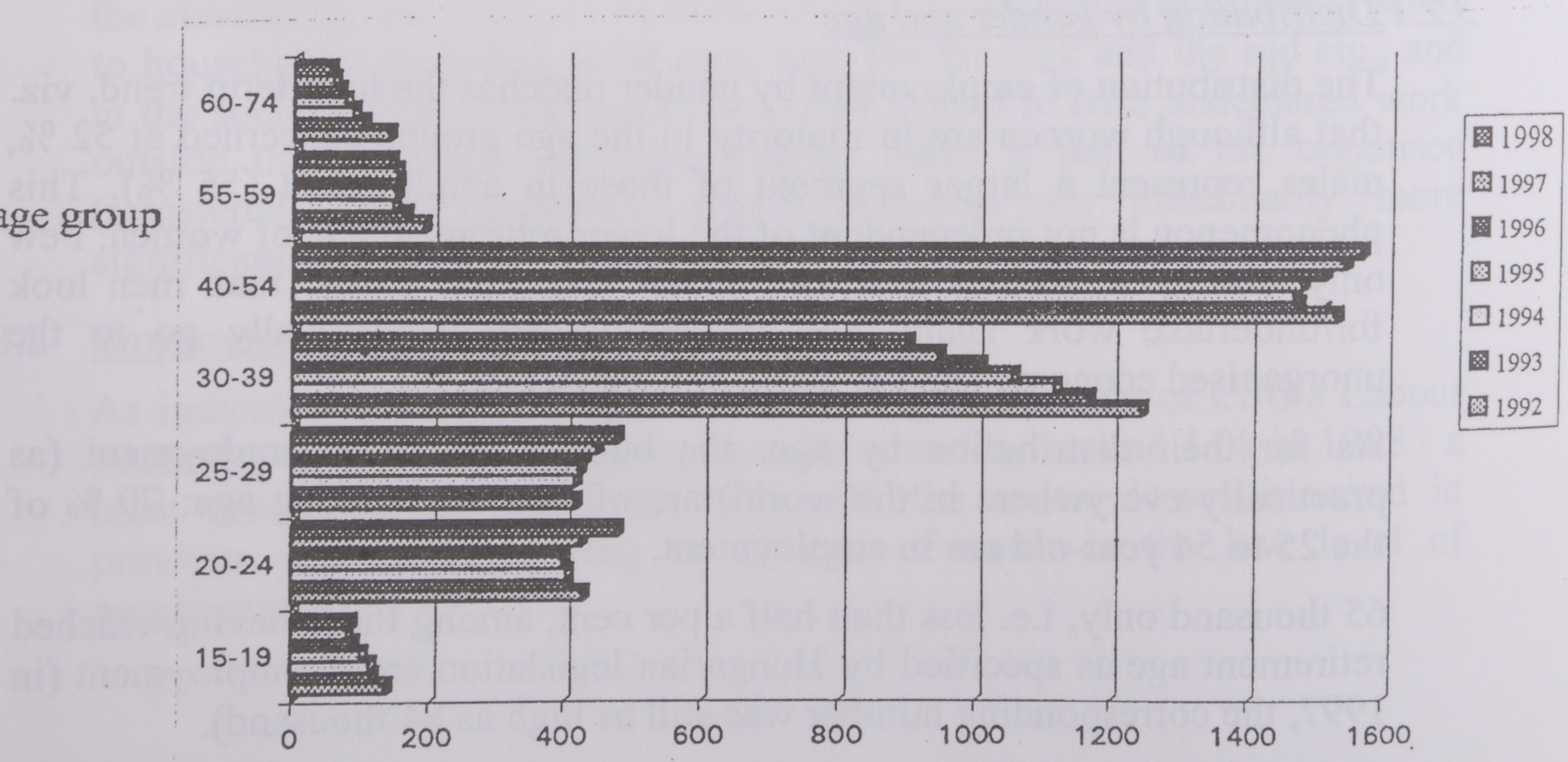


Table 3.2

Employed persons by age group and gender, 1998

thousand

Age group	Number persons in the age group	*Of which*: employed	
		number	%
15-19			
male	367.8	47.4	13.0
female	352.8	38.0	10.8
all	720.6	85.7	11.9
20-24			
male	446.9	274.6	61.4
female	425.5	202.3	47.5
all	872.4	476.9	54.7
25-29			
male	363.7	292.8	80.5
female	350.0	183.9	52.5
all	713.7	476.7	66.8
30-39			
male	616.2	499.2	81.0
female	608.9	401.0	65.9
all	1,225.1	900.0	73.5
40-54			
male	1,089.4	796.5	73.1
female	1,153.9	767.7	66.5
all	2,243.3	1,564.2	69.7
55-59			
male	257.5	98.4	38.2
female	311.7	42.3	13.6
all	569.2	140.7	24.7
60-74			
male	579.1	32.5	5.6
female	832.4	20.8	2.5
all	1,411.9	53.3	3.8
Total			
male	**3,720.6**	**2,041.7**	**54.9**
female	**4,035.2**	**1,656.0**	**41.0**
all	**7,755.8**	**3,697.7**	**47.7**

Source: LFS Time series, 1992-1998., CSO 1999.

3.2.2 Distribution by sectors of the economy

The majority (58.3 %) of those in employment worked in the services sector; 34.2 % in industry and 7.5 % in agriculture.

The above proportions hardly changed in the past years or in 1998: the share of those employed in agriculture has continued to decline (at least that of agrarian earners registered in the organised economy), the share of those employed in industry has increased a little, thanks mostly to the creation of new industrial jobs by the continuous inflow of foreign capital investments, and the number (and hence the proportion within the three broad sectors) of those employed in the services sector has also contracted somewhat.

Table 3.3

Shifts in employment by broad sectors

thousand persons

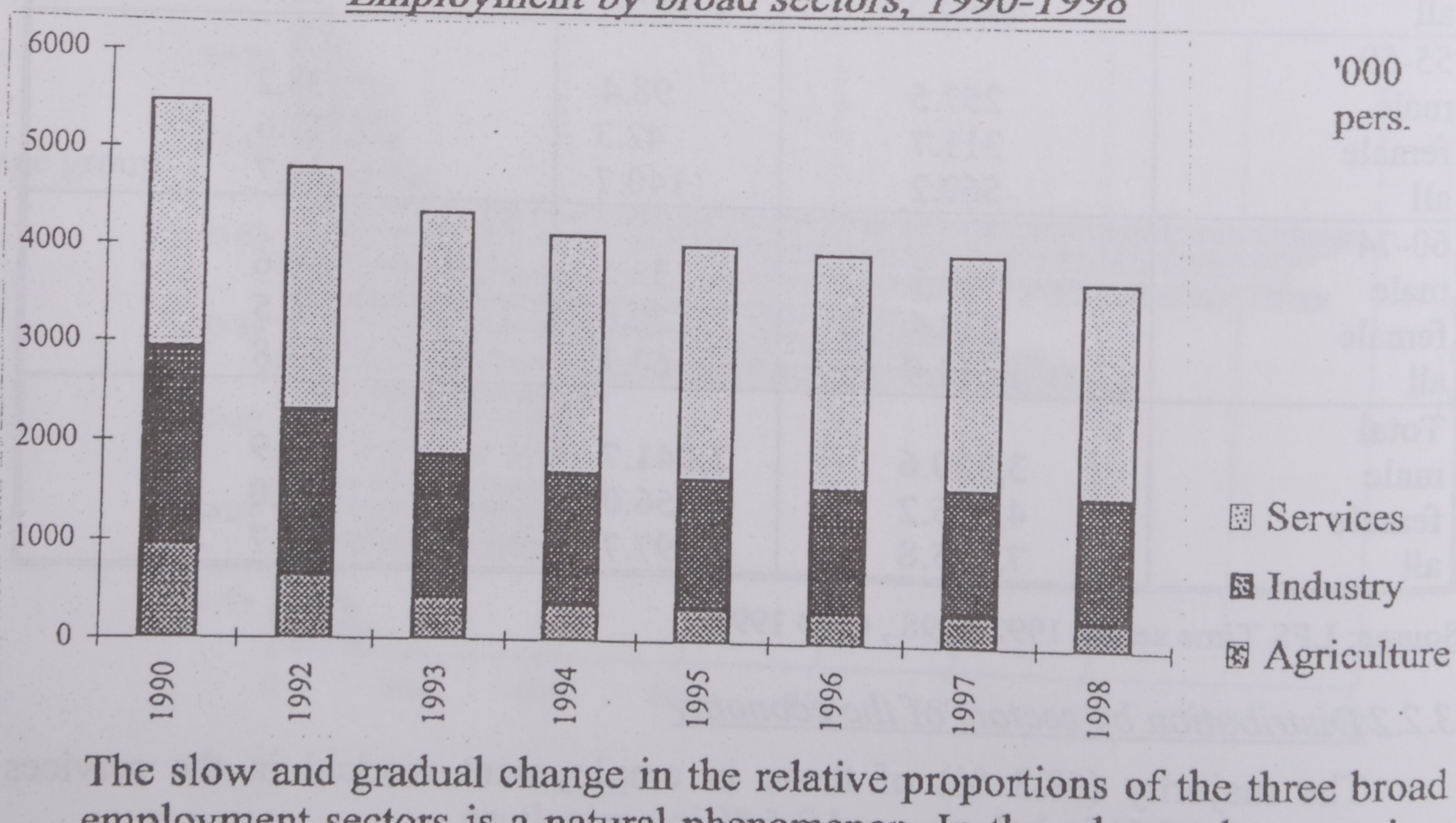
1 January	Agriculture		Industry		Services		Employed	
	pers.	%	pers.	%	pers.	%	pers.	%
1900	1,735.8	61.1	422.3	14.9	683.2	24.0	2,841.3	100.0
1941	2,163.9	51.5	919.3	21.9	1,118.7	26.6	4,201.9	100.0
1960	1,830.0	38.5	1,617.6	34.0	1,311.9	27.5	4,759.5	100.0
1970	1,246.0	23.2	2,379.2	44.3	1,747.5	32.5	5,372.7	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
1998*	278.8	7.5	1,264.3	34.2	2,154.6	58.3	3,697.7	100.0

* Computed according to by the new methodology.

Source: *LFS, Time series, 1992-1998.*, CSO 1999.

Chart 6

Employment by broad sectors, 1990-1998



The slow and gradual change in the relative proportions of the three broad employment sectors is a natural phenomenon. In the advanced economies, this development has matched the openness of the economy, the level of its steady and ever more marked integration to global economy and, last but not least, the growth of the financial prosperity of broad social strata. The large-scale increase in yields and hence output of agriculture working with advanced technology, and the relative ease of transport over large distances can be maintained by investing a much smaller amount of human labour than before. Neither is industry, modernised permanently by the investment of enormous amounts of capital capable of producing such huge masses of

products by using more and more working hands, but by the upgrading of technology and the application of the results of scientific research. Moreover, the more well-to-do segments of the populations of the most advanced countries, after having satisfied their different consumption needs, have turned towards spending on services: travel, sports, health protection, banking services etc. In the course of the changes in question, the number of those employed in the services sector has increased continuously, to attain a rate of around 70 % by now in the most advanced countries.

We in Hungary are still far away from the level of prosperity having re-arranged the employment structure of the developed countries. According to CSO, per capita GNP (calculated at purchasing power parity) in Hungary was less than half of the EU average (47 %); it was 28 and 41 % of that of the two champion riders, Luxemburg and Denmark, and 42 % of that of Austria, also boasting a high per capita GNP ratio. In comparison with Greece, the country of the EU having one of the smallest per capita GNP values, the Hungarian GDP is 68 %. *{CSO Reports, Társadalom és Gazdaság 1998/7, pp. 53-55.}*

Therefore, changes in the relative proportions of the sectors of employment in Hungary were not due to organic development, but to the collapse of the previous economic structure in 1988-1993, and the new structure was shaped to a large extent by the strategy of international capital in search of new investment opportunities. The employment capacity of the services sector, on the other hand, has been preserved by the big weight of branches funded by the central budget (public administration, education, health care) employing nearly 40 % of services employees.

In Hungary (as probably in other countries with significant agricultural production) the real employment contribution of agriculture, very different from that implied by the statistical number of registered main job holders there, is a special issue. According to the data of CSO's micro-census of 1996, agriculture is likely to employ as many second job holders and economically (and also in terms of age) inactive persons working at least 90 days per annum as main job holders.

Another issue relates to the possibility of statistical coverage of persons working in the seasonal branches, in small organisations and in households on a temporary basis. If these forms of employment, unregistered for the most, could be subject to some kind of registration (a turn depending, essentially, on the development of labour costs), this would probably modify significantly the current sector-specific employment proportions as well.

In concert with the general characteristics of employment development, neither did the employment capacity of individual branches of the national economy change considerably in 1998. According to CSO's assessment, the spread of the industrial sector was due to the more than 3 % growth of the labour absorbing capacity of manufacturing industry, but the number of construction industrial jobs also increased significantly, by 4 %. In the branches of trade, repair of vehicles, consumer goods maintenance, net labour absorbers in recent years, some 5 % less jobs were created than lost

in 1998. (Note that, as discussed earlier, classification under the LFS is based on the declaration of the interviewee or an adult member of his/her household and, therefore, implies a bigger error margin than classification based on institutional statistics for branch-specific employment data.)

Table 3.4

Distribution of the employed by sectors of the economy

Industries		1992	1993	1994	1995	1996	1997	1998
A-B	000 pers.	460.1	349.4	327.6	295.1	302.4	287.8	278.8
	%	11.3	9.1	8.7	8.0	8.3	7.9	7.5
C	000 pers.	52.7	42.2	39.2	34.0	32.8	27.2	25.7
	%	1.3	1.1	1.0	0.9	0.9	0.7	0.7
D	000 pers.	1,053.5	937.8	888.8	850.2	850.8	864.1	912.1
	%	25.8	24.5	23.7	23.1	23.3	23.7	24.7
E	000 pers.	108.0	105.1	108.3	96.6	88.8	97.4	96.5
	%	2.6	2.7	2.9	2.6	2.4	2.7	2.6
F	000 pers.	216.8	207.1	201.0	217.3	217.7	219.2	230.0
	%	5.3	5.4	5.4	5.9	6.0	6.0	6.2
G	000 pers.	480.4	469.5	467.4	459.9	486.9	496.8	472.2
	%	11.8	12.3	12.5	12.5	13.3	13.6	12.7
H	000 pers.	115.6	110.4	110.6	116.6	114.1	120.9	121.6
	%	2.8	2.9	2.9	3.2	3.1	3.3	3.3
I	000 pers.	346.4	336.3	314.5	319.6	321.2	310.0	301.9
	%	8.5	8.8	8.4	8.7	8.8	8.5	8.2
J	000 pers.	68.7	72.6	72.9	82.2	83.3	83.3	81.8
	%	1.7	1.9	1.9	2.2	2.3	2.3	2.2
K	000 pers.	140.3	137.6	125.6	130.6	128.2	146.3	163.0
	%	3.4	3.6	3.3	3.6	3.5	4.0	4.4
L	000 pers.	293.7	299.5	320.2	318.1	306.6	293.8	294.3
	%	7.2	7.8	8.5	8.6	8.4	8.1	8.0
M	000 pers.	311.8	342.8	338.6	335.4	319.6	296.9	305.5
	%	7.6	9.0	9.0	9.1	8.8	8.1	8.3
N	000 pers.	236.3	241.6	239.0	231.4	225.6	232.1	237.8
	%	5.8	6.3	6.4	6.3	6.2	6.4	6.4
O-Q	000 pers.	198.4	175.4	197.8	191.8	170.1	170.5	176.5
	%	4.9	4.6	5.3	5.2	4.7	4.7	4.8
1.	000 pers.	4,082.7	3,827.3	3,751.5	3,678.8	3,648.1	3,646.3	3,697.7
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2.	000 pers.	1.1	0.4	-	-	-	0.1	-
	%	-	-	-	-	-	-	-
3.	000 pers.	4,083.8	3,827.7	3,751.5	3,678.8	3,648.1	3,646.3	3,697.7
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0
4.	000 pers.	1,431.0	1,292.2	1,237.3	1,198.1	1,190.1	1,207.9	1,264.3
	%	35.0	33.8	33.0	32.6	32.6	33.1	34.2
5.	000 pers.	2,191.6	2,185.7	2,186.6	2,185.6	2,155.6	2,150.6	2,154.6
	%	53.7	57.1	58.3	59.4	59.1	59.0	58.3

Notes: A-B = Agriculture, hunting and forestry; C = Mining and quarrying; D = Manufacture; E = Electricity, gas, steam and water supply; F = Construction; G = Wholesale and retail trade; repair of motor vehicles, motorcycles, pers.goods; H = Hotels and restaurants; I = Transport, storage and telecom.; J = Financial intermediation; K = Real estate, renting and business activity; L = Public administration and defence; compulsory social security; M = Education; N = Health and social care; O-Q = Other services; 1 = Total; 2 = Unknown; 3 = All employed; 4 = Industrial sectors (C-D-E-F); 5 = Services (G-Q)

Source: *LFS, Time Series, 1992-1998*, CSO, 1999

3.2.3 *Nature of employment, major employment groups*

Within the group of those in employment, partly under the impact of the organisational and ownership changes of the past years, the proportion of employees has been increasing steadily in recent years. (NB: in 1988, the employees of state-owned or public entities still represented 79.2 %, members of industrial and agricultural co-operatives 13.5 % and independents and assisting family members in the private sector 7.3 % of those in employment.)

Table 3.5

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

Nature of employment	1992	1993	1994	1995	1996	1997	1998**
Employed							
'000 pers.	3,203.4	3,087.6	3,045.2	2,978.9	2,961.2	2,989.7	3,088.5
%	79.6	81.9	82.5	82.2	82.1	82.8	84.0
Coop. Member							
'000 pers.	225.0	134.1	103.3	84.2	79.0	68.9	55.8
%	5.6	3.6	2.8	2.3	2.2	1.9	1.5
Member of partnership							
'000 pers.	257.9	197.1	174.7	167.9	151.8	137.4	132.5
%	6.4	5.2	4.7	4.6	4.2	3.8	3.6
Sole proprietor							
'000 pers.	290.1	309.1	328.9	351.7	372.2	373.3	369.1
%	7.2	8.2	8.9	9.7	10.3	10.3	10.0
Family member							
'000 pers.	49.3	42.4	40.4	40.1	40.9	41.0	28.8
%	1.2	1.1	1.1	1.1	1.1	1.1	0.9
Total							
'000 pers.	4,025.7	3,770.3	3,692.5	3,622.8	3,605.1	3,610.3	3,674.7
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Exclusive of conscripts
** Computed according to the new methodology.
Source: *LFS, Time Series, 1992-1998,* CSO, 1999

Detailed data registered by NHIF make it possible to survey employees by legal status of the employer also. Accordingly, more than half of employees (54 %) work for limited liability companies or companies limited by shares; 27 % are employed by central or municipal public organs. Sole proprietorships and unincorporated partnerships employ more than 10 % of employees.

The proportion of non-manual workers has increased further among the employees in 1998, from 36.8 % in 1997 to 37.7 %. Demand was most marked for persons with higher educational qualification. More than 60 % of non-manual workers are women.

In most manual occupations, the number of persons in employment stagnated or declined slightly, with the exception of industrial and construction industrial jobs, where newly created jobs not only replaced losses but actually resulted in a certain expansion of employment. Although

the proportion of women employed in manual jobs increased slightly, it was still 35 % only.

Table 3.6

Number of the employed by major groups of employment

Major job groups		1997			1998*		
		year					
		all	*of which*: female		all	*of which*: female	
		thousand		in %	thousand		in %
1.	Legislators, senior officials and managers	220.0	72.1	32.8	220.7	77.9	35.3
2.	Professionals	403.3	230.0	57.0	424.8	242.8	57.2
3.	Technicians and associate professionals	466.2	299.2	64.2	492.2	311.5	63.3
4.	Clerks	254.5	235.6	92.6	255.1	236.0	92.5
Non manual workers, total		1,344.0	836.9	62.3	1,392.8	868.2	62.3
5.	Service workers and shop and market sales workers	555.4	296.8	53.4	554.9	306.1	55.2
6.	Skilled agricultural and forestry workers	141.9	40.5	28.5	139.5	37.7	27.0
7.	Craft- and related workers	815.8	167.0	20.5	837.5	173.4	20.7
8.	Plant and machine operators and assemblers	403.1	85.7	21.3	400.7	94.8	23.7
9.	Elementary occupations	305.9	170.0	55.6	309.1	170.4	55.1
Manual workers, total		2,222.1	760.0	34.2	2,241.7	782.4	34.9
10	Armed forces	79.4	5.7	7.2	61.5	4.6	7.5
Total		3,645.5	1,602.6	44.0	3,696.0	1,655.2	44.8
Unknown		0,8	0.2	25.0	1.7	0.8	47.1
All employed		3,646.3	1,602.8	44.0	3,697.7	1,656.0	44.8

* According to the new methodology.
Source: *LFS, Time-series, 1992-1998*, CSO, 1999

3.2.4 *Employment by legal forms of organisations*

Since 1992, we are in a position to view ownership relations of employer organisations through data collected by the Hungarian Household Panel's interview surveys. Accordingly, in 1997 nearly 60 % of those in employment already worked in organisations in the private economy. Although no such survey was carried out in 1998, we may infer that the established proportions already change slowly and to a small extent only, for privatisation is by and large over, and assets to be sold yet mostly mean smaller or larger state ownership segments, i.e., the sale of shares of active companies, and the transactions in question have practically no employment impact any more. (According to the survey of the HHP, in 1997, 10 % of those in employment worked at companies like that.)

On the other hand, in 1997, public organisations, state enterprises (mostly subject to liquidation procedure or obliged to transform), companies of municipalities and state-owned firms (those remaining in state ownership in

the long run included) employed more than 38 % of earners. (Less than 2 % of earners worked at traditional co-operatives.)

The employment weight of the private sector will, from now on, typically increase with the proliferation of newly founded private companies, or if, in the framework of the budgetary reform approved several times already, certain activities that used to be funded by the central budget will gradually be marked off and organised on an open market basis. This way, the ratio of those employed by the public branches, 23 % in 1998, could be reduced in favour of the private economy.

CSO has data on organisation size on 2.67 million of the 3.7 million persons in employment (72 %). Statistical accounting covers enterprises employing at least 5 staff, and full staff members working in the public branches and the designated non-profit organisations. (Data computed for less than 5 staff typically refer to non-profit organisations.)

Table 3.7

Distribution of staffs of 5+ organisations

	Staff category						
	0-4*	5-9	10-49	50-249	250-499**	500+	Total
Employed no.	4,398	126,913	359,429	500,980	902,035	777,008	2,670,763
%	0.2	4.8	13.5	18.8	33.8	29.1	100.0

* Non-profit organisations subject to monitoring.
** Including local public organisations
Source: CSO, official communication

The above proportions change most spectacularly if we take into account the more than one-million (1.027, 8 thousand) population of employees of organisations with less than 5 staff, sole proprietors working typically in family organisations, independent farmers, workers of unincorporated small organisations (limited partnerships, etc.), the self-employed and temporary workers. Looking at it this way, 28 % of earners work alone or in the company of one or two others. If, in accordance with the relevant international statistical practice, we take into account so-called micro-organisations employing 0 to 9 staff as one category, the ratio of those working in the smallest organisations or alone already attains 31 %.

Micro, small, medium-size and big organisations are defined in international practice by size category, sales revenues, branch affiliation etc. with marked differences by country. The most generally used indicator, staff number, also shows significant differences by country. The Commission of the European Union, in order to create a general framework for programmes to promote the development of small and medium-size enterprises, accepted a recommendation in early 1996 concerning the uniform definition of SMEs. In what follows, we shall only review staff categories under the recommendation:

⇒ micro-organisation: 0-9 staff;
⇒ small enterprise: 10-49 staff;
⇒ medium-size enterprise: 50-249 staff;
⇒ big enterprise: more than 250 staff.

Staff category limits used to be somewhat different in Hungarian practice. As of 1 January 1998, CSO also shifted to the EU classification mandatory in countries of the European Union (consequently, data for 1998 can only be compared with earlier ones approximately).

According to the classification in question, in Hungary

⇒31 % of earners work in micro-enterprises;
⇒10 % in small enterprises;
⇒14 % in medium-size enterprises;
⇒45 % in big organisations.

According to CSO's data of 31 December 1998, there was a total of 853,585 active business organisations, including 779,470 (91 %) enterprises; some 15 thousand central and local public, social insurance etc. organisations and nearly 59 thousand non-profit ones.

Of the approximately 780 thousand enterprises, more than half (58,8 %) were sole proprietorships, another 22,8 % unincorporated partnerships (i.e. entities not operating as independent companies and hence possible to be founded without a definite amount of capital). The decisive majority of active business organisations (81.6 %) hence does not have an independent legal personality.

Moreover, the statistical system registers as enterprise also entities operated on a second-job basis by persons having a main job elsewhere. (Those founded by pensioners included, but these we shall consider, independent of the relevant Hungarian legal regulations, in accordance with international practice, as main-job holder activity.) The ratio of non-main-job-holder entrepreneurs, however, is shown exclusively in relation to the circle of sole proprietors; in 1998, this was 29 %. (The ratio of pensioner entrepreneurs was 12 %.) The experience, however, is that non-main-job-holder status was more typical among members of unincorporated partnerships.[5]

In 1998, 97 % of all enterprises were micros.

The employment capacity, or rather the average number of main job holders, of businesses of different legal forms can be identified on the basis of CSO and NHIF data. Without aiming at giving an exhaustive list, let us give an estimate here of average staff numbers by main forms of business organisation.

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[5] „The proliferation of limited partnerships is due to the obvious advantage they imply in terms of taxation, to the possibility of expensing costs, and especially the more favourable social insurance contribution alternative (imposing no burden on the employer). It is a typical example that artists of leading theatres also founded limited partnerships, registering as „external member" of the two-strong partnership wife, father, mother etc. These pseudo-undertakings are classical examples of forced entrepreneurship". *{Népszabadság, 19 Dec. 1998.}*

Table 3.8

Number of active economic organisations by legal form and staff category

Legal form	Staff category (pers.)								Estimated average no. of main job holders, 1998***
	0/unknown*	1-9	10-19	20-49	50-249	250-499	≥500	**All**	
	Number of organisations								
Business company	145,233	115,797	10,209	6,595	3,664	560	468	**282,526**	7.5
Of which:									
LLC	54,768	62,252	8,192	5,668	2,800	266	161	**134,107**	8.0
CLS	769	804	356	441	772	287	307	**3,736**	22.5
unincorporated partnership**	114,065	54,689	1,734	508	95	7	-	**171,098**	1.7
Co-operative	2,193	1,108	500	801	996	63	7	**5,668**	31.0
Of which:									
agricultural	338	320	175	350	599	25	1	**1,808**	48.8
Sole proprietorship	365,519	91,190	1,245	343	55	1	2	**458,355**	1.2
Total	**540,007**	**213,371**	**12,320**	**7,891**	**4,765**	**635**	**481**	**779,470**	**3.6**
in %	**69.2**	**27.3**	**1.6**	**1.1**	**0.6**	**0.1**	**0.1**	**100.0**	

* EU statistical accounting practice assigns organisations operated by the owner without employee to the 0 staff category.

** Different forms of partnerships together

*** Members (sole proprietors) and employees + assisting family members; including working pensioners; estimate based on the data of National Health Insurance Fund.

Source: *Number of active economic organisations,* 1998/2 CSO; *1998 Yearly Report of NHIF*, 1999

3.3 Atypical jobs

One of the most remarkable phenomena of the European labour situation is the radical transformation of employment relations.

Until the seventies, employment typically meant work for an indefinite period of time, for a definite number of hours per day and a given remuneration. With the steady contraction of employment opportunities, however, in order to prevent layoffs, first working time was divided and then part time employment, i.e. shorter working time, and employment for a fixed period of time, limited to the performance of specific tasks became more and more widespread. In the absence of jobs, self-employment, a form that used to play an important role in countries with significant agricultural production has increased in every country.[6] Moreover, home working, seasonal and temporary employment and other forms exist in every country, albeit these are not covered by the joint accounting system of the EU due to national differences of registration procedures and the difficulties of monitoring them.

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[6] Self-employment as an employment category has a generally accepted ILO definition. Accordingly, 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 of the subject), irrespective of whether they have employees; or persons working on own account (e.g. freelance intellectuals), independent farmers, the assisting family members or vocational trainees thereof or working members of production-type co-operatives.

The EU publishes data every year on the growing contribution of the first three of the above-mentioned forms, i.e. part-time jobs, fixed-term employment and self-employment.

The weight of these forms has kept increasing, by an annual 1-1.5 %, and new, extra, jobs have almost exclusively been created in one of these forms for years. Despite significant national differences in their respective shares, the rate of those subject to statistical accounting and working in one of the atypical forms amounted, on the average of the Union, to 33 % in 1985 and more than 44 % in 1997.

As for Hungary, we still have partial data only on the extent of atypical jobs. The picture, however, is becoming increasingly colourful: with respect to 1998, in addition to the Labour Force Survey, NCLM collected data on fixed-term employment and the Ministry of Labour on the spread of the temporary employment booklet (TEB). Our survey is based on these new pieces of information, but, of course, it also makes use of data collected for a longer period of time on self-employment in general.

a.) Self employment

In 1997, in the countries of the European Union, nearly every fifth of the self-employed representing some 15 per cent of all earners was working in agriculture. In most of the EU countries, half of agrarian earners are self-employed. Consequently, the ratio of the self-employed is especially high in the three southern Member States (Greece, Portugal, Spain), and in Ireland where agriculture still plays an important role.

Compared to the total employed population, the ratio of the self-employed is relatively low in industry and in the services sector. As stated by the analysis (and emphasised repeatedly by ourselves for years), close correlation is posited between the level of prosperity of the given country and the share of the self-employed: high per capita GNP usually correlates with a relatively few self-employed, while their ratio is relatively high in poorer countries.

In the early nineties, the years of recession, the increase of the number of the self-employed contributed to a large extent to the increase of employment; but from 1994 to 1997, in the period of economic revival, the employment role of this form has become less obvious. It has remained significant in Germany and Sweden, where the level of employment declined, and also in Portugal. It was the main element of employment growth in every one of these three countries; although the increase was mostly limited to the number of self-employed persons employing no staff.

In the Union in general, 60 % of the self-employed work without employee, with the contribution of assisting family workers at the most; in 1997, some 5 % of those active in agriculture had an employee. *{Employment in Europe, 1998, pp. 48-51.}*

In Hungary, contrary to the other forms of atypical work, the self-employed constitute the circle that can be defined most precisely thanks

to the definition of the ILO. Sole proprietors and unincorporated partnerships belonging to this category have been subject to regular statistical monitoring for years. (The circle itself, however, is not complete, in the sense that independent farmers, family farms having no entrepreneur's permit (tax identification number), have not been subject to accounting so far, despite the fact that occasional statistical surveys suggest that farms of this type constitute the majority.)[7]

In Hungary, the decisive majority of those qualifying as self-employed are working owners and assisting family members of sole proprietorships and unincorporated partnerships (i.e. small enterprises, to use the Hungarian terminology). The original definition makes distinguishes those working on own account (ILO, 1982.), but in Hungary, private individuals performing business activity and having a tax identification numbers (e.g. freelancer intellectuals) are assigned to the category of sole proprietors anyway. According to the data of CSO, of a total of 41,407 thousand persons having no entrepreneur's permit, only tax identification number (but taken into account among sole proprietors), a mere 6,143 (15 %) were main job holders; 10,117 (24 %) pensioners and the majority, 25,147 persons (61 %) second job holders. *{Number of active business associations, 1998/12; CSO, January 1999.}* Beside the narrower definition of the self-employed, the term „self-employed sector" is also used to assess the real employment capacity of this form, in which case regular and temporary employees of the independents are also assigned to this category.[8]

According to the data of NHIF, as indicated already, in 1998, 22.8 % of those in employment worked at sole proprietorships and unincorporated partnerships (in 1997, the corresponding rate was 21.2 %).

The present volume discusses characteristic features of the Hungarian self-employed under a separate section.

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[7] In Hungary, registration as sole proprietor has been mandatory so far in agriculture to those only whose annual sales revenue exceeded HUF 4 million. On 31 December 1998, a total of 27,850 active agricultural sole proprietorships were registered, 15,092 main job holders, 5,097 pensioners and 7,661 second job holders. Collective partnerships included some 3,400 unincorporated limited partnerships, and other companies active in agriculture. CSO's census in autumn 1994, on the other hand, registered 51 thousand main job holder managers of family farms. The households in question included 147 thousand family members, and 93 thousand among them did regular agricultural work on their own farm. Data collected by the so-called micro-census recording the state on 11 April 1996 revealed that, in addition to agrarian earners, some 250 thousand pensioner household members performed agricultural activity regularly, i.e. for more than 90 days. *{Processing shaping labour market demand and supply, 1998. pp. 101-109.}*

[8] Martha F. Loutfi: *An overview of self-employment in Europe: nature, trends and policy issues*, ILO Geneva, 1990.

Table 3.9

Number of persons employed by sole proprietorships and unincorporated business organisations, 1998

thousand

	Main job holder		Pensioner		Together	
	1997	1998	1997	1998	1997	1998
Sole proprietorship*	381.9	347.7	50.0	44.4	431.9	392.1
Employee and family member**	156.2	160.6	2.3	3.8	158.5	164.4
All	538.1	508.3	52.3	48.2	590.4	556.5
Unincorporated partnership***						
Member	49.3	119.7	7.5	18.3	56.8	138.0
Employee and family member**	126.2	151.8	5.0	11.8	131.2	163.6
All	175.5	271.5	12.5	30.1	188.0	301.6
Total	713.6	779.8	64.8	78.3	778.4	858.1

* Including registered farmers (with tax identification number) only.
** NHIF statistics makes no distinction between employees and assisting family members. According to the CSO, the number of family-members was 28.8 thousand in 1998
*** Including different forms of partnerships.
Source: NHIF data on 1998, 1999.

b.) Part-time jobs

As mentioned already, part-time work is the most widespread atypical form of employment in Europe. In Hungary, a fraction of earners have been working shorter hours than the mandatory one or that specified under the law.

According to the regular short-term labour market forecast of NCLM, in August 1997, 2.1 % only of the statistical staff of 4,736 incorporated business organisations (employing nearly 30 % of business sector employees) were not employed full time, and 1.8 % only had part-time jobs. Similar rates were recorded in August 1998: of 2.2 % employed not in full time, 1.7 % had part-time jobs. *{Short-term labour market forecast, 1st Half 1999, NCLM, 1998. p. 36.}*

International practice usually considers as part-time employees those performing regular work for a period exceeding around half of the working time specified by national legislation. So far labour force surveys reflecting the labour market situation of the adult population of a country have not allowed to distinguish part-time workers clearly.

On the one hand, „normal weekly working time" specified in hours does not make it possible, especially in the 1-to-15-hour range, to distinguish between part-time employees and temporary workers. (Remember that the LFS considers one hour's earning activity performed during the week preceding the survey as employment, and one may well have temporary work of a few hours every week, this will not make him/her a part-time employee.) Another problem of interpretation is that, according to the experiences, part-time employment is most frequent among pensioners, but the survey does not take into account Hungarian working/retirement age limits. The experience, moreover, is that part of employers register their employees not only on minimum wage, but also as if they worked much shorter

hours than they do in reality to reduce taxes and levies imposed on employment.

The "highly changing" category also applies to temporary rather than part-time employment in the first place. Therefore, data in the table below essentially reflect the characteristic features not so much of the extent of part-time employment, as of employment for shorter hours than usual; including part-time employment whose extent cannot be determined precisely.

Table 3.10

Employment in shorter working time

thousand

	No. employed*	*of which*: usual weekly working time			
		1-15 hours	16-30 hours	1-30 hours	highly changing
1997: QI	3,568.0	16.8	150.2	167.0	368.1
QII	3,579.5	15.0	150.6	165.6	394.9
QIII	3,618.7	12.2	142.4	154.6	393.6
QIV	3,674.9	12.6	149.5	162.1	396.5
Annual average	3,610.3	14.2	148.2	162.4	388.3
1998: QI	3,618.1	18.6	151.4	170.0	353.6
QII	3,640.5	17.5	152.6	170.1	359.3
QIII	3,693.3	17.2	155.5	172.7	370.7
QIV	3,747.0	17.2	161.4	178.6	364.6
Annual average	3,647.7	17.6	155.2	172.8	362.0

* Exclusive of conscripts
Source: LFS, CSO, unpublished data.

The uncertainties of the accounting system, however, simply reflect the fact that in Hungary part-time employment still does not figure among the so-called active measures to promote employment. Although a very cautious step has been taken[9] to promote job preservation through assistance to the part-time employment of mothers with small children, persons near retirement age and those with reduced working ability, this measure, insufficient anyway, is partly countered by other measures of the administration.[10]

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[9] ML Decree No. 6/1996.(VII.16.) on Employment Promotion Subsidy and Subsidies to be Extended from the Labour Market Fund to Manage Employment Crisis Situations, 18/A.§.(2); and ML Decree No. 8/1997.(IV.28.) amending it.

[10] János Tímár: „the current family policy of the administration may hinder the alteration of employment policy by acting, intentionally or not, against the employment of women. Moreover, the extension of child-care aid on citizen's right, and the re-introduction of the child-care fee (the peculiar remuneration of the „main-job-holder mother") often implies higher long-term costs than part-time arrangements would require. This family policy would generate in the long term, despite its presumed advantages (i.e. growth of the number of births), growing disadvantages by acting as a brake on the social progress of women, limiting the moderation of extreme differences in family incomes, and perhaps leading, in the longer run, to the emergence of other social conflicts as well. ... It has been my deep professional conviction for a long time that in the current situation of Hungary and in the foreseeable future, the most important step, and also the one having the most beneficial social and economic policy effects, would be the elimination of our most marked backlog with respect to part-time employment". *{Népszabadság, 19 Dec 1998. }*

Mária Frey surveyed the first results of regulations introduced on 1 July 1997.[11]

Under the regulation, employees entitled to subsidised part-time employment are

* those raising one or more children in their own household, if the youngest child under the age of 10;
* those reaching retirement age applying to them within five years at most, or
* persons whose working ability deteriorated, according to the certificate of the National Institute of Medical Experts, by at least forty per cent, if they do not benefit of other allowance.

Preferences under the law were used from July to December 1997 for the employment of a total of 1.7 thousand persons threatened with redundancy and the employment in reduced hours of another 469. The spread of part-time employment affected a mere 85 persons.

In 1997, there were 2.3 thousand persons registered under the job preservation programme, in 1998 4.6 thousand. (It is not possible to select from the aggregate data assistance to bridge firms'temporary liquidity problems, and assistance to promote part-time employment; but even if all 4.6 thousand were employed part-time, that, too, would be a very modest result.)

In his article quoted already, János Tímár refers to the experience of the Western European countries: the main areas of part-time employment are services and health and social care, education and cultural activities, personal services, trade and catering, administration and management.

In order to achieve a substantial increase of (registered) part-time employment in these areas, factors acting against them should be eliminated or at least reduced in strength considerably. These include first and foremost employer's burdens related to employment, the steadily increasing health care contribution in the first place, a fixed cost making employers counter-interested in employing persons part time. International practice offers ample examples of solutions promoting progress in this respect.[12]

Assistance to promote job preservation is as important as the expansion of job opportunities in the forms, for example, of assistance to unemployed persons wishing to work part time, of the enrichment of the labour market with part-time jobs in order to let ever more inactive persons re-enter the world of labour. (As quoted already in last year's Report, in 1997, ten thousand among the nearly 350 thousand

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[11] Mária Frey: Types, participants and labour market effects of active labour market instruments (1991-1997). *{ Labour Research Institute, 1998.}*

[12] Austria, for example, plans to introduce a part-time employment programme for persons above the age of 50. According to the relevant concepts, employers under the programme would pay reduced wage costs and be exempted from paying the 3 % unemployment contribution. *{Világgazdaság, 24 February 1999.}* The given workplace would employ young persons simultaneously, also on a part-time basis.

unemployed stated that they wanted to find part-time employment only, while 8 thousand were looking for a part-time job in the first place. The proportion of men and women was 30 and 70 %, respectively, among them.)

The international practice is to ensure reception propensity on the part of employers through the partial or full assumption of wage costs, a valid option under the Employment Act. Nevertheless, on the part of the individual, the intention to undertake work may be hindered by low wages implied by part-time work, especially for beneficiaries of unemployment benefits. This could be solved if half of unemployment benefits or income-supplementing allocations were extended by the labour centres even after placement, until the employment relation became stable (in the Netherlands, this means three years).

c.) *Temporary jobs*

Persons belonging to certain well-defined social strata - persons with low educational qualification, young persons without work experience, older people finding no traditional job opportunity in the organised economy, etc. - often find work lasting for a few days or hours only. Work opportunities of different kind occurring from time to time in the world of households, family farms, small enterprises tend to appreciate in value due to the absence of traditional jobs.

In Europe, France and Belgium make the most serious efforts to integrate such work into the system of organised work. On the one hand, households have access to significant tax reliefs in case they employ unemployed persons as family/household help, on the other, they try to gather those wishing to work this way into local non-profit organisations. Organisations assuming responsibility for labour exchange and for their members enjoy (together with their members) significant tax and social insurance preferences.

Although one of the main lines of growth of (registered) employment is likely to open up towards the private household, results so far are very modest indeed.

In Hungary, CSO's labour force surveys register a small, but slightly growing, annual number of temporary workers representing a small fraction only of earners. In the survey, those declaring themselves temporary workers were persons having no employment relation with any employer, and performing mostly seasonal-type work associated with seasonal demand in agriculture, tourism and trade.

Table 3.11

Number of temporary workers, 1992-1998

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	20,450	25,232	27,667	29,472	25,705
1998	25,903	31,332	31,332	29,505	28,524

Source: *LFS, Time Series 1992-1998.*, CSO, 1999

Hungary, too, has also made an effort to have temporary work registered; the relevant legal regulation entered into force on 1 September 1997.[13] The main goal of the regulation was to allow the unemployed and especially beneficiaries of income supplement to gain further entitlement to provision, i.e. unemployment, health and accident related allowances, by certifying further employment of a definite period of time.

The temporary employee's booklet (TEB) issued free of charge (in which employers can fulfil their employment-related obligation simply, without any other administrative procedure, by sticking into the booklet public burden stamps of a certain value) was taken out from 1 September and 31 December 1997 by 11,441 persons, most of them unemployed or beneficiaries of income supplementing allocation.

However, more than one third of owners did not present the booklet to the labour service, either because they did not perform work of this kind after all, or because, with the exception of beneficiaries of income supplement, there was no need for them to certify a period of employment.

In 1997, the labour service registered a total of 6,405 TEBs and 19,940 days of work performance. The national average of per capita employment was 3.1 days, with most employees being on minimum wage (at least according to the stamps).

In 1998, TEBs were taken out by 21,084, some 60 % among them registered unemployed, and around half of them beneficiaries of income supplement. As for the rest, a small proportion consisted of school-leavers (around 5 %), some 14 % were non-registered unemployed, 12 % household workers or persons on parental leave. At that time already, some 60 % only (13 thousand) of the TEBs were presented to the labour centres, where 11 thousand were accepted. The majority (7.1 thousand) were beneficiaries of income supplement/registered unemployed. In the course of

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[13] Act LXXIV of 1997 on Employment with Temporary Employee's Booklet and the Related Introduction of Simplified Public Burdens Procedure. Under the Act, temporary employment is employment relation established by the employer with the same employee for a maximum of five consecutive days, not exceeding 15 days a month and 90 days a year at a gross daily labour wage of min. HUF700, max. HUF2,400.

the year, the 11 thousand persons used a total of 45 thousand work opportunities to perform nearly 75 thousand days of work, 6.7 days per person on average, on minimum wage in 93 % of the cases.

The regulation of temporary work has thus brought modest results so far, and even these were mostly limited to those hoping to be granted further income supplementing allocation.

And that in spite of the fact that the legal regulation ensured preferences to private employers: half of the amount paid as public burden could be taken over by the Labour Market Fund if the employee was an unemployed person receiving (or coming to the end of entitlement to receiving) income supplement, or a person registered at the labour service but not eligible to allowance. From 1 January 1998, those employing long-term unemployed with TEB or without provision are entitled to request assumption of the health care contribution payment obligation of the employer, and private employers can also apply for subsidy to pay the relevant public burdens.[14]

d.) Fixed-term contracts

One typical element of traditional employment relations is the indefinite duration of the employment relation: good work guarantees a safe job with the employer until retirement age. Of course, economic trend fluctuations may trick even the best companies, but the employee is entitled, at least in Western Europe, to some kind of protection such as a pre-defined notice period and final settlement even in cases of forced redundancy. Companies usually employ supplementary labour for a definite, fixed, period of time to perform certain definite tasks in case of more work or a tighter deadline than planned, in peak periods (e.g. preserving factories in high season) etc.

European trade unions pay special attention to prevent that companies should derogate workers employed by fixed-term contract such rights as notice period or final settlement. (Some American analysts, such as Nobel Prizer Gary Becker, Professor of Chicago University, for example, actually consider this circumstance as one of the important reasons of the inflexibility of the European labour market.)

Hungarian legal regulations essentially correspond to the European standards, and courts will punish an employer for concluding a fixed-term employment contract in order to cheat the employee of his/her rights (notice period, final settlement, notice protection).

Information on the spread of fixed-term employment is provided by the short-term labour market forecast of NLMC quoted already. Accordingly, in August 1997, 19.8 %, one year later 20.7 % of the statistical staff of full-time employees, pensioners not included, was employed under fixed-term contracts. According to the estimates, this

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[14] Moreover, if the temporary worker files tax returns on his/her income not subject to mandatory declaration (i.e. yearly income under HUF250 thousand), the employer can get back the advance tax paid through the public burden stamp partly or fully, on the ground of entitlement to tax write-off due on such wage income specified in 1998 at 20 % of the wage, not exceeding HUF4,200 per month of entitlement. (In 1999, the corresponding ratio and amount was 10 % and HUF 3,000, respectively.)

may „correspond to 600 thousand persons". Fixed-term contracts in effect now typically last for 180-210 days.

The data of the forecast give no indication as to the branches concerned, but the relevance of the seasonal aspect is quite evident: from the beginning of the survey, i.e. the first half of 1997, to the forecast first half of 1998, more than 20 % of the total staff decline was due to contract termination, while in the second half, the corresponding ratio exceeded 45 %. *{Short-term labour market forecast, 1st Half 1999, NCLM, 1998. p. 40. }*

Fixed-term employment presumably coincides to a large extent with seasonal employment in the organised economy.

e.) The teleworking program

Europe attaches great hope to promoting the re-employment of the large multitude of persons living far away from business (employment) centres and hence without hope of local employment, persons not capable of working fixed hours due to their family obligations (e.g. mothers with young children) or the physically handicapped with the help of home-based work via computer.

In Hungary, the teleworking programme was launched in early 1998. The Teleworking Non-profit Association was founded to ensure the information technology background of Hungarian teleworking and the operation of a national service centre.

The first opportunities were offered to persons with changed working ability, followed by a tender announced to women on child-care leave or single women raising a child alone. There was an abundant supply of potential candidates: by August 1998, the non-profit association registered more than 15 thousand, but employers hardly showed any interest in the scheme. In 1998, the tenders of sixty companies offering home-based computer work were evaluated, and 27 were granted support to create 197 jobs.

3.4 Subsidised employment

For years, employment policy has been devising employment promotion programmes (such as those presented in the previous chapter) in order to counter-balance, as far as possible, weak labour market demand. Beside training and retirement with age exemption, subsidies offer shorter or longer employment opportunities, mostly for minimum income, to some 200 thousand unemployed and school-leavers every year.

In 1998, the Labour Market Fund (generated by contribution payments of employers and employees) provided subsidy amounting to around HUF30

billion to the employment of some 230 thousand.[15] Moreover, another HUF52 billion was allocated from budgetary resources to centrally organised public works programmes whose participants were again, mostly, unemployed persons. Beside that, in 1998, the National Employment Foundation (OFA) also granted HUF672 million to promote employment promotion actions of non-profit organisations mostly.

All in all, as we can see, society sacrifices considerable sums to employment promotion for the unemployed. {According to the computations of Mária Frey, in the nineties, expenditures on active measures totalled 0.35-0.61 % of the annual GDP; in 1997, this ratio was 0.46 %. *Op. cit., Supplement 3.* }

In 1998, new schemes were added to the employment promotion programmes, in some cases supplementing or amending old ones. One new form of assistance is contribution to the costs of actions to settle individual fates in case of mass layoffs. From 1998 on, it has become possible to subsidise the employment promotion activity of public benefit organisations as well. Earlier programmes were supplemented by central programmes launched to promote teleworking. Travel expense reimbursement was replaced by mobility subsidy to the costs of travel to and from work under certain well-defined conditions; and in some districts to recruitment costs also (max. HUF 500 thousand per occasion, invoiced) and, moreover, employers undertaking to provide work and accommodation to an unemployed person became eligible to accommodation subsidy for a maximum of twelve months. (The subsidy equals the bottom limit of the unemployment benefits.)

The old and the more recent programmes provide, the same as in recent years, work opportunities of a shorter or longer duration to some 90-100 thousand at the annual level.[16]

Main programmes

In 1998, the programmes operated by the Ministry of Labour, now Ministry of Social and Family Affairs, promoted the employment of some 230

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[15] The Fund, having operated under various names since its foundation, is used to cover the expenses of so-called passive allowances (unemployment benefits, income supplement), training to promote re-entry to the labour market, and various forms promoting access to employment (active measures) such as public benefit work, job-creating investment, assistance to would-be entrepreneurs (to self-employment), assumption of part of taxes and contributions levied on wages for new employment in a definite circle etc.
According to the data of the Ministry of Labour, then Ministry of Social and Family Affairs, a gradually increasing amount was allocated to active measures within total expenditures rising year on year (1992: HUF84.9 billion, 1996: 91.3; 1997: 120.2; 1998: 142.8 billion). The data in question are quoted by Mária Frey providing a comprehensive analysis of the degree of efficiency of the so-called active measures. Cf. *Aktív munkaerőpiaci eszközök típusai, részvevői és munkaerőpiaci hatásai (1991-1997)*, Labour Research Institute, 1998. In what follows, we shall mainly rely on this study. Data on 1998 were provided by NLMC and the Fund Management Division of the Ministry of Social and Family Affairs.

[16] The „number of those concerned" is in reality approximately thrice higher, including everyone having participated in one or another of the programmes for even one day during the year.

thousand in one form or another – not including participants of training programmes and those retiring with age exemption.

Table 3.12

*Participants of active programmes**

person

Active measures	1991	1992	1993	1994	1995	1996	1997	1998
Public benefit employment	10,585	34,670	89,251	69,674	86,496	141,258	101,208	116,113
Wage subsidy	1,105	11,637	50,875	47,772	37,214	29,700	38,497	49,596
Subsidy to job-creating investment**	8,989	10,245	30,366	26,115	25,459	25,518	23,418	17,498
Subsidy to start entrepreneur's career	1,038	5,493	10,633	12,621	5,609	4,619	4,674	4,343
Employment in reduced working time	31,747	28,581	13,377	9,418	3,397	5,663	1,375	1,328
Travel expense re-imbursement	-	-	6,615	3,414	4,624	4,820	6,000	8,093
Programmes for school-leavers			-			5,850	15,565	23,330
Job creation by self employment							1,209	3,027
Job preservation							2,299	4,587
Assumption of contribution payment obligation							574	1,805
Other	351	-	804	2,014	-	-	-	-
Labour market training	29,492	60,466	89,251	93,927	71,182	71,980	75,993	79,604
Retirement with age exemption	3,165	5,376	10,729	7,222	6,562	5,382	3,576	1,914
Total	**86,472**	**156,468**	**212,650**	**272,177**	**240,543**	**294,790**	**274,338**	**311,238**

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

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

*** From 1998 on: mobility subsidy

Source: 1991-1997. M. Frey, *op. cit.*; 1998: NCLM and Ministry of Social and Family Affairs

Annual average numbers, although much smaller than the „population concerned" (due to training programmes of short duration, of a few days, public works on several occasions for a few weeks), are nevertheless still quite remarkable. Disregarding training to promote re-employment and retirement with age exemption again, we can say that in 1998 more than a hundred thousand were granted employment support.

Table 3.13

Annual average number of participants of active programmes

person

Active measures	1993	1994	1995	1996	1997	1998
Public benefit employment	-	27,021	24,971	34,094	30,780	30,877
Wage subsidy	-	20,422	14,371	12,268	25,762	29,313
Subsidy to job-creating investment*	-	23,051	23,123	20,694	16,195	12,251
Subsidy to would-be entrepreneurs	-	3,668	1,289	1,378	1,410	1,307
Subsidy to employment in reduced working time	-	1,781	363	899	269	1,328
Travel expense re-imbursement, from 1998 on: mobility subsidy	-	1,147	1,955	1,747	2,618	2,919
Programs for school-leavers				2,314	6,096	10,302
New measures from 1997 on**					2,056	4,082
New measures from 1998 on***						7,091
Labour training	-	30,662	24,059	20,829	22,750	23,039
Retirement with age exemption	-	6,283	5,934	4,406	2,791	1,348
Total	75,864	114,795	96,065	98,629	110,727	118,780

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

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

*** Mobility subsidy, various forms; assistance in case of massive layoffs, support for non-profit organisations

Source: 1993-1997: M. Frey, *op. cit.*, 1998: NCLM, Min. of. Social and Family Affairs

Two-third of subsidised employment takes place in the framework of two programmes: public benefit work and wage subsidy (taking into account what is mostly also wage subsidy to school-leavers, the proportion of participants of the three programmes is more than 74 %). Jobs resulting from investment subsidy to promote job creation also represent an important category, while the rest are of a more modest scope.

a.) The same as earlier, public benefit work was one of the main programmes giving work and a modest earning for a few months to the largest number of people. As stated in the analysis of Mária Frey, the participants of public benefit work have traditionally been the most disadvantaged groups of the labour market, typically with primary schooling or less, employed on works to satisfy the communal needs of settlements (road maintenance, ditching, surface draining etc.). In the course of the years, the composition of public benefit workers has changed slightly (there are somewhat more women, somewhat more men older than 40 and especially 50, etc.), and the range of tasks qualifying as public works has also expanded a little (activities related to health care, social care, education), but communal work has remained the typical form. In areas offering no other work opportunity, i.e. especially in small settlements/dwarf villages, this is mostly the only opportunity for the unemployed, and especially those receiving an income-supplementing allocation among them, to work (and earn a living), and to meet the additional 180 days of employment criterion of the extension of entitlement to allowance. *{Mária Frey, op. cit., pp. 25-36.}*

Although experts criticise many aspects of public benefit work (it does not promote re-entry to the labour market, it is expensive – per capita subsidy exceeds HUF20 thousand, etc. --, it is quite obvious that, under the given circumstances, this form essentially replaces social allowance typically for the members of such disadvantaged groups that society simply cannot refuse to help. Unfortunately, public benefit work may turn out to be a long-term instrument to that effect.

b.) Wage subsidy can be granted to employers having undertaken to employ for a definite period of time (min. six months) a person having been unemployed for at least 6 months (3 months for school-leavers). 50-100 % of the labour wage is assumed by the labour service, but the employer must make a commitment to employ the worker after the subsidised period for at least the same period of time.[17]

According to the analysis of Mária Frey, it is most frequent for small private enterprises to employ unemployed persons with wage subsidy, and request travel expense reimbursement as well beside that whether necessary or not. The majority of these employers consists of small enterprises in the form of sole proprietorships and collective partnerships active in the areas of trade, manufacture and agriculture. It is quite frequent for the same circle of entrepreneurs to register as employer year after year.

In addition to support provided by the Labour Market Fund, since 1994, the Corporate Taxation Act also gives preferences to employers employing long-term unemployed. Mária Frey quotes data originating from corporate tax returns: from 1994 to 1998, some 3-4,000 enterprises requested tax base reduction of HUF1-1.2 billion on that ground every year.

The analysis estimates the number of persons employed this way at ten thousand. Presumably, parallel financing is not transparent at all and hence easy to abuse. *{Op. cit., pp. 36-43.}*

Disregarding employment promotion encouraged by tax relief, in 1998, nearly 50 thousand (73 thousand if participants of subsidised programmes for school-leavers are included) worked, typically for 6-8 months, with the support of the labour service.

c.) As indicated already, the public works programme is funded independently of the labour market programmes by a special non-budgetary fund established for that purpose. Topical tasks of regional development, such as the central afforestation programme, environmental protection, flood and surface water protection, used to be designated by the Public Works Council, and tenders were announced to perform these tasks. Those employed on public works were long-term unemployed for the most.

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[17] Until 1995, the relevant regulations, amended every year, made it possible to assume the social insurance contribution payment obligation as well. The further employment obligation of the employer set at twice the subsidised period earlier was reduced as of 1 July 1997. The regulation in question came into force on 1 January 1998.

In 1998, public works programmes offered work for 6-7 months on average to some 20 thousand.

In 1998, the Public Works Council was dissolved, and the Ministry of Social and Family Affairs intends to operate four regional offices with a mandate to organise public works after having surveyed demands in the given region.

d.) Employment expansion programmes of OFA, the National Employment Public Foundation. OFA, continuing its programmes launched six years ago, spent nearly HUF672 million in 1998 on the improvement of the employment chances of regions and strata in a disadvantageous situation, mainly through assistance to efforts of non-profit organisations. The programmes in question, some of them in progress for years, others initiated in 1998, helped some 25 thousand re-enter the labour market in 1998. Subsidies granted by tender for the most included, in addition to those launched earlier, encouragement of part-time employment of unemployed persons and also persons bound to the household such as those nursing a child or a sick person. The programme *Rátalál(ás)* (Job-Finding) promotes the employment of the long-term unemployed in Budapest and three north eastern Hungarian towns by naturalising a successful Dutch programme. The so-called Re-Start programme, the successor of the Integration and training and employment programmes, helps persons having incomplete primary education catch up, etc.

The public foundation exercises the proprietary rights of the state over business societies employing persons who in most cases have reduced working ability. The total staff number of the six target organisation was 7,850, 5,760 among them with changed working ability. *{Report on the 1998 Activity of the National Employment Public Foundation.}*

Data available to us, incomplete in all probability[18], suggest that, through the employment promotion programmes, social solidarity provided access to work to some 90-100 thousand in 1998 again.

Table 3.14

Number of participants of major subsidised programs, 1998

Programme	Participants ('000 pers)
Programs financed by the Labour Market Fund*	98.0
Public works financed by the Public Work Council	20.0
Programs financed by the Employment Foundation	25.0
TOGETHER	143.0

* Programmes detailed under Table 3.14, exclusive of trainees and persons in retirement with age exemption.

[18] Apart from the centrally registered programmes, local governments and non-profit organisations can also design their own employment promotion actions. Mária Frey's study quoted already mentions, for example, the initiative of the Szeged Municipality to grant job-creation relief to employers of beneficiaries of income supplementing allowance.

Work opportunities subsidised from diverse sources (Labour Market Fund, Public Works Council, OFA) are still impossible to convert into working time (work-day, month); our estimate is based on average staff numbers.

The shorter/longer term employment of the hundreds of thousands concerned is regularly reflected by the Labour Force Surveys of CSO considering one hour's earning activity already as employment.

3.5 Employment of Hungarians abroad - foreign labour supply in Hungary

Legal employment of Hungarians abroad and of foreigners in Hungary is approximately of the same order of magnitude, at least as far as those covered by statistical accounting are concerned. Both figures (20 and 22 thousand) are marginal ones, and their weight under 1 % plays a role on certain well-defined market segments only. (Presumably, however, both groups are much bigger in reality, but those undertaking employment illegally are not registered in any way.)

a.) Employment of Hungarians abroad

As a matter of fact, labour migration is very modest in scale in Europe and also in the OECD countries outside Europe. (According to the official statistics of the OECD countries, the SOPEMI Report, every form of migration has been exceptionally scarce for years; in Europe, for example, in 1997, migration for the purpose of employment was under 2 % of the working-age population. The only exception is persons taking flight/asking refuge due to local wars, masses of whom usually apply for protection in neighbouring countries.)

According to the analysis of *Employment in Europe, 1998*, immigration to the European Union has decelerated considerably since the early nineties. What is more, the high portion of immigrants are EU residents returning to their home country. Although relevant data are patchy and unreliable, those suitable for evaluation suggest that persons having returned to their home country in 1996 contributed half of the total migration figure, with the exception of a few countries (Germany, Greece, the Netherlands and Sweden). *{Employment in Europe 1998, p.32.}*

A conference held in Japan in early 1999 corroborated assumptions that this main migration trend of the OECD countries would prove a lasting one.[19]

According to a status report covering several continents (Western Europe and several East European countries, Austria, the United States, Canada etc.), family reunion is the main cause for international migration, while migration for the purpose of employment is still insignificant. Although residents of the Member States of the EU are entitled to undertake work in each other's country without any limit whatsoever, construction industrial enterprises only seem to compete

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[19] Bureau of the working party on migration, Tokyo, 27 January, 1999, Summary of migration trends presented at the SOPEMI meeting, OECD, Direction for Education, Employment, Labour and Social Affairs, Employment, Labour and Social Affairs Committee, Febr. 1999.

for them. Modest labour migration between the countries concerned is restricted to neighbouring regions, and those crossing the frontier are typically commuters. (This is seen as a sign of the existence of natural labour market regions.)

At the same time, every European country protects its own labour market quite forcefully against citizens of non-Union-member countries (so-called third countries). Hungarian workers, too, can only undertake work at those places only where their reception (subject to definite quotas) is ensured by inter-state agreement. One of the most significant agreements was concluded by Germany and Hungary, while Austria receives Hungarian workers within its global quota for foreigners, on the basis of the apprentice exchange and borderline commuter migration agreements concluded for 1998.

Hungary could send workers to Germany within the limits of the quota defined annually, and until 1997, the aggregate number of different groups of employees (persons employed by service contract, individual workers) could reach 20 thousand per annum. Given the growth of unemployment in Germany, however, more serious limits have been imposed since then on the employment of foreigners (Hungarians among them). In 1998, the quotas allowed the employment of some 10.4 thousand Hungarians in Germany (2 thousand apprentices, 6.4 thousand employed by service contract) by construction industrial and assembly companies, but also 2-300 IT experts and another approximately 2 thousand seasonal workers). Unfortunately, we cannot always use even these quotas to the full, for under the regulations, individual employees cannot stay longer than one year (18 months in case of extension).

From the point of view of the Hungarian employment situation, however, this form of work experience, highly useful from the point of view of work culture and familiarisation with more recent production/technology procedures, is limited, as mentioned already, to a few employment market segments.[20]

The situation is similar with respect to Austria. Austrian economy accepts a total of around 270 thousand foreign workers, a quota filled at the end of the eighties practically completely by Turkish and Yugoslavian guest workers. Hungary is entitled to send a total of 9.5 thousand a year, a quota increased slightly (by 300) by the apprentice

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[20] However, it is in the interest of both German and third-country companies to loosen employment restrictions. One promising solution in the given situation is the creation of joint companies. "The foresighted Hungarian limited liability company sets up a joint company with a German GmbH, allowing it to bring in, as joint company, skilled workers from the Hungarian „parent company" by service contract. In the inevitable „guest worker" system, the same GmbH, co-owned by Hungarians, will bring in labour and conclude service contracts. This solution is safer than a fully Hungarian-owned undertaking in Germany". *{Üzleti 7, 16 Nov. 1998. }*

exchange agreement concluded in 1998 and by the possibility of borderline commuter employment.[21]

The commuter quota has been filled in the Western Transdanubian counties still forming one labour market region with Burgenland in many respects[22], but Austrian residents typically appear in Hungary as employers and not employees.[23]

Apart from Germany and Austria, Hungary has exchange agreements of symbolic value, to foster relations, with Switzerland (apprentice exchange, 100 persons), Ireland (12 highly qualified individual workers), Luxemburg (20 persons), apprentice exchange agreement with the Netherlands, etc.

Annual labour account figures cover authorised foreign employment as well (1 January 1994: 27 thousand, 1995: 25 thousand, 1996: 23 thousand, 1997: 24 thousand, 1998: 27 thousand).

Legal employment of Hungarians abroad affecting less than 1 % of Hungarian workers includes a few hundreds of highly qualified professionals invited to work for some time at research institutes, universities and multinational companies in and out of Europe.

Let us mention here that, in contrast with the conjectures expressed from time to time abroad, especially in Austria, concerning the threat of the mass invasion of Eastern European labour, according to the public opinion poll of the Hungarian Household Panel repeated in several consecutive years, relatively few Hungarians would like to undertake work abroad: 4 % of 16 plussers for a shorter period of time and 3 % for longer. *{HHP, Final Report, 1997.}*

b.) Foreign labour supply in Hungary

Since the emergence of massive unemployment, Hungary, too, has been protecting its labour market by setting an annual quota of 20-26

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[21] Under the agreement concluded with Austria in 1998, inhabitants of three Transdanubian counties, Győr-Moson-Sopron, Vas and Zala, were allowed to undertake work in Burgenland. a total of 550 could tender for transborder daily commuter employment from the three counties, and in principle the same number could undertake work in Hungary from Burgenland. Eligibility to the six-month permit was conditional on 12-month residence in the region in question, clear criminal record, possession of necessary documents. The Austrian party restricted employment in certain vocations (no permits are issued for the industries of construction and textiles and clothing; in the metal and electric industry placement is limited to service-provider small enterprises, and forbidden at larger companies). Commuter Hungarian employees are expected to perform agricultural activities in the first place.

[22] The joint development of transborder areas is also one of the goals of Phare. Phare sources were made available for the development of Hungarian areas along the Austrian border, three counties, Győr-Moson-Sopron, Vas and Zala, in 1995 when Austria became member of the EU. The envisaged budget of the Phare aid was ECU35 million for a period of five years. *{HVG, 18 April 1998. }*

[23] It follows from the association agreement between the EU and Hungary that the countries involved can set up enterprises in each other's countries. From February 1999 on, in addition to collective partnerships having been granted that license earlier already, sole proprietorships were also given the possibility to operate in each other's country. The news is that, in addition to major companies relocated already to Hungary, numerous small Austrian enterprises also intend to set up business sites here.

thousand for the employment of foreigners in Hungary. The number of foreigners working legally in Hungary is reflected by the number of valid authorisations on 31 December every year: 1991: 33.3 thousand; 1994: 20 thousand; 1995: 21 thousand; 1996: 18.8 thousand; 1997: 20.4 thousand; 1998: 22.5 thousand

Table 3.15

*Valid labour permits, 31 December 1998**

Nationality of the employee	Number of valid permit holders	*of which*:			
		manual workers		non manual workers	
		Total	*of which*: skilled worker	Total	*of which*: degree holder
Romanian	10,610	7,574	5,487	3,036	1,773
Polish	989	815	747	174	94
Chinese	1,053	725	348	328	187
former Jugoslavian	964	653	517	311	190
former Soviet	2,833	1,979	1,397	854	641
Czech	21	11	10	10	6
Slovak	469	313	208	156	84
Vietnamese	311	205	118	106	60
other	5,216	2,486	1,718	2,730	1,601
Together	22,466	14,761	10,550	7,705	4,636
%	100.0	65.7	47.0	34.3	20.6

* Extensions included.

Source: Data released by NCLM.

The experience of long years is that most foreigners undertaking work in Hungary come from areas of the neighbouring countries populated by ethnic Hungarians, from Transylvania in the first place. The employment of these groups is made easier by their knowledge of Hungarian.

The hardly more than five thousand persons indicated under the heading „others" in the table above includes persons coming from countries of the European Union, the United States, Japan and elsewhere (from language teachers to experts of multinational companies). At the end of 1998, 2,514 EU residents were employed legally in Hungary.

The majority of foreign workers coming, in two-third of the cases from neighbouring countries, are skilled workers welcome in the shortage vocations existing despite unemployment.[24] The biggest group of foreigners

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[24] In manufacturing industry, dressmakers come first (3,660 permits): Hungarian clothes factories producing mostly for export have recruited dressmakers/seamstresses from abroad for lack of Hungarian skilled workers: the Szeged Clothes Factory *{Napi Gazdaság, 8 February 1999.};* the Záhony Veritas Ltd. and the Dombrád Beba dressmakers' shop from Ukraine *{Népszabadság, 10 February 1998.};* the Csurgó Napsugár Clothing Co. *{Napi Gazdaság, 20 April 1998.}* and the Miskolc B-té Text Ker Ltd. *{Népszabadság, 20 Nov. 1998.}* from Mongolia, while the Salgótarján and Balassagyarmat workshops of Salkon employ Slovakian staff *{Napi Gazdaság, 3 July 1998.}* Construction workers are also in demand (3,700 persons), the same as cutters (900 persons), and trade and catering staff (3,670 person).

present in every branch of the economy in a smaller or larger number, however, is registered in sports, and cultural and other services: nearly 30 % of permit holders are sportsmen and representatives of branches of arts.

Foreign companies relocated to Hungary, on the other hand, have a relatively significant demand for managers fluent in foreign languages, especially English, with qualifications that are still rare among the local population, and hence a large number of young managers from the West seek and find work in Hungary and in other countries of the Eastern European region.[25]

Most experts from European and other developed countries working in Hungary, however, are employed as managers, not employees (no labour permit is necessary in this case); or work as proprietor-managers of business societies. (Within this group, from 1999 on, key staff of the companies in question are also allowed to work in Hungary without special authorisation, the same as persons establishing a sole proprietorship.) Their activity in Hungary, however, will exert no influence of merit on the Hungarian labour market due to the expected numbers involved (especially since young Hungarian professionals employed by multinational companies are offered similar options to acquire work experience abroad), while sole proprietorships will provide new employment opportunities to Hungarians.

As for the illegal employment of foreigners in Hungary, one is of necessity limited to estimates based on guesses here. Labour inspection results did not corroborate assumptions concerning the large-scale illegal employment of foreigners in 1998 either. More extensive inspections than before (performed at more than 43 thousand employers, instead of at 18 thousand as in 1997) registered the violation of many regulations (employment without work contract, or under minimum wage level), but a relatively small number of foreigners employed illegally was found.[26] Annual data of the National Occupational and Labour Safety Chief Inspectorate (OMMF) indicate that 1,956 illegally employed foreigners were identified.

Of course, the modest number of cases revealed by the inspections probably represent but a fraction of illegal employment.

It is impossible to determine the number of commuter transborder workers employed typically in agriculture, construction, trade and catering, mostly

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[25] „Brain-drain reversed": this is the title under which *{Világgazdaság, 22 July1998.}* reviews the summary report of research experiences of five years published by an international employment consultant company in London.

[26] Inspectors found 39 illegally employed foreign workers only on the southern side of Lake Balaton, for example: 19 Romanian, 9 Croatian, 8 Ukrainian and 3 Chinese citizens. *{Népszabadság, 22 August 1998.}* On the other hand, according to the investigation of OMMF, Hungarian Television Co. (MTV) employed, since 1990, Ukrainians, Romanians, Swedes, Slovakians on more than 200 occasions without authorisation in the capacity of editor, reporter, extra and technical assistant. *{Népszabadság, 16 February1999.}* MTV disputed the penalty imposed for that on the ground that they only provided assistance to Hungarian colleagues across the borders. *{Népszabadság, 8 March 1999.}*

by small and family businesses as seasonal or temporary workers.[27]

Commuting to and from Hungary is motivated by the same reason, namely the considerable gap between national revenues and purchasing power in the countries in question. Earnings in the neighbouring country, well in excess of the domestic ones, make it worth for many to take the risks implied by illegal employment.

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 % of those employed by incorporated companies) have been forecasting the growth of employment for years (by 30-40 thousand in first half 1998, a projection not justified by year-end data showing growth by 26.5 thousand from December 1997 to December 1998). They thought it possible that employment should increase by as much as 60-70 thousand over the first half of 1999, especially in manufacture and construction.

As in 1997, corporate sector labour demand is still in need, and to a growing extent at that, of the labour exchange contribution of the labour service. The ratios of hiring by announcement (19 %) and via tendering (10 %) increased somewhat at companies taking part in the forecast, but some 40 % among them still look for new employees with the mediation of the state labour service.[28] A major part of labour exchange still takes the form of personal contacts (news mediated by friends, family, acquaintances) or is based on other types of information (e.g. announcement). Part of the exchange (often the recruitment of seasonal labour exclusively) is carried out by private labour exchange offices operating under much stricter conditions since 1 March 1998.[29]

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[27] Experts often emphasise also the fact that the illegal employment of foreigners is related to the lengthy and bureaucratic authorisation procedure involved, impossible to reconcile with the fact that seasonal labour demand in agriculture, construction and tourism often cannot be planned in advance. And although tax losses on work performed without permit and registration imply losses to the budget, non-performance of the activities in question would in most cases also be detrimental (especially in agriculture).

[28] The ratios in question by and large correspond to the practice of the developed countries of the European Union; only in Holland do companies post more than 60 % of vacancies at the labour service.

[29] The Ministry of Labour registered some 430 labour exchange enterprises, some 300-330 active ones among them. Under the new regulations, those hiring for jobs abroad must deposit HUF500 thousand guarantee at a financial institution, while those hiring for domestic jobs exclusively must deposit HUF300 thousand. Beside the financial guarantee to be used exclusively for damage compensation, the candidate must certify appropriate professional qualification or experience, the technical conditions of work (e.g. office premises) and are subject to mandatory data provision to the competent labour centre.
Maatwerk Labour Exchange and Training Ltd. operating in the XIIIth district of Budapest and at Nyírbátor and promising to find permanent placement for at least 500 long-term unemployed in the course of two years intend to naturalise a new form of labour exchange. The essential element of the programme launched with the HUF800 million support of OFA is that consultant support is not limited to job search. The staff keep in touch continuously with programme participants prior to placement, taking months in certain cases, and also for a minimum period of six months afterwards. *{Világgazdaság, 17 December 1998.}*

Companies in foreign and joint ownership usually address labour demand generated by development and greenfield investment projects to the labour market organisation.

In Hungary, it was typical already in 1997 for new jobs to be created for the most by capital-strong, mostly foreign, companies, partly in the framework of the development of plants in operation, and partly through the above-mentioned greenfield investments, and the same process has remained predominant in 1998, despite the decline in foreign direct investment inflow.

3.6.1 Investment-driven labour demand

Foreign capital purchasing Hungarian companies launched the first cautious development projects as early as 1993, and after the first positive experiences, capital investment and production capacity build-up by the purchased companies and representatives of big world organisations has gathered speed. Capital investment showed fast growth, at least until the end of 1997. Relocation from other parts of Europe and new investments realised in Hungary have become increasingly significant.

In 1997, according to the aggregate figures released by CSO, a total of HUF 69.3 billion was spent on the establishment of companies in Hungary. 60 % of the resulting 4,400 companies were established without domestic participation, and 74 % of the capital influx was directed to fully foreign-owned companies. *{Figyelő, 29 January 1998.}* In 1998, direct capital entering the country through the banking system totalled USD1,935 billion *{Világgazdaság, 8 March 1999.}*. The total amount of foreign direct investments to Hungary since 1991 amounts to USD18 thousand million. *{Világgazdaság, 23 February 1999.}*

New activities based on foreign investment or naturalised as a result of greenfield investment have created new jobs replacing lost once every year. Numerous new jobs were created this way in 1998 as well.[30]

News on investment/development projects launched in 1998 are similarly promising.

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[30] Newspapers report on the inauguration of investments (workshops, machine lines etc.) creating dozens or hundreds of jobs every month. Adding up these alone suggests that some 10 thousand new jobs were created in 1998.

Job-creating investments granted state support as well[31] are typically associated with up-to-date, and therefore capital-intensive, technology requiring a relatively small number of staff.

As in the previous years, part of new investments consists of the relocation of activities from a developed country (where labour costs are accordingly high) to Hungary.[32]

Although many smaller and medium-size companies have also created jobs, according to the relevant estimates, the large number of jobs lost in the economy for diverse reasons in 1998 as well were replaced in the overwhelming majority of the cases by those created by developments and greenfield investments realised with foreign capital.

Demand registered by the labour service is essentially that generated by foreign companies.

3.6.2 Difference in registered labour demand and supply

As explained earlier, part only of the demand for labour is registered by the labour organisation. Although the growth of registered demand was obviously due to several reasons, economic stabilisation and the emergence of new demand are clearly two decisive factors in this respect. The number of registered vacancies, subsidised jobs included, has been rising for years.

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[31] As reported already, in 1997, investors creating a large number of jobs, i.e. in excess of 500, could apply for subsidy to the Labour Market Fund. Priority was given to the application of world-standard advanced technology, and developments/investments in the more backward areas, especially if the activity concerned relied to a larger extent on the domestic supplier base, promoting thereby the development of Hungarian small and medium-size enterprises as well. To date, however, Hungarian economy has a relatively small number of actors capable of undertaking job creation on such scale and committing themselves to the employment of staff for five years in addition. Hence the tender clearly targeted foreign-owned companies, or companies co-operating with them.

More than ten applications were received for the tender by the September 1997 deadline. The winner companies undertook investment worth HUF107.5 billion altogether, and the long-term employment of more than 4,500 workers. For that purpose, they were granted HUF300 million non-repayable and HUF 95 million repayable subsidy. *{Népszabadság, 18 April 1998.}*

Moreover, regional development councils and self governments also granted preferences of different kinds to developments on their territory.

[32] Alumina processing is relocated by Erbslöh Aluminium AG. from Germany. The company invests more than DEM10 million to the first phase of the relocation of production to Hungary. Its plant workshop to be constructed at Győr Industrial Park will in the beginning employ a hundred staff. *{Napi Gazdaság, 11 June 1998.}*

Dietiker relocates furniture manufacture from Switzerland to the town of Eger. By 2000, they will realise a HUF200 million investment and employ 200 instead of the current 160 staff. *{Napi Gazdaság, 22 Dec. 1998.}*

Philips will relocate the colour TV picture tube capacity of its Steierland factory to Hungary. The coil assembly line to be relocated to Hungary will create jobs for 50 persons. *{Napi Gazdaság, 29 October 1998.}*

Elektrolux, while decreasing staff by 12 thousand worldwide in two years, relocated vacuum-cleaner production to Jászberény. The roles of the Italian factory closed down in 1997 and of the one on Great Britain sentenced to liquidation in 1998 will be taken over to a large extent by production in Hungary. *{Világgazdaság, 24 February 1998.}*

Mahler Vario System GmbH used to manufacture textiles for the car industry, but now it will relocate a significant part of production through its Hungarian subsidiary BLM Hungary Kft.to Hungary and will increase staff number to 80-100 by the end of the year. *{Napi Gazdaság, 1 July 1998.}*

(In 1995, it was 28.6 thousand on monthly average, in 1996 38.3 thousand, in 1997 42.6 thousand, in 1998 48.3 thousand.) Numerical growth is an important circumstance even though we know that it still means a job to around 10-12 % of the unemployed only (in 1995, the corresponding rate was 5-6 %).

The number of vacancies filled or cancelled on monthly average grew from 26.1 thousand in 1993 to 28.1 thousand in 1994, 29.6 thousand in 1995, 33.7 thousand in 1996, to decline slightly, to 33 thousand, in 1997 and increase again to 36.3 thousand in 1998.

The number of beneficiaries of unemployment benefits filling vacancies permanently or temporarily was as follows: 1994: 134,769, 1995: 102,828, 1996: 100,736, 1997: 88,738, 1998: 85,324; one third among them found placement at subsidised jobs. Placements represented, on annual average, nearly 19 per cent of the unemployed population in 1997 and some 20 % in 1998.

Table 3.16

Number of registered vacancies, of the registered unemployed, the beneficiaries of unemployment benefits and the re-employed, 1997-1998

Refe-rence date	Numb. of vacancies*	Number of reg. unemp. (pers)	Vacancies in percent of reg. unemp.	Number of benefit recipients, month-end	Number of re-employed		
					pers.	as % of job vacancies	% of unemp. Benefit recipients
1997							
Jan.	34,986	474,636	7.3	150,209	5,384	15.4	3.6
Febr.	33,913	498,080	6.8	156,056	7,884	23.2	5.1
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	44,201	468,713	9.4	142,132	5,837	13.2	4.1
Aug.	46,046	462,999	9.9	138,267	6,096	13.2	4.4
Sept.	50,810	458,620	11.1	134,517	7,916	15.6	5.9
Oct.	53,222	449,489	11.8	134,164	6,394	12.0	4.8
Nov.	43,417	457,482	9.5	136,468	5,262	12.1	3.9
Dec.	36,307	463,962	7.8	136,707	3,303	9.1	2.4
Average	**42,560**	**470,112**	**9.1**	**141,731**	**7,312**	**17.2**	**5.2**
1998							
Jan.	37,401	481,847	7.8	149,343	5,388	14.4	3.6
Febr.	41,253	471,703	8.7	147,547	7,900	19.2	5.4
March	50,157	459,600	10.9	139,058	12,321	24.6	8.9
April	48,358	438,114	11.0	130,821	10,723	22.2	8.2
May	47,006	421,202	11.2	124,678	8,017	17.1	6.4
June	51,258	406,386	12.6	121,280	6,572	12.8	5.4
July	52,872	409,745	12.9	121,067	6,112	11.6	5.0
Aug.	52,704	401,922	13.1	119,836	5,391	10.2	4.5
Sept.	55,480	398,482	13.9	119,834	7,718	13.9	6.4
Oct.	54,774	391,390	14.0	123,969	6,517	11.9	5.3
Nov.	46,905	392,429	12.0	129,112	5,266	11.2	4.1
Dec.	40,952	404,094	10.1	141,601	3,399	8.3	2.4
Average	**48,260**	**423,121**	**11.4**	**130,724**	**7,110**	**14.7**	**5.4**

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

Source: Monthly Reports, NCLM

Ever since the beginning of registration, even in the worst years, within labour demand overall showing steady increase in terms of numbers year on year, the decisive element was the demand for skilled workers. (In December 1993, for example, 46 % of the no more than 28 thousand registered vacancies were open to skilled workers, and in 1998 46.5 % of nearly 41 thousand.)

The relative proportion of semi-skilled and unskilled workers hardly changed, in spite of the fact that relocated companies often look exclusively for assembly line workers who have to perform a few motions to which they are trained only, and demand for those to be placed on public benefit work and public works also appears in this category.

Demand for manual workers represents some 86-89 % of demand overall every year.

The majority of non-manual main job holders consists of administrators and clerical staff, while the number of persons in managerial position, with a degree, has been less than 6-700 for years. The general experience is that companies do not look for qualified managers at the labour service, but use other contact channels for the purpose.

Table 3.17

Registered job vacancies

Year, Dec.	Vacancies pers.	*Of which %*			Manual	Non-manual
		Skilled	Semi skilled	Unskilled		
		workers			together	
1993	28,089	45.8	23.5	7.2	76.5	23.5
1994	30,806	49.0	27.3	8.2	84.5	15.5
1995	26,756	52.1	24.3	11.8	88.2	11.8
1996	35,540	51.7	22.5	10.2	84.4	15.6
1997	36,307	51.0	26.4	8.9	86.3	13.7
1998	40,952	46.5	31.6	10.6	88.7	11.3

Source: NCLM

Despite the slightly growing, but still modest demand, and while masses of the unemployed wait for a placement opportunity, there are still certain demands that cannot always be met. Short-term forecasts by NCLM have for years highlighted the gaps between demand and supply, with special regard to shortage of skilled workers in certain vocational areas. Nearly 15 % of the companies visited in September 1997 declared that they had been unable to satisfy part of their labour demand for years. *{NCLM: Medium-term labour market forecast, First Half 1998.}*. In the forecast for the first half of 1999 prepared in 1998, companies referring to unused capacities indicated labour shortage as one of the reasons with a weight of 8 %.

The shortage of skilled labour is most marked in the manufacturing industry where 10 % of companies indicated labour shortage as the priority reason for capacity under-utilisation. In the second half of 1998, there were some 27.5 thousand long-term vacancies at the level of the national economy, i.e. 2-3 thousand more than one year earlier.

NCLM systematically processes semi-annual forecasts to assess demand by vocation and identify growth or decline. The original processing allowed mostly to identify vocations/occupations registering marked demand or surplus in 10 counties. (We have reported these results ever since 1995.) The survey gave a clear picture of permanent shortages (e.g. tailor/dressmakers have ranked first on the lists of shortage vocations in every county for years) and vocations associated with growing or decreasing demand. (Demand for mechanical engineers, for example, has shown steady increase, while there was practically no demand anywhere for general administrators.)

The new system of processing reflects orders of magnitude as well. Let us review here data from the rich summary concerning occupations most/least in demand only.

Projection: occupation most/least in demand
(1st half 1999)

Demand in excess of 500 persons

Manual jobs	
skilled	shop assistant, shoe-maker, machine operator, plastic manufacturer, bus driver, electrician, precision instrument maker, road-builder
Non-manual jobs	agent, nurse

Vocations in a deteriorating position (no. of staff to be reduced)

Manual jobs	
skilled	(101-250 persons): other mining machinery operators; other machinery/equipment repair staff (31-100 persons): loading-machine operators
Non-manual jobs	(31-100 persons): direct production managers of agricultural/forestry sub-units; secondary school teachers

Of course, there is a marked difference in demand by county and region. In major towns, for example, unskilled occupations in demand include street cleaners and, in the category of degree holders, mechanical engineers.[33] There is a shortage of family doctors and medical specialists, teaching staff of higher educational institutions, while secondary school teachers and primary school teachers figure on the lists of vacancies and dismissals in very similar numbers (31-100 persons); there is a shortage of economists, chemists, agricultural and electric engineers, market researchers and highly qualified IT experts, even though the size of the demand, understandably, would not assign this category to the biggest groups.

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[33] At the mechanical engineering faculty of Miskolc University, there were nine job offers for every student graduating in 1997. Those graduating in 1998 were expected at the 50 big companies having concluded a co-operation agreement with the university in the first place. *{Népszabadság, 4 April 1998.}*

The gap between demand and supply of course depends on the match between the given (changing) needs of society and the level of education (lack of it) of the available workforce.[34]

This problem having affected practically every country of Europe in the past fifty years or so (that they try to remedy by life long learning promoting individual job re-orientation) has emerged fast and forcefully in Hungarian economy undergoing transition in terms of ownership, economic relations, company size and production activities alike.

The increasingly marked gap between registered labour demand and supply is indicated by the number of registered vacancies impossible to fill in the long run (within 180 days) as well.

Table 3.18

Number of job vacancies registered for more than 180 days before the reference date, by status of employment, in 1996-1998*

Skill/qualification	1996			1997			1998		
	Reg. job vacancies	*of which*: being in reg. more than 180 days		Reg. job vacancies	*of which*: being in reg. more than 180 days		Reg. job vacancies	*of which*: being in reg. more than 180 days	
	person	person	%	person	person	%	person	person	%
Skilled worker	18,385	2,267	12.3	18,515	3,250	17.6	19,049	2,824	14.8
Semi-skilled w.	7,997	776	9.7	9,601	1,668	17.4	12,922	1,401	10.8
Unskilled w.	3,627	129	3.6	3,215	249	7.7	4,340	141	3.2
Total, manual	30,009	3,172	10.6	31,331	,5,167	16.5	36,311	4,366	12.0
Non-manual	5,531	453	8.2	4,976	728	14.6	4,641	485	10.5
Total	**35,540**	**3,625**	**10.2**	**36,307**	**5,895**	**16.2**	**40,952**	**4,851**	**11.8**

* Closing stock
Source: NCLM

Although most vacancies tend to be filled fast (especially, for example, demand for public benefit work and public works), the proportion of unsatisfied demand for more than half a year for skilled and semi-skilled workers is on the rise, the same as that for non-manual workers (representing a modest share of the demand). (Let us note here that registered vacancies get cancelled from the register in two ways: satisfaction of the demand of revocation of the announcement. The available data do not allow to make a distinction between the two.)

The growing number of unfilled job offers often provokes the accusation that the unemployed do not want to work. Although this may of course be true of some, the decisive reason is always the essential divergence between demand and supply. Employers may be looking for skills not possessed by

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[34] Many countries make efforts to forecast demand and survey/match education to it as precisely as possible. Upon the request of the World Bank, Hungary also prepared, under the guidance of managers of the Ministries of Labour and Education and the leadership of János Tímár, an educational prognosis adjusted to expected vocational qualification demand until the year of 2010, with special regard to long-duration higher education. *{Labour demand and supply, 1995-2010, Ministry of Labour, World Bank Human Resources Development Programme, 1996.}*

the registered unemployed. Or, according to the experience of the labour organisations, they only register demand that is impossible to satisfy otherwise, perhaps owing to the poor working conditions offered. Poor conditions such a far-away workplace, high performance requirement, low wages etc. will, of course, not attract the unemployed either, who will prefer to wait for a better alternative. (Let us keep in mind that only 30 % of the unemployed receive unemployment benefits of HUF18,895 on average for a maximum of one year, and the majority HUF10,960 income supplement per month, that is, it is certainly not the high amount of the unemployment benefits that make them refuse a job offer.)

On the other side: a large part of the long-term unemployed (who represent the majority of registered unemployed) no longer meet the requirements of employers. So long as the employer can hope to find a candidate with better parameters than the persons recommended by the labour centre (someone more educated, more experienced, younger, not of Rom origin, etc.), they prefer to wait (or cancel the vacancy). And while the new unemployed will hopefully find a job quickly thanks to the growing number of job vacancies registered by the labour centres, the chances of the long-term unemployed will keep deteriorating as they will be able to meet the growing requirements to an ever smaller extent.

3.7 Regional differences of employment

CSO has prepared maps reflecting the labour market situation of the 15 to 74 year old and hence including county and regional data on employment proportions on the basis of the labour force surveys since 1997.

Despite minor changes at the county level, similarly to the national rate of employment, the county and regional rates have not modified perceptibly either. Although thanks mostly to the major subsidy programmes of the government mentioned already, „foreign investors have crossed the Danube" *{Népszabadság, 12 January 1999.}*, the effects of job-creating investments were not perceptible in 1998 yet. According to the analysis of the Growth Research Institute, in 1998, out of 24 new foreign major investment projects (of a value exceeding HUF8 million) ten were launched in the regions east of the Danube, and five of them in the northeastern Hungarian region. After the surroundings of Hatvan, Rétság and Gyöngyös, the new investments (under and above USD8 million) have reached Ózd and Nyíregyháza as well.[35] Although foreign capital still prefers the Transdanubian region, many companies have relocated to what used to be the most disadvantaged employment areas.

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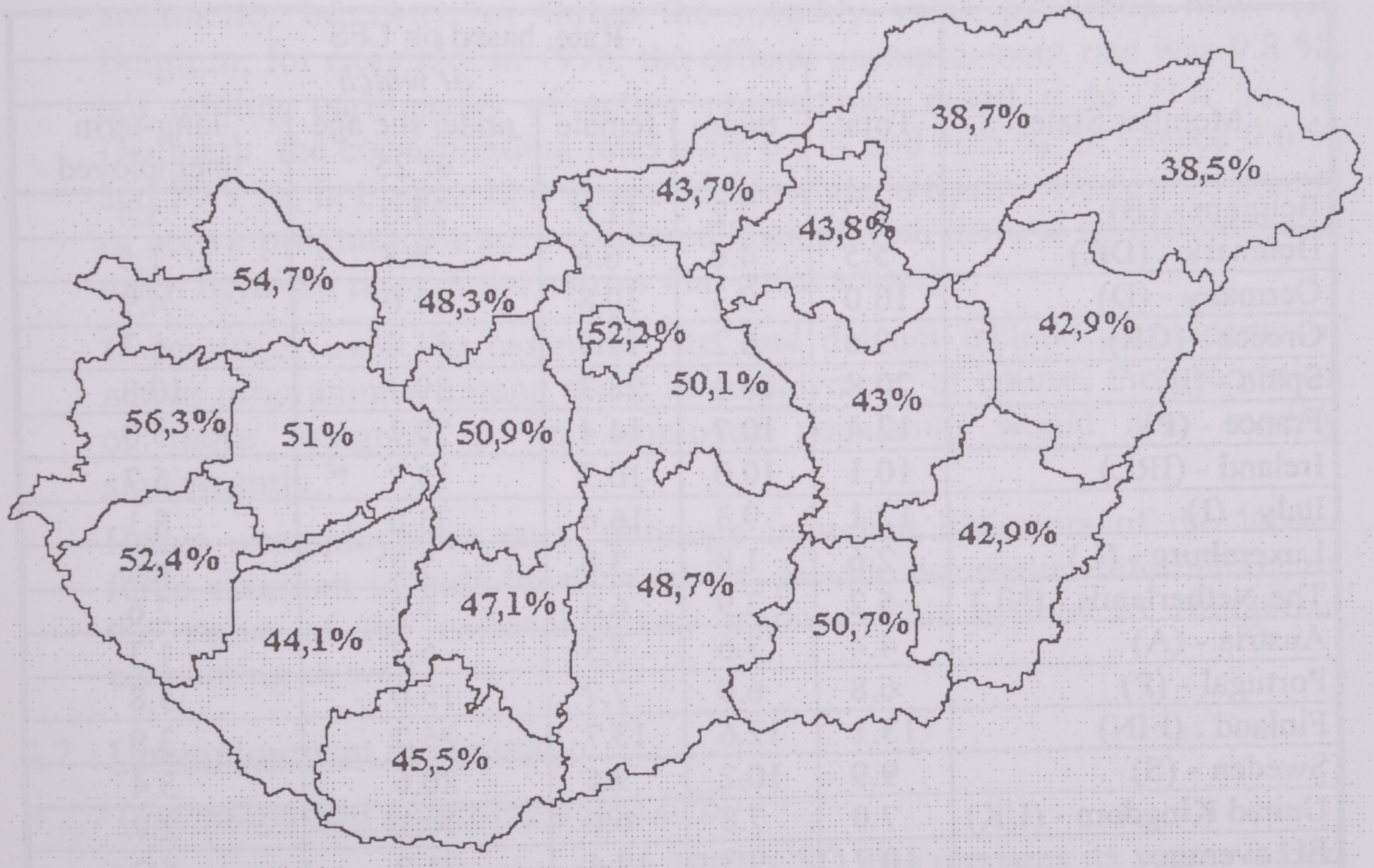
[35] Press news:
GE creates a new plant at Ózd, investing USD27 million. In the town having lost nearly 20 thousand jobs from 1988 to 1992, the investment scheduled for termination in 2004 is expected to employ more than a thousand staff. *{Népszabadság, 15 September 1998.}*
Over the past four years, Nyíregyháza received investment worth more than HUF20 billion. The most significant business investment is that of the French Michelin group at HUF6.9 billion. The factory unit to be constructed will create 500 new jobs by the turn of the millennium. *{Világgazdaság, 18 September 1998. }*
Benetton purchased a plant and deployed production capacity in Szabolcs. The Italian company undertook to create nearly a hundred new jobs. *{Napi Gazdaság, 1 January 1999.}*

Although CSO already releases employment data for the planned statistical regions of the country as well, counties still call into doubt the final nature of the system uniting the 19 counties into 7 regions. Therefore, we shall review here data reflecting the level of employment (also based on data collected by CSO) broken down by county.

Chart 7

Percentage of the 15-74 year-old in employment by county

National ratio: 47.7 %



4. *UNEMPLOYMENT*

4.1 International trends

Although in accordance with commitments under the National Action Plans (NAPs), every member state of the EU set out to realise the objectives of employment promotion and unemployment reduction by the most diverse programme, the results are not known so far.[36]

Let us review the initial situation on the basis of the yearbook *Employment in Europe, 1998.*

Table 4.1

Unemployment rates in the EU Member States, 1997

Member State	Rate, based on LFS				
	Total	*of which*			
		male	female	under the age of 25	long-term unemployed
Belgium - (B)	9.2	7.2	11.9	23.0	5.4
Denmark - (DK)	5.5	4.6	6.6	8.3	1.5
Germany - (D)	10.0	9.3	10.8	11.0	4.9
Greece - (GR)	9.6	6.2	14.9	31.0	5.3
Spain - (E)	20.8	16.1	28.3	39.1	10.8
France - (F)	12.4	10.7	14.4	29.1	5.0
Ireland - (IRL)	10.1	10.0	10.3	15.7	5.7
Italy - (I)	12.1	9.3	16.6	33.0	8.1
Luxemburg - (L)	2.6	1.8	3.8	7.7	n.a.
The Netherlands - (NL)	5.2	3.9	6.3	9.2	2.6
Austria - (A)	4.4	3.6	5.3	6.7	1.3
Portugal - (P)	6.8	6.0	7.7	15.0	3.8
Finland . (FIN)	13.1	12.6	13.7	25.7	3.9
Sweden - (S)	9.9	10.2	9.5	20.6	3.4
United Kingdom - (UK)	7.0	7.8	6.0	14.2	2.7
EU average	10.7	9.3	12.4	21.2	5.2
Hungary - (H) 1997	8.7	9.5	7.8	15.9	n.a.
1998*	7.8	8.5	7.0	12.6	5.1

* 15-64 year-old population, calculated according to the new methodology introduced in Jan 1998.

Source: *Employment in Europe, 1998*, pp. 149-165.

Of course, the Member States issued reports on the development of unemployment every month in 1998 as well, but these are not always suitable for international comparison.[37]

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[36] More precisely, according to Eurostat data on the Internet, in December 1998, the seasonally adjusted unemployment rate was 10.7 %, and in January 1999 10.6 %. Data available for a few countries (based on labour force survey figures) are as follows. Unemployment rates in December 1998: Belgium 12.2; Denmark 5.6; France 11.5; the Netherlands 3.8; Finland 10.2; Great Britain 4.6 and Austria 8.2 %. *{CSO Monthly Report, 1-2 1999, pp. 150-155.}*

[37] Neither are the monthly reports suitable to assess trends, as the changes by tenth of percentages mostly reflect trend cycle and seasonal changes. The rates, monitored with considerable attention in every country, however, are highly volatile, with success reports one month being followed by negative results in the next, and vice versa. This was typical, for instance, of monthly reports on the situation of the German labour market as well.

Moreover, the unemployment rates in question, whether they originate from surveys based on national regulations or on the recommendations of the ILO, take into account exclusively unemployed persons conforming to the given criteria. The real situation, however, is worse than that in every country if we take into account participants of national active labour market programmes also as unemployed. (Moreover, in principle, persons having given up active job search for lack of hope could also be assigned to this category.)

Unemployment extended to participants of active programmes only, but interpreted more widely than for the official national rates could, as shown by a study published in *Employment Observatory*, in principle, by simple arithmetic, be twice or thrice the monthly value published now. (In Belgium, for example, in 1996, the official unemployment rate was 9.8 %, but adding participants of active programmes raised it to 21.4 %, in Denmark, the corresponding rates were 6.9 % and 20.5 %; in Greece 9.6 % and 20.9 %; in France 12.4 % and 23 %, while in Spain, where participants of active programmes are considered unemployed, there is no difference of merit between rates in the narrow and wider sense.)

If countries used the extended rate, and did not include participants of active programmes among those in employment, of course, the proportion of those assigned to the employed population would also modify significantly.[38]

Hence unemployment rates, although important indicators of the labour force situation of individual countries, provide but partial information on the status of the national labour markets. This applies to Hungarian accounting as well.

4.2 Unemployment in Hungary

4.2.1 Unemployment according to the LFS

It is a well-known fact that since 1992, CSO also prepares its survey based on questions addressed to the population parallel with the process of registration by the National Centre for Labour Methodology.

According to the criteria of the Labour Force Survey, an unemployed person is a member of the 15 to 74 age group who, in the survey period (the so-called reference week including the12th day of every month of a 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 weeks preceding the survey;
⇒was 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.

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[38] Frank Stiele: Under-employment Trends in the European Union: Introduction and Synopsis, *Employment Observatory*, SYSDEM Trends No.30., Summer, 1998. pp.4-7.

That is, irrespective of whether the respondent had a regular job earlier or was in pensioner status, according to the survey criteria, a person would qualify as unemployed if he/she wanted to work and conformed to the above criteria.

Although unemployment data apply to the 15-74 age group, few in retirement age as interpreted in Hungary still seek a job (4.8 thousand women and 2.7 thousand men). Persons regarding themselves as unemployed are almost exclusively of Hungarian working-age.[39] That is, the data essentially refer to job search by the population under retirement age.

In 1997, the number of active job seekers was 348.8 thousand on annual average, 214.1 thousand men (61.4 %) and 134.7 thousand women (38.6 %). In 1998, calculated by the new methodology, the corresponding figures were 313 thousand; 189.2 thousand men and 123.8 thousand women. The unemployment rate, as mentioned already, was 7.8 %. More than one fourth (27.5 %, in 1998: 28 %) of those in search of a job was younger than 25.

In 1997, there were 51.3 thousand less unemployed than one year earlier, and in 1998 the number dropped by another 42 thousand. In 1997 and 1998, 95 thousand and more than 110 thousand, respectively, gave up job search; the persons in question are considered passive unemployed: they would work if an opportunity presented itself, but do not look for a job actively.

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[39] This is not just a Hungarian phenomenon. Statistics in the EU have indicated for years that persons of retirement age, whatever the exact national limit, seldom continue to work, and tend to give up job search mostly for lack of vacancies. At the same time, Europe identifies as one of the main reasons for the difference in the respective employment levels of Europe on the one hand and Japan and the USA on the other the low employment level of those past the age of 55.

Table 4.2

Distribution of the unemployed by age and gender

thousand persons

Age group	1996	1997	1998*
	Jan.-Dec.		
15-19			
male	23.8	19.0	16.1
female	15.3	13.5	12.2
all	39.1	32.5	28.3
20-24			
male	43.7	42.1	40.0
female	23.5	21.3	19.3
all	67.2	63.4	59.3
25-29			
male	33.4	29.8	26.7
female	21.1	15.2	16.6
all	54.5	45.0	43.3
30-39			
male	61.9	50.3	42.0
female	39.1	34.7	29.2
all	101.0	85.0	71.2
40-54			
male	72.1	63.0	57.0
female	52.7	45.6	41.8
all	124.8	108.6	98.8
55-59			
male	7.5	8.1	4.7
female	2.3	2.4	2.1
all	9.8	10.5	6.8
60-74			
male	1.3	1.8	2.7
female	2.4	2.0	2.6
all	3.7	3.8	5.3
Total			
male	243.7	214.1	189.2
female	156.4	134.7	123.8
all	400.1	348.8	313.0
Discouraged	101.0	93.7	110.4

*Computed according to the new methodology
Source: *LFS, Time Series, 1992-1998*, CSO, 1999.

Data over a longer period indicate that 1997 was the first year since 1992 when the number of the unemployed fell under 400 thousand, while in 1998, it dropped to nearly 300 thousand. (This decline, however, does not necessarily mean a shift from unemployed to employed status -- it may also be due to the termination of active job search for lack of hope, or the increase of the number of participants of active programmes, etc.) Extending the number to the passive unemployed would raise in 1998 by around one third the population of those not looking for a job, but unemployed nevertheless.

With the exception of the oldest age group -- whose members, showed a slightly more marked propensity to take up work than in previous years --, the number of those looking for a job decreased in every other age group. Despite the general decline and annual fluctuations of slightly varying extent, the distribution of unemployment by age group and gender having emerged years ago has remained relatively stable.

Table 4.3

Distribution of the unemployed by age group and gender

%

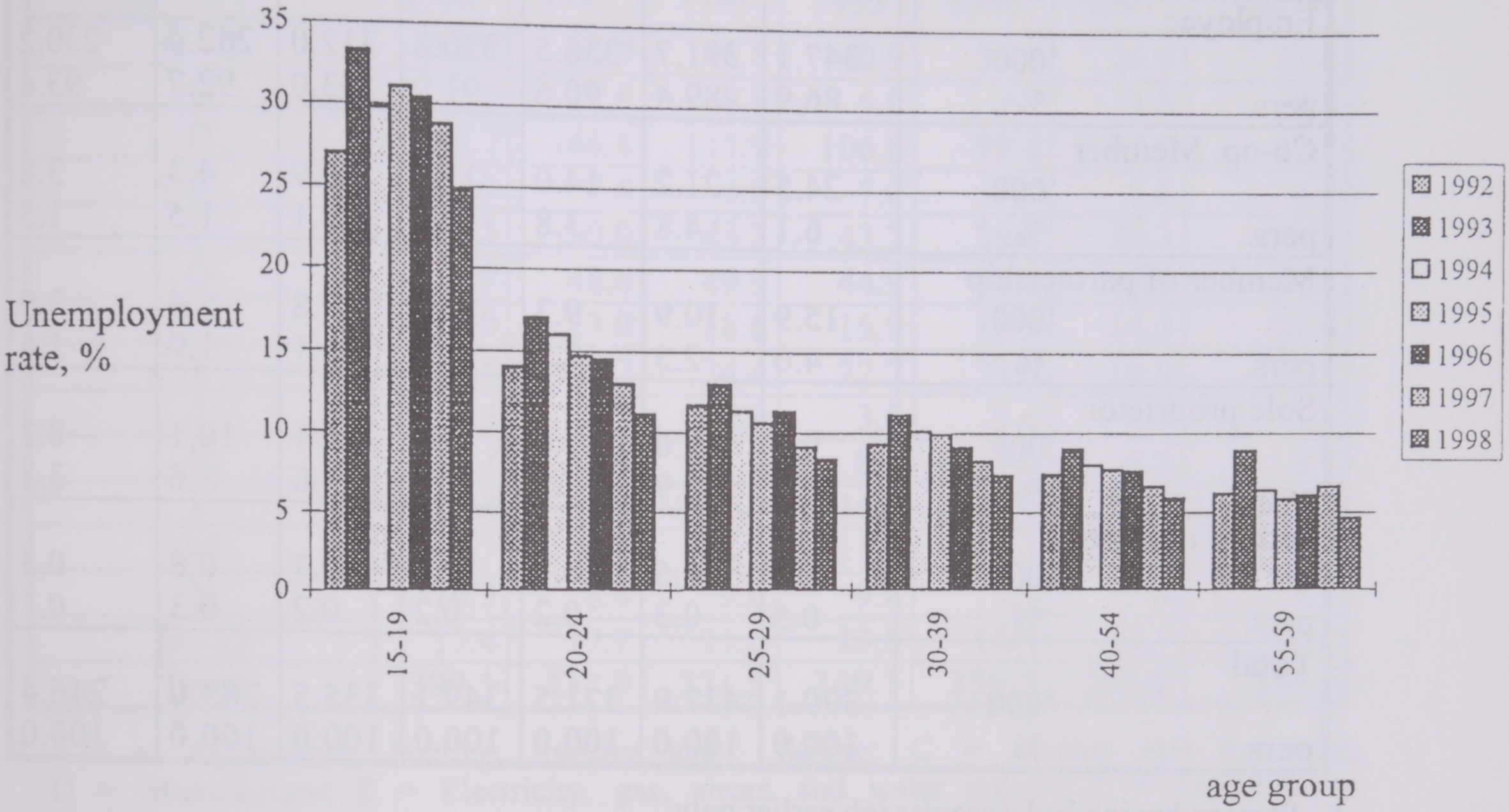
Year, Jan.-Dec.	Age groups							
	15-19	20-24	25-29	30-39	40-54	55-59	60-74	All
Male								
1992	10.8	17.6	12.7	28.1	26.2	3.4	1.2	100.0
1993	10.7	17.8	11.5	27.2	28.0	3.4	1.4	100.0
1994	10.4	18.7	12.0	26.6	27.9	2.9	1.4	100.0
1995	11.0	17.9	12.6	26.8	28.3	2.5	0.8	100.0
1996	9.8	17.9	13.7	25.4	29.6	3.1	0.5	100.0
1997	8.9	19.7	13.9	23.5	29.4	3.8	0.8	100.0
1998*	8.8	21.2	13.8	21.9	30.2	2.4	1.6	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
1998*	11.0	13.8	13.2	23.6	34.5	1.8	2.0	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
1998*	9.7	18.3	13.6	22.6	31.9	2.2	1.8	100.0

* Computed according to the new methodology

Source: *Labour Force Survey, Time Series, 1992-1998*, 1998, CSO, 1999.

Chart 8

Unemployment rates, 1992-1998



Source: *LFS, Time series, 1992-1998*, CSO, 1999.

Of the 313 thousand persons declaring themselves unemployed (job-seeker), 48.8 thousand had not worked earlier (they had been pensioners, or non-earning family members or still at school); and nearly 18 thousand had no regular job earlier either.

The decisive majority of those having had a job earlier were employees (the same as in the group of the employed population).

Table 4.4

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

Nature of employment		1992	1993	1994	1995	1996	1997	1998**
Employee								
	'000	347.1	391.7	336.5	320.8	312.0	262.4	230.2
pers.	%	86.9	89.4	90.6	91.9	93.0	92.7	93.4
Co-op. Member								
	'000	24.5	21.2	14.0	11.0	6.9	4.3	3.8
pers.	%	6.1	4.8	3.8	3.1	2.1	1.5	1.5
Member of partnership								
	'000	15.9	10.9	9.3	7.6	3.8	5.4	3.9
pers.	%	4.0	2.5	2.5	2.2	1.1	1.9	1.6
Sole proprietor								
	'000	9.6	12.6	11.0	9.3	12.1	10.1	8.2
pers.	%	2.4	2.9	2.9	2.7	3.6	3.6	3.3
Family member								
	'000	2.0	1.5	0.7	0.4	0.7	0.8	0.3
pers.	%	0.5	0.3	0.2	0.2	0.2	0.3	0.1
Total								
	'000	399.1	437.9	371.5	349.1	335.5	283.0	246.4
pers.	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Persons having had a regular job earlier only.
** Computed according to the new methodology
Source: *LFS, Time Series, 1992-1998*, CSO, 1999

The steady decline of the number of the unemployed (1997: 51 thousand, 1998: 35.8 thousand), affected, albeit to a modest degree, every major occupational groups of those having had a regular job earlier, with decrease being most pronounced at more than 15 thousand over 1997 in the category of industrial/construction occupations. The only, not very big, group where the number of the unemployed increased (from 16.9 thousand in 1997 to 19 thousand) was that of office clerks and those in administrative (client service) occupations.

Demand for general office administrators has been low, as indicated already earlier, for years; the deteriorating position of this occupation is reflected by the relevant unemployment data.

The distribution of job-seekers having had a regular job earlier corresponds to a large extent to the relative weight distribution of branches of the national economy. A sure sign of stabilisation, the number of emissions typically decreased in every branch, with the exception of financial activities and health and social care, where it increased slightly.

Table 4.5

Unemployed by industry, 1992-1998

thousand

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

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

** Computed according to the new methodology

Source: *LFS, Time Series, 1992-1998*, CSO, 1999.

Job loss has remained the decisive reason of unemployment. In the early nineties, persons belonging to this category made up some 80 % of those looking for a job. This rate has decline gradually to 70 % by the end of the decade, but job losers still numbered 174 thousand (69.2 %) in 1998.

The proportion of those giving up a job and looking for an other one is modest and has hardly changed since 1992. Even in the years of massive job losses and the fast rise of unemployment, there were 30-35 thousand every year who left their job themselves (although statistics of course cannot indicate the share of those acting under pressure by the employer).

The third large group of the (job-seeker) unemployed consists of school-leavers intending to enter the labour market and finding no job. Their number, on the rise up to the mid-nineties and showing decline since, may reflect a certain improvement of employment opportunities, but it is certainly influenced by demographic factors and fluctuation in annual exit ratios by school type as well among others.

The other two factors subject to statistical accounting have but a marginal weight. The number of those looking for a job due to termination of independent business enterprise is very small, the same as that of those having finished seasonal work and finding no other employment, although the latter tends to increase.

Table 4.6

Unemployment by main reason of job search, 1992-1998*

thousand

Year Jan.-Dec.	Lost job	Quit job	Gave up his/her business	Seasonal work terminated	Left school	All	
						'000	%
1992	317.8	35.3	9.0	2.8	36.7	401.6	79.1
1993	353.0	34.5	10.6	9.5	46.0	453.6	77.8
1994	294.4	34.6	9.5	7.9	46.3	392.7	74.9
1995	273.0	33.2	7.2	8.2	47.0	368.6	74.0
1996	252.6	32.1	10.4	10.8	42.3	348.2	72.5
1997	198.6	31.2	8.6	14.9	30.8	284.1	69.9
1998**	174.4	29.2	7.1	14.7	26.4	251.8	69.2

* Exclusive of persons who will start work in a new job within 30 days
** Computed according to the new methodology
Source: *LFS, Time Series, 1992-1998.*, CSO 1999.

The tendency that the newly unemployed mostly have a low level of schooling prevails: nearly 40 % of unemployed have 8-year primary education or less. The number and proportion of unemployed persons with what are probably non-marketable skilled-worker qualifications in the given region is also high. Together with those having GCSE and no vocational qualification, they make up more than 80 % of the unemployed. Despite the decline of the unemployed population since 1994 by more than 138 thousand affecting every group, irrespective of schooling, the relative proportions of the groups in question had hardly changed by 1998.

Table 4.7

Distribution of the unemployed by education

%

Education	1992	1993	1994	1995	1996	1997	1998*
Incomplete primary education	6.8	5.8	4.5	4.1	4.9	4.4	4.5
Primary education	37.4	35.9	35.6	34.9	32.9	36.5	34.6
Apprentice school	30.3	32.6	33.9	35.5	35.1	34.5	32.8
Vocational school	1.5	1.1	1.1	1.2	1.4	1.3	1.5
High school	8.4	8.2	7.8	7.9	8.6	8.7	9.8
Secondary vocational school	12.0	13.1	13.3	12.4	12.9	11.7	13.1
College	2.1	2.4	2.7	3.0	2.7	2.0	2.5
University	1.4	1.0	1.1	1.1	1.4	0.8	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Computed according to the new methodology.
Source: *LFS, Time Series, 1992-1998.*, CSO, 1999

Recent data confirm the existence of the phenomenon observed for years and in agreement with findings based on other sources, namely that the labour market gives priority to those with higher qualifications. 22 % of earners and 40 % of the unemployed had primary education at most; and while the rate of persons with secondary or higher level qualification was 34.7 % in 1997 and 36 % in 1998 among those in employment, the

corresponding ratios for the unemployed were 14.5 % and 16.8 %, respectively.

The steady increase of the job-search period, i.e. of the duration of unemployment, observed for years gave way to decline in 1998 for the first time. It is an important sign of the decrease of unemployment, although not concurrent with the perceptible growth of employment, that while at the end of 1997 (the same as one year earlier) more than half of the unemployed had been looking for a job for one year or more (the average job search period was 16 months at the end of 1996 and 18.9 at the end of 1997), by the end of 1998, the average duration of unemployment fell to 17.4 months. Fourth quarter data on unemployment in excess of 12 months are as follows: 1993: 190 thousand, 1994: 181 thousand, 1995: 216 thousand, 1996: 199 thousand, 1997: 160 thousand, 1998: (still) 121 thousand. The rate of the long-term unemployed has also fallen a little, from an annual 50 % in 1997 to 45 %. (In the European Union, the corresponding rate has been around 50 % for years.)

Table 4.8

Unemployed persons by length of job search*

thousand

Duration of job search	1996, *QIV*		1997, *QIV*		1998, *QIV*	
	persons	%	persons	%	persons	%
less than 1 month	19.4	5.3	12.4	4.2	10.8	4.1
1- 3 months	50.3	13.8	35.5	12.0	40.2	15.1
4- 6 months	45.3	12.4	36.6	12.4	38.2	14.3
7-11 months	52.3	14.3	50.9	17.2	41.3	15.5
12 months	15.3	4.2	12.7	4.3	14.9	5.6
13-18 months	57.0	15.6	45.5	15.4	36.7	13.8
19-24 months	32.8	8.9	26.6	9.0	24.8	9.3
25 months and more	93.4	25.5	75.3	25.5	59.5	22.3
Total	365.8	100.0	295.4	100.0	266.4	100.0
Average period, months	16.0		18.9		17.4	

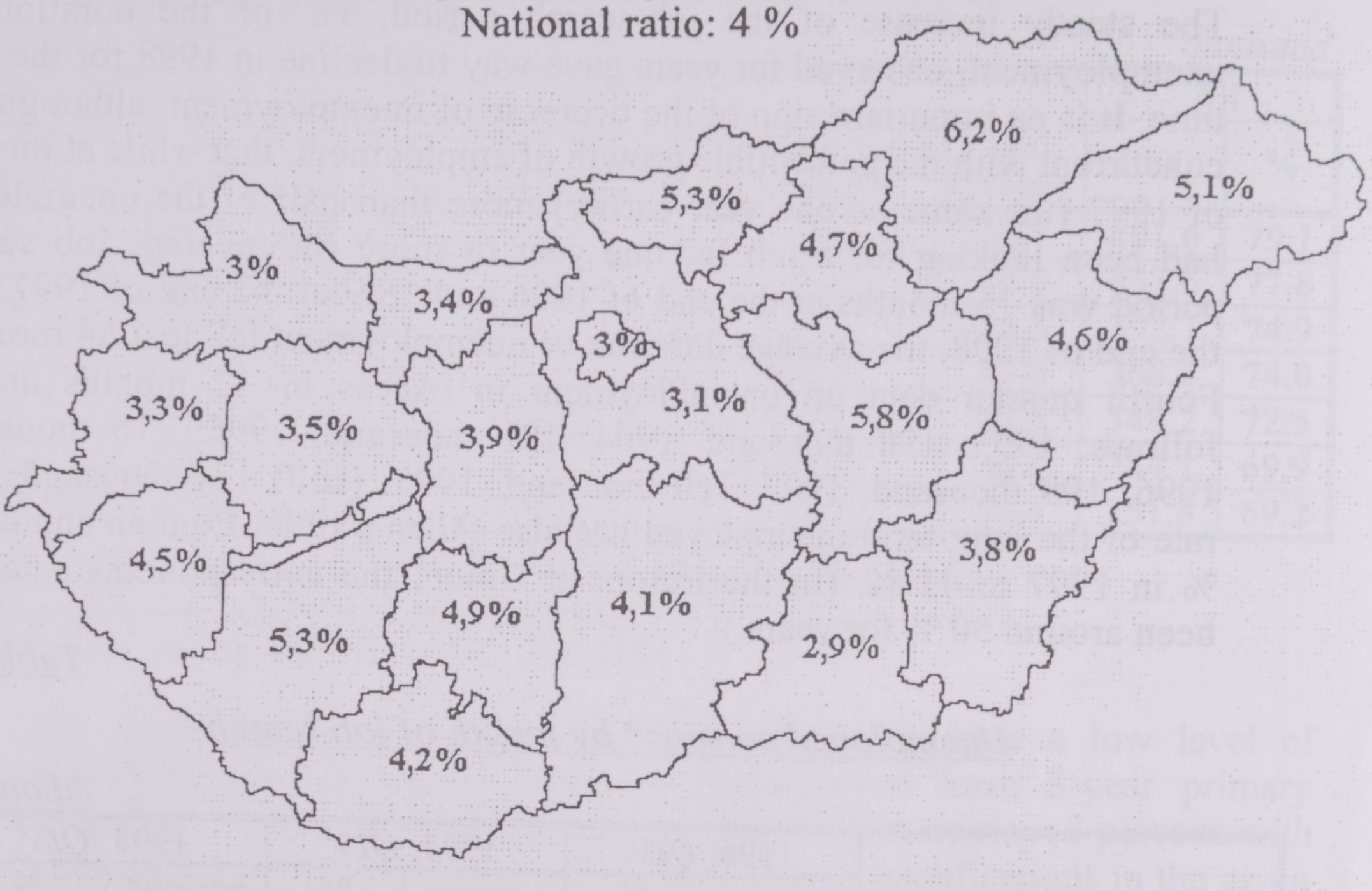
*Exclusive of persons who will start work in a new job within 30 days
Source: *LFS, Quartely Bulletin, QIV 1998.* CSO, 1999

The drop in the number of the unemployed was reflected in the decrease of the number of households concerned: at the end of 1996, 8.7 % of households, at the end of 1997 7.3 % had one or more unemployed member(s). In 1998, although the number of households directly affected by unemployment decreased in every household category, the overall rate remained the same: around 7 % of households had an unemployed member. Moreover, unemployment hit hardest the bigger households. One fourth only of the unemployed belonged to households of one or two persons representing more than half of the total group; some 25 % to households of three contributing 20 % of the households and half to households of four or five or more members contributing somewhat less than 30 % of households.

Chart 9

Unemployment among the 15-74 year-old, by county, in %, 1998

National ratio: 4 %



4.2.2 *Unemployment according to the Hungarian regulations*

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

The legal regulations in question are summarised under Act IV of 1991 in effect since 1 March 1991 amended practically every year since then to adjust to the current situation ever (this, too, is general practice everywhere).

Despite the amendment of numerous details, the basic principles of the Employment Act have not changed with respect to who should be considered unemployed in Hungary. The Act starts out from working age as defined by Hungarian legislation, that is, persons under the age of 15 and past retirement age fall outside the scope of social solidarity to support the unemployed.

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

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

⇒ co-operate with the labour service to promote their own re-employment;

⇒ look for a job and are available to take up work.

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

allowance for that purpose. (Participants of labour market training qualify as inactive during the training period.)

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

Although this definition of 'unemployed' is much more limited than that used by CSO's Labour Force Survey, the number of the unemployed registered by the labour service has shown significant growth for years. (One possible explanation for that being that among those covered by the CSO survey, only those benefiting from allowance or income-supplementing allocation consider themselves unemployed. Moreover, the labour force survey considers as employed persons having performed at least one hour of earning activity in the survey week, while beneficiaries of allowances will remain registered unemployed even if they perform earning activity for a wage not exceeding 50 % of the minimum wage. It is also well-known that NCLM's registration includes many recurrent unemployed (from agriculture, public works etc.). NCLM's monthly data indicate these persons among the newly unemployed, the „surplus", while CSO's surveys record a status lasting for some time.)

Although the number of those registered with the labour service has also shown steady decline, in 1998, it still exceeded that in the corresponding CSO survey by around a hundred thousand (by 110 thousand, school-leavers included).

Although labour service data indicate school-leavers separately as well, and our previous reports also usually gave unemployment data exclusive of this group, this distinction is no longer justified given the change in the relevant regulations. From 1991 to 1996, under the Employment Act, young persons with more than 8-year elementary schooling were eligible, under specific conditions, for a period of six months to unemployment benefits to school-leavers (the amount of which changed several times in the course of the years; it was HUF6,720 in 1995). Eligibility criteria included registration as unemployed. In 1995, this meant 35 thousand youth on monthly average. At the end of the six-month period, the majority broke contact with the labour service. The in- and outflow of school-leavers was reflected in the development of the relevant rates – and this is what made it necessary to indicate their data apart.

In 1996, unemployment benefits to school-leavers were replaced by active measures to promote their employment such as wage subsidy to acquire work experience, for example.

Simultaneously, the registration of school-leavers as unemployed (job seekers) has also become full-scale: those having finished primary school are also entitled to request registration, and to have recourse to the support of the labour service. As a result of the elimination of the benefit system, however, the number of registered school-leavers declined significantly (e.g. from 59 thousand in January 1995 to 27 thousand in December 1998). Their annual average number is still unfortunately high (1998: 32.5 thousand), but it is showing perceptible decline year on year (1993: 59.7

thousand; 1994: 62.1 thousand; 1995: 54.4 thousand; 1996: 46.2 thousand; 1997: 42.4 thousand).

Since in 1998 registered youth already qualified as job seekers the same as their adult peers, it is fully justified to take them into account together.

Table 4.9

Number and rate of the registered unemployed in 1990-1998

Year, Dec.*	Registered unemployed		Unemployment rate
	thousand persons	% ratio of women	
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
1998	423.1	44.8	9.5

* NCLM data indicating number of the registered unemployed on the 20th day of the reference month, including school-leavers.

Source: *Labour Market Monitoring*, NCLM Monthly Reports, NCLM

Within the total population of the registered unemployed, persons younger than 25 numbered 105.7 thousand (22.5 %) in 1997 and 89.9 thousand (21.3 %) in 1998, with 349 thousand (82.5 %) manual workers among them.

The decisive majority of the registered unemployed have a low level of schooling: three-third have finished 8.year elementary school or vocational training school only.

Table 4.10

Number and distribution of the registered unemployed by education and skills, 1996-1998

	1996		1997		1998	
	person*	%	person*	%	person*	%
Level of education						
Primary school or less	206,097	41.2	191,772	40.8	171,882	40.6
Vocational school	175,634	35.1	167,585	35.6	152,164	35.9
General secondary school	105,211	21.0	97,708	20.8	88,223	20.9
College or university	13,680	2.7	13,048	2.8	10,853	2.6
Skill groups						
Skilled worker	174,954	34.9	167,534	35.6	151,599	35.8
Semi skilled	123,067	24.6	117,641	25.0	106,819	25.2
Unskilled	109,390	21.9	100,574	21.4	90,632	21.0
Manual, total	407,411	81.4	385,749	82.1	349,050	82.5
Non-manual, total	93,211	18.6	84,363	17.9	77,071	17.5
Összesen - Total	**500,622**	**100.0**	**470,112**	**100.0**	**423,121**	**100.0**

*Monthly average

Source: NCLM

One factor shaping the size of unemployment is the number of new entrants. In 1998, the number of newly registered unemployed has remained high (monthly averages, school-leavers excluded: 1994: 34,589, 1995: 37,619, 1996: 45,278, school-leavers included: 52,811; 1997: school-leavers included: 46,899, in 1998: 55,388).

Newly registered unemployed came from every branch of the economy; their number decreased in most branches in the first half of the year and increased in the second.

The table below covers persons having had a job earlier and hence excludes, as a matter of course, school-leavers.

Table 4.11

Newly registered unemployed by sector of origin, 1998

1998	Sector*							
	1.	2.	3.	4.	5.	6.	7.	Total
	persons							
January	11,757	14,705	7,610	6,638	2,469	20,922	179	64,278
February	7,978	12,300	4,506	6,487	1,976	18,969	376	51,692
March	5,973	10,923	2,996	5,568	1,685	15,801	378	43,324
April	5,554	10,188	2,585	4,996	1,608	14,031	247	39,209
May	5,406	10,179	2,465	5,098	1,593	14,124	469	39,333
June	4,786	9,344	2,230	4,753	1,480	13,131	574	36,198
July	5,283	9,830	2,382	4,902	1,515	14,713	343	38,968
August	4,901	9,605	2,301	4,685	1,395	13,919	343	37,149
September	5,895	10,354	2,340	5,464	1,477	15,323	350	41,203
October	7,453	12,056	3,035	6,235	1,834	17,042	408	48,063
November	8,362	13,786	3,783	6,945	1,962	18,627	445	53,880
December	9,976	12,826	6,011	5,354	1,966	17,534	388	54,055
	%							
January	18.3	22.9	11.8	10.3	3.8	32.6	0.3	100.0
February	15.4	23.8	8.7	12.6	3.8	35.0	0.7	100.0
March	13.8	25.2	6.9	12.9	3.9	36.5	0.8	100.0
April	14.2	26.0	6.6	12.7	4.1	35.8	0.6	100.0
May	13.7	25.8	6.2	13.0	4.1	36.0	1.2	100.0
June	13.1	25.7	6.2	13.1	4.1	36.2	1.6	100.0
July	13.5	25.2	6.1	12.6	3.9	37.8	0.9	100.0
August	13.2	25.8	6.2	12.6	3.8	37.5	0.9	100.0
September	14.3	25.1	5.6	13.2	3.6	37.2	1.0	100.0
October	15.5	25.1	6.3	13.0	3.8	35.5	0.8	100.0
November	15.5	25.6	7.0	10.9	3.6	34.6	0.8	100.0
December	18.5	23.7	11.1	10.0	3.6	32.4	0.7	100.0

* 1 = Agriculture, forestry; 2 = Industry; 3 =Construction; 4 = Trade and catering; 5 = Transp., storage; 6 =Non-material services; 7 = Not classifiable

Source: NCLM

The data above reflect both the impact of seasonal employment (i.e. inflow of the unemployed from agriculture and construction in the winter months); the high proportion of those employed temporarily on public benefit work and public works (in the aggregate sector of „non-material services"

recurrent unemployed have a decisive weight); and layoffs in absolute terms in other branches of the economy (this item will be discussed in more detail below).

It is important to note that the rate of the recurrent unemployed among the newly registered population keeps increasing every year.

According to data collected by NCLM, for about 75 % of those registered in 1998, this was not the first registration occasion.

Recurrent registrations cover mainly those working in seasonal branches becoming unemployed (and mostly entitled to unemployment benefits) at the end of the season; their share is around 30 % of the total registered population in the winter months. The majority of recurrent unemployed - 15-17 thousand per month, i.e. more than one third of the registered population - return from temporary employment. The high ratio of this group indicates both the low labour-market status of those in need of the support of the labour service, and the increasing quality demands of organised economy and the unsettled nature of the regulation of seasonal employment/unemployment: many employers expect social solidarity to assume the burdens of income loss suffered by those not employed off-season (or part of it).

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

Table 4.12

Monthly breakdown of the registered unemployed, 1998

1998	No. of unemployed at the beginning of the month	New entrants	Exit due to					
			placement		other reason		Total	
			persons	%	persons	%	persons	%
January	463,962	72,637	5,388	9.8	49,384	90.2	54,772	100.0
February	481,847	61,179	7,900	11.1	69,423	88.9	71,323	100.0
March	471,703	50,936	12,321	19.5	50,750,	80.5	63,071	100.0
April	459,800	45,332	10,723	16.0	56,095	84.0	66,818	100.0
May	438,114	46,092	8,017	12.7	54,987	87.3	63,004	100.0
June	421,202	45,124	6,572	11.0	53,368	89.0	59,940	100.0
July	408,386	58,012	6,112	11.2	48,541	88.8	54,653	100.0
August	409,745	49,688	5,991	10.4	51,520,	89.6	57,511	100.0
September	401,922	54,082	7,718	13.4	49,804	86.6	57,522	100.0
October	398,482	57,336	6,517	10.2	57,371	89.8	63,888	100.0
November	391,930	63,069	5,266	8.4	57,404	91.6	62,670	100.0
December	392,429	61,141	3,399	6.9	46,077	93.1	49,476	100.0

Source: NCLM

As mentioned already, in 1998, 87.7 thousand were placed via the labour service, i.e. a thousand less than one year earlier. This corresponds to 20 % of the average of 423 thousand unemployed registered in the course of the year. The total number, however, includes participants of temporary programmes (training, public works, public benefit work), and those employed at subsidised jobs as well. The fact that their aggregate number

was more than 300 thousand indicates that the exchange activity of the labour service hardly exceeded these groups.

The low number of placements of the unemployed is hardly surprising in view of the stagnation of organised economy for years. The data themselves are sufficient to illustrate clearly the high importance of efforts to promote subsidised employment.

However, the decisive majority leave the register for the simple reason that their entitlement to allowance expires. According to the so-called follow-up survey carried out by NCLM four times in the period of 1993-96, although the number of placements among the more than 900 thousand unemployed (776 thousand without school-leavers) increased every year, but those remaining unemployed or becoming inactive, i.e. the majority, have broken their links with the labour service. Further registration was typically limited to those having acquired entitlement to income supplement. Members of the inactive population, also decreasing in number, either no longer qualified as unemployed (e.g. pensioners/disability pensioners), or gave up job search or at least assistance provided by the labour service to that effect. *{György Lázár-Judit Székely: Detailed report on the results of the follow-up survey on those having lost entitlement to unemployment benefits 1992, 1993, 1994, 1995. NCLM.}*

In 1998, the survey was repeated: persons selected by representative sampling in four counties were asked by questionnaire mailed to them.[40]

In 1997, 176.6 thousand exhausted their entitlement to unemployment benefits (of which 39.5 thousand in the four counties covered by the survey). The majority (55.9 %) remained registered unemployed (53.6 % in the four counties), the decisive majority in order to receive income supplementing allocation. No feedback was available on the placement of 5.7 % of the former beneficiaries of unemployment benefits (4.5 % in the four counties); 3.5 % (3.3 %) took part in active measures at the initial date of the survey, 2 % (1.8 %) became inactive. The survey aimed at learning about the labour market status of the 58 thousand (32.9 %) – in the four counties 14,550 (36.9 %) persons whose labour market situation was unknown.

That is, around one third of the registered unemployed refused assistance by the labour service and tried to cope on their own instead – in most cases with success.

At the time of the survey, 60.6 % of respondents had work, and 68.4 % of men and 52.5 % of women were employees. The majority were employed for an indefinite period of the time, the rest were either employed for a fixed period, or self-employed or working on a temporary basis.

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[40] The four counties include Szabolcs-Szatmár, whose labour market situation is among the worst in the country; Tolna, worse off than the average, and Counties Fejér and Pest, in a somewhat better position than the average. Nearly 4 thousand long-term unemployed from the four counties were asked, and the return rate was around 30 %.

Some 14 % of those having exited the system of provisions participated in retraining, and the majority were of the opinion that it helped them find a job.

According to those having failed to find a job, there was no adequate work opportunity in the region; only one third were of the opinion that there was no work opportunity at all nearby.

The survey investigated the labour market status of the respondents at the time of the survey, and also whether they succeeded in finding work after the end of the period of entitlement to benefits, irrespective of whether they did or did not have a job at the time of the survey. In the post-benefit period, 78 % had a job at least once, a circumstance influenced in all probability by the effects of seasonal work.

According to the results of this most recent survey, that is, more persons have remained in contact with the labour service after the termination of entitlement to benefits than before (especially since more have acquired entitlement to income supplementing allocation) and more, although not many, have managed to find a job in the same period, without requesting assistance by the labour service for that purpose, however.[41]

Participants of programmes to promote re-employment (from training to public benefit work) have also left the register, the same as those requesting the suspension of the allowance (due to temporary employment, conscription etc.) and those cancelled from it due to lack of co-operation or some other reason.

Programmes to improve the labour market situation/placement of the individual, as mentioned already in a different context, absorb in the course of the year, at least for a transitory period, a total of around 20 % of the unemployed from the population of the registered unemployed (those in training included (17.8 %), a total of 39 %).

Table 4.13

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

	1993	1994	1995	1996	1997	1998
Registered unemployed	671,745	568,366	507,695	500,622	477,112	423,121
Participants of active employment programmes	75,900	114,795	96,065	98,629	110,725	115,479
Total	747,645	683,161	603,760	599,251	580,837	538,600
of which: % of participants of active programmes	10.2	16.8	15.9	16.5	19.1	21.4
Participants of retraining programmes no.	86,227	89,295	66,506	66,700	71,484	75,482
%	12.8	15.7	13.0	13.3	15.2	17.8

Source: *Monthly Reports*, NCLM

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[41] György Lázár-Olivér Demkó: Main findings of the follow-up survey carried out in four counties among the long-term unemployed, persons having lost entitlement to benefits and school-leavers in the years of 1996 and 1997 *{NCLM, March 1999.}*

That is to say that, to date, changes in the number of the registered unemployed depend more of programmes designed to improve the labour market opportunities of individuals than the employment demand of the economy.

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

4.2.3 Registered unemployed and benefit recipients

Within the population of registered working-age unemployed in employment previously, eligibility to some form of unemployment benefits (unemployment benefit, income-supplementing allocation, pre-pension until 1 January 1998) is limited to those conforming to the criteria set forth under the Employment Act.

The initial, very generous, unemployment provision system[42] was replaced by gradually narrowing eligibility. In December 1990, nearly three-quarter of the 79.5 thousand unemployed registered then received benefits. Parallel with the fast mounting of joblessness, the duration of eligibility to benefits decreased (first to 18 months and then, from 1993 twelve months) the same as the benefit amount; moreover, access criteria have also been made ever more severe. From 1993 on, on the other hand, in accordance with the provisions of the Social Welfare Act, persons whose entitlement to benefits had expired already, but could not find a job either and were in need of social support could be extended an income supplementing allocation of a definite amount. The number of the persons concerned has been exceeding, since 1995, that of the beneficiaries of benefits to an increasing extent.

Pre-pension used to be granted to unemployed persons having received unemployment benefits for at least six months meeting the relevant criteria (amended several times) under the Employment Act. Pre-pension was replaced as of 1 January 1998 by pre-retirement unemployment benefits, of an amount identical with 80 % of the minimum ever of old-age pension (HUF21,690 at the time the regulation became effective). Persons receiving pre-pension must not undertake temporary employment.

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[42] In Hungary, active labour market programmes were introduced as early as 1983 to prepare for unemployment considered a necessary concomitant of the structural adjustment targeted by the economic reform programmes. The number of participants of retraining programmes, still employed somewhere, was 2,800 in 1984, 4,750 in 1985, 8,315 in 1986, 12,670 in 1987, 14,878 in 1988. From 1986 on, persons made redundant became entitled to an extended notice period and placement support (1988: 3,217, and 959) – a scheme replaced by unemployment benefits from 1989 on. In 1989, when labour demand still exceeded the relevant supply several times, 12,064 received benefits at 75 % of their earnings, for a period of two years in principle. *{Mária Frey: The role of the state in employment policy and in the management of labour market programmes; Domestic overview in the light of international experiences, ILO/Japan Project „The employment policy of transition in Hungary" 1994.}*

Table 4.14

Registered unemployed and benefit recipients

Year	Registered unempl.	Allowance recipients			Recipients in % of the reg. unempl.
		Unemploymentbenefits	Income supplement	All	
1990	47,739	30,302	-	30,302	63.5
1991	227,270	174,641	-	174,641	76.8
1992	556,965	412,945	18,408	431,353	77.4
1993	671,745	404,823	89,329	494,152	73.6
1994	568,366	228,924	190,303	419,227	73.8
1995	507,695	182,788	209,982	392,770	77.4
1996	500,622	171,737	211,309	383,046	76.5
1997	470,112	141,731	201,304	342,833	72.9
1998	423,121	130,724	182,118	312,842	73.9

Source: *NCLM Time Series*, 1999; *Monthly Bulletins*, CSO

That is, although 31 % only of the registered unemployed received unemployment benefits, in combination with beneficiaries of income-supplementing allocations, the beneficiaries represented 74 % of the population in question in 1998.

Unemployment support, fluctuating around 76-80 % since 1991 is, from one aspect, an indication of social solidarity and a sense of duty. (Provision funding is based on the solidarity contribution of employers and employees paid as per wage size.) On the other hand, the rates in question are clearly an indication of slack labour market demand and grave internal structural problems within the unemployed population. Although the number of men and women in need of income-supplementing allocation, in excess of two hundred thousand for years, had declined somewhat by 1998 (perhaps due to non-performance of the 180 days of work set as a criterion of the further allocation of the support), it is obvious, that the population concerned in not in demand and impossible to place in organised economy.

Every form of the wide range of unemployment benefits is very modest indeed. The amount of unemployment benefits[43] contributes an ever smaller proportion of the average earnings of workers, and for more than 70 % of beneficiaries, it was less than the HUF19,500 minimum wage in effect in 1998.

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[43] The amount payable as unemployment benefits has been identified at 65 % of the former average earnings since 1996, its bottom limit is 90 % of the minimum old-age pension ever, and its upper limit is twice the established amount.

Table 4.15

Average monthly earnings and average monthly unemployment benefits

in HUF

Reference period	Average monthly gross earnings	Average monthly unemployment benefit	Unemployment benefits 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
1998	67,764**	18,895	27.8

* Coverage: economic units employing more than 20
**Coverage: economic units employing more than 10
Source: Yearbooks of CSO; Monthly Reports, NCLM

In 1998, the average earnings of manual workers was HUF49,423; it is reasonable to compare that to the average unemployment benefits of the unemployed consisting, in 80 %, of manual workers. Computed this way, the monthly amount of average unemployment benefits corresponds to 38 % of the gross average earnings of manual workers.

Apart from stringent legal regulations, the low level of the benefits is to be attributed to the fact that the overwhelming majority of the unemployed have a low level of educational qualification and therefore belonged to the lower pay brackets at their original workplace as well.

Table 4.16

Average unemployment benefits, 20 November - 20 December 1998

Educational qualification	Number of benefit recipients		Average monthly unemployment benefit HUF/person	Average spell of the benefit days
	person	%		
Incomplete primary education	6.295	3.8	16.473	410
Primary education	51.828	31.6	18.164	333
Apprentice school	59.507	36.3	18.581	310
Vocational school	3.503	2.1	19.070	265
Vocational secondary school	18.801	11.5	20.141	255
High school for technicians	5.139	3.1	20.915	268
High school	13.532	8.2	19.879	265
College	3.776	2.3	22.519	226
University	1.482	0.9	22.663	222
Total	163.863	100.0	18.895	306

Source: Monthly Reports, NCLM

From among those former (registered) unemployed beneficiaries of benefits whose entitlement has expired already, those only are entitled to income supplementing allocation, whose per capita household income does not

exceed 80 % of the minimum old-age pension ever (1997:HUF9,200/month, 1998: HUF10,960/month).

As indicated already, long-term (12+ months) unemployed represent the majority of the registered unemployed. In December 1997, 75.5 % of the 463.9 thousand registered unemployed (350.3 thousand) have been unemployed for more than a year, in December 1998 (interruptions included!) 108.7 thousand (26.9 %) had been registered for more than a year, without interruption, every month, in the population of the registered unemployed.

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 unequality of different parts of the country, have remained largely unchanged since their emergence.

Table 4.17

The lowest and highest rates of unemployment by county

Year, Dec	County hit by unemployment			
	to a smaller extent		to a larger extent	
	on the basis of unemployment rates for the period in question*			
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
1998	Budapest	3.6	Borsod-Abaúj-Zemplén	17.7
	Győr-Moson-Sopron	4.4	Szabolcs-Szatmár-Bereg	16.9
	Vas	5.2	Nógrád	14.7

Source : NCLM, monthly reports

4.3 Disadvantaged groups

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

4.3.1 Youth unemployment

In the developed world, for the past twenty years, the unemployment of young people has been regarded as a problem of greatest concern, and the situation has not been improving in this area despite the long-term drop in birth rates, economic growth and special programmes introduced in the past few years. In the EU, the rate of youth unemployment is, in most of the countries, with a few exceptions (Luxembourg, Austria, Germany), generally twice as high as the corresponding rate for adults. The Luxembourg Agreement lists among the key tasks the increase of employment for the 15-24 year-old, and, accordingly, several new initiatives have been included in the national actions as well.[44]

The target is a 4.2 % unemployment rate for young people - this is what the national action programmes are hoped to achieve.

According to labour force survey data in Hungary, parallel with the general drop in unemployment, the rate of youth unemployment has also decreased.

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[44] In several countries, new programmes had been launched already in early 1998. In the United Kingdom, the programme New Deal was launched in the spring (and extended in the summer to cover also the long-term unemployed). In Portugal - in special regions- new programmes were initiated. To extend local employment opportunities, agreements were concluded with the local governments. Spain and Italy started regular interviewing of young people and also career orientation. Ireland introduced in September the "reform package" developed for young people *{Joint Employment Report, 1998. p. 18.}*

Youth 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
1998*		28.3	9.6	36.0	24.8
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
1998*		59.3	14.8	61.3	11.1
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
1998*		87.6	24.4	107.3	12.6

* According to the new calculation methodology.

Source: LFS, Time Series, 1992-1998, CSO, 1999

NCLM publishes separate data on registered unemployed below the age of 25. In 1998, their register of unemployed persons showed essentially the same number of young persons looking for a job (89,845) as the labour force survey, and their proportion in the average number of registered unemployed was 21 %.

Over one third of such young persons (36 %) were school-leavers.[45]

Some 9,774 young persons seeking their first job had themselves registered every month, most of them (19 thousand) after the school term was closed. On the average, 11 thousand people left registered status monthly. The number of such people was related to the various programmes launched for school-leavers (in December 1998, just as in earlier months, 11 thousand young people seeking a first job participated in various types of training programmes; another 14 thousand approximately took part in some kind of subsidised form of employment such as gaining work experiences (9

[45] Apart from the school-leavers, NLCM regards as "new entrants to the labour market" also people below the age of 25, and persons with higher educational qualification below the age of 30, who were already employed, but for less than one full year and thus not entitled to unemployment benefit.

thousand), some 3 thousand worked at jobs enjoying wage subsidy, almost one thousand in public benefit work, etc.)

The employment possibilities of young people have improved somewhat. According to the short-term NCLM forecast, some 35 % of employers planned to employ school-leavers in the first half of 1999.

In 1998, in the framework of its already mentioned follow-up survey, NCLM investigated also the effects of PEP, the Programme Supporting Young People to Find their First Job, introduced in 1996.

During the period of 21. 4. 1996 - 20. 4. 1997, 57,066 school-leavers had themselves registered; one year later (up to 20. 4. 1998.) 58,406 persons. Their labour market position was surveyed on a representative sample in four counties. Part of the young people left - at least temporarily - the labour market; some 10 % of them returned into the school system to continue studies at day-time courses, 4-5 % of the boys joined the army, and a similar proportion of the girls delivered babies.

A high proportion of those remaining on the labour market had worked once or on several occasions by the date of the survey (end of 1998). Almost 80 % of those who had been registered earlier found a job on one or more occasions and two thirds of those registered after the spring of 1997. Half of those who had been registered in 1996 and 45 % of those registered in 1997 were employed also at the time of the survey.

College graduates had the best chance to find employment; over 90 % of them found a job once or on more occasions and over 80 % of them were employed at the time of the survey. (Of course, their job could also have been temporary.)

The employment opportunities of university graduates are almost of the same proportion; some 88 % of them worked up to the end of 1998. The graduates of specialised secondary schools also had good chances to find jobs (some 60 % of them) and so did those who finished general secondary school.

Some fifty per cent of young skilled workers found a job, but only some 30 % of those who only finished eight-year primary school and only 20 % of those who finished less than eight classes, although they could find temporary jobs at the end of 1998.

Over half of new entrants to the labour market worked on the basis of employment contract concluded for an indefinite period of time and some 23-30 % found jobs for specific, fixed, terms. Subsidised employment, temporary work, self-employment were rather rare among young people. *{Key results of the survey conducted by NCLM among long-term unemployed, those who were no longer entitled to unemployment benefits and those who entered the labour market in 1996 and 1997. NCLM, 1999.}*

Although the chances of school-leavers have shown improvement, further efforts are required; beside the central and county programmes, there is a need for co-operation mainly with local and non-profit organisations,

especially to improve the labour market position of those with the least education.

4.3.2 *Female unemployment*

In the national action plans of 1998, EU Member States regarded it as a task of increasing importance to ensure equal employment opportunities for women and men.

Sweden, Finland and Denmark were offered as examples to be followed (and then reached, as so-called reference standards) in the area of employment, as the gender gap in those countries is small, and so were Ireland, Sweden and Finland, where unemployment among women and men are of similar ratio.

As the report evaluating the action plans concludes, although every member country recognises the requirement of equal opportunities, the first steps to that effect were moderate. Primarily Spain, Portugal and Austria committed themselves to putting the principle into practice and developed their employment policy accordingly. Similar attempts were expressed in some other countries also. *{Joint Employment Report, 1998. p. 27.}*

Putting the principle of equal opportunities into practice, however, depends on several factors: on the traditions, on the acceptance or refusal of traditional male- female roles, on educational differences, on the spread of various forms of employment (part-time jobs), etc.

Earlier, the lower long-term unemployment rate for women than for men in Hungary used to be quoted as a proof for equality between men and women. Undoubtedly, even in 1998, the unemployment rate for men was 8.5 %, while that of women only 7.0 %. With the exception of people above the age of 60, the unemployment rate of women was lower for every age group than that of men.

Table 4.19

Distribution of unemployed persons by age group and gender, 1998

Age group	All	Unemployment rate	
		Male	Female
15-19	24.8	25.2	24.3
20-24	11.1	12.7	8.7
25-29	8.3	8.4	8.3
30-39	7.3	7.8	6.8
40-54	5.9	6.7	5.2
55-59	4.6	4.6	4.7
60-74	9.0	7.7	11.1
Total	7.8	8.5	7.0

Source: LFS, Time Series, 1992-1998, CSO, 1999

The real difference, however, is not in the unemployment rates, but in the respective ratios of employment and inactivity, as masses of women have left the labour market. The issue of inactivity is discussed in greater detail in Chapter 5, and as for the position of women, suffice it to mention here in

advance that although there are somewhat more women than men in the age group of 15-74 (4,059 million compared to 3,720 million men), 40 % of men and 56 % of women was not present on the labour market in 1998. (In the age group of the 15-64 year-old, 34.9 % of men and 49.2 % of women were missing.)

Thus the lower female unemployment rate is closely related to a lower employment rate of this group, and to the fact that we do not have one of the key forms of female (re-) employment, that is, part-time employment, which would be most likely to attract them (back) to the labour market.

4.3.3 The disabled

Of the almost 3.2 million pensioners registered in Hungary in 1998, every fourth retired due to physical disability or disability caused by accident. In 1998, over 400 thousand people of working age earned disability pension and over 200 thousand benefited from social or other annuities. According to information published by CSO on the first quarter of 1998, over 26 % of the pensioners and beneficiaries of annuity were below the age of 60. *{CSO reports, Társadalom és gazdaság, 1998/4. p.41.}*

The modest but safe sum of annuity offers an escape route from the labour market which had shrunk in size and where there is little demand in persons with changed working ability or disability.

Although society used to take efforts earlier also to bring these people back to the labour market (e.g. by health rehabilitation or the maintenance of so-called target organisations established to employ them, etc.), disabled persons have less and less opportunity to find a job, and the relevant increasing burden on society also demands new solutions.

In 1997, Parliament passed a decision on the objectives and instruments of employment rehabilitation as part of the transformation of the supply systems of disabled persons and invalids.[46]

In 1998, the framework legislation of employment rehabilitation was enacted and a significant portion of relevant legislative provisions (e.g. tax acts, health care, occupational health care legislation) was amended accordingly. Moreover, the act on public benefit organisations entered into effect, assigning all rehabilitation activities to the public benefit category and thus providing the frameworks for important initiatives made by civic organisations in the area of rehabilitation.

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[46] According to OGy Resolution No. 75/1997.(VII.18.), "every person who can be rehabilitated should be provided with the employment rehabilitation needed for his/her state. For that, the followings must be established a.) the special system of institutions for employment rehabilitation; b.) active employment policy measures managing changed working ability; c.) employer incentives promoting their employment. According to the resolution, the Ministry of Welfare is responsible for the establishment of medical expert conditions and for the transformation of financial subsidies, and the Ministry of Labour is responsible for the legal and institutional conditions of employment rehabilitation.

The organisational conditions have been established[47] (e.g., establishment of the foundation of the pro-rehabilitation activity of the labour centres, including a uniform system of regulations, the minimum staff needed on the county level for the supply of the service, the co-ordination of the professional rules of occupational health care and rehabilitation, etc.). New regulations were introduced on the payment of unemployment annuity (for those who had been earning disability pension or annuity for the disabled remained entitled, based on their earlier jobs, to unemployment benefits after the end of the term of entitlement); and new forms of support were instituted to promote the employment of unemployed persons having lost minimum 40 % of their working ability but not entitled to pension or regular social allowance.

A precondition of the employment of disabled persons is the readiness of employers to co-operate. That used to be a legislative requirement earlier also, but was limited to the competitive sphere. With the modification of the Act on Employment, it has become mandatory for every employer employing more than 20 persons - including public organs and non-profit organisations, to employ a quota of 5 % of disabled persons.[48]

Employers who fail to meet such employment obligation will have to pay rehabilitation contribution as from 1999 on the difference between the actual employment ratio and the quota, in proportion to actual wage costs. With that, in case an employer fails to employ 1 disabled person, the annual contribution payment will be close to the current minimum monthly wage (HUF 20,600 in 1999).

Undoubtedly, the obligation is regarded by many employers as penalty. (Let us note that several European countries have similar practice and Hungarian legislation was basically adapted to them.) The range of employers hiring disabled (rehabilitated) unemployed persons is also increasing: in 1998, there were 147 winning applicants of the county tenders issued by the rehabilitation fund segment, offering to establish 1,900 new jóbs and preserving some 3,000 old ones.

With the help of the employment rehabilitation procedure, 5,830 disabled persons found jobs.

Thus in 1998 the first and significant phase of a long process ended by the establishment of the basic legal and organisational frameworks of employment rehabilitation, including the provision of the personnel conditions and professional forum of the service in question in every county labour centre.

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[47] The Ministry of Social and Family Affairs prepared a survey on measures implemented in 1998. *{Report on the position, experiences of the establishment of employment rehabilitation in the labour service, March 1999.}* and a report on the execution of the programme of 1998 for promoting employment rehabilitation for disabled unemployed persons *{Composed by Mrs. Lechner Judit Vadász, Ilona Gere and Mrs. Nagy Ágnes Popper, March 1999.}* Hereinafter, we shall discuss the findings of these two documents.

[48] Incentives for legal entity companies employing less than 20 persons each and for private entrepreneurs: in case of employing a person who lost minimum 50 % of his/her working capacity, the employer can reduce the tax basis - as specified in the tax laws - by HUF 3,000 monthly and per person.

For the first results, support was given by the civic (welfare, foundation etc.) organisations co-operating with the labour centres and which have undertaken specific tasks (e.g. rehabilitation labour exchange, special services such as the employment and training of personal consultants/mentors, training to promote preparation for employment, etc.).

Further progress will be supported by the new act which came into force on the 1st January 1999 on the provision of human rights and equal opportunities to disabled persons, which will develop continuous demand on the side of the persons concerned for the development of employment rehabilitation and the elimination of barriers.

4.3.4 The Rom

The living conditions of Hungary's largest ethnic minority group have not changed and this issue represents an unsolved social problem to the present day.[49]

It is not easy even to establish the size of the Gypsy population, as only comparatively few among them claim self-consciously to belong to that ethnic group, while others prefer to deny that - just because of the social biases involved. During the latest census (in 1990), 48 thousand people claimed to have Gypsy as mother tongue and 142 thousand said they belonged to the Gypsy minority group.

It is a well-known fact that at the time of full employment most Gypsies (particularly men) were in employment, but in the course of streamlining from the late 1980s on, they were among the first to lose their jobs - along with the other unskilled non-Gypsy workers. In the early 1990s, most of them became jobless, and most of them could not find employment since then. A significant portion of them receive income supplementing allocation and can expect to receive - more or less regularly - public benefit work. (The labour service has no numerical data on them: due to the ban on ethnic discrimination, they cannot query and cannot register ethnic status.)

Since 1995, Szonda Ipsos has been annually surveying the position of Gypsies in the population of 18 plussers. (The results of their 1998 survey are not known yet.) When the November 1997 survey was made - the results of which were analysed by the authors -, interviewers approached specific persons to make the sample representative (the sample was representative as per gender, age, educational background and settlement type).

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[49] The "Gypsy question" has mobilised a multitude of outstanding and committed researchers. During recent years, many studies were published on the situation, living conditions, life chances of the Rom, making society face the facts of their discrimination, poverty, backward position in practically all areas due simply to their being different, and pointing out its responsibility to remedy the situation. The noted researchers (e.g. Gábor Havas, István Kemény, Gábor Kertesi, János Ladányi, Iván Szelényi) were joined by two young researchers of Gazdaságkutató Intézet Rt. (Economic Research Institute) László Molnár and László Skultéty, who prepared studies as PH.D students under the title *„Egy vita margójára, avagy mit is tudunk a romákról? (On the margin of a dispute, or what is it we know about the Rom?}*. The present report discusses the labour market position of the Rom on the basis of their study.

The interviewed persons were assigned to four categories on the basis of the ethnic groups to which they belonged:

⇒ not Rom (neither of the parents are Gypsy, the subject does not consider himself/herself as Gypsy and the interviewer did not take him/her as Gypsy either);

⇒ uncertain (on whom the interviewer could not decide with certainty on the basis of looks or life style);

⇒ „stigmatised" (people considered by the interviewer as Gypsy, but the subject rejected to have Gypsies as parents or to be Gypsy himself/herself);

⇒ „assenter" the Rom person regarding himself/herself as belonging to the ethnic group.

According to the analyses, the people who consider themselves Gypsy are in the worst position in every respect; the next worse group is that of the people who are regarded as Gypsies by others (i.e., the stigmatised people). The social group of conscious Roms is composed mainly of young people (over 40 % of it is below the age of 40), and of that percentage, over 40 % is below the age of 30 (46 % of the "stigmatised", 40 % of the uncertain group and 39 % of non -Roms belong to that age group). Despite their young age, 40 % of them did not finish even the 8 grades of general school and another 50 % finished only that.

It is typical of their position on the labour market that only about every fifth of them are employed and almost every third is unemployed.

Table 4.20

Distribution of the population by economic activity and ethnic category

%

	Total population	Non Rom	Uncertain	„Stigmatised"	"Assenter"
Employed	42.7	43.7	36.3	36.0	21.9
Pensioner	36.4	37.2	31.8	31.6	20.8
On parental leave	4.5	4.2	5.2	6.7	13.3
Unemployed	7.8	6.7	15.8	15.6	28.5
Student	3.6	3.7	5.6	2.8	0.4
Other non-earner	4.9	4.5	5.4	7.3	15.1
Population	100.0	100.0	100.0	100.0	100.0

Source: Molnár L.-Skultéty L.: Op. cit., p 15.

Almost two thirds of the assenters, 22 % of whom are employed, are semi-skilled and unskilled workers, and the ratio of skilled workers is far below the average of other groups. They land in unemployment more frequently than do members of any other group: at the time of the survey, apart from the actual unemployed persons, 52 % of assenters claimed to have been unemployed at least once during the preceding ten years, while the corresponding ratio for non-Roms was 26 %.

Within the group of the economically inactive, the ratio of pensioners is higher in the non-Rom population than among the Rom (who have a high ratio of disability pensioners), while in their group the average ratio of

persons on parental leave is higher than the average of any other group. (That is also explained by the much younger age composition of the assenter group of Roms than that of the other groups.)

In order to improve the living conditions and social position of the hundreds of thousands of people claiming or refusing to belong to the ethnic group of Rom, the government adopted in the spring of 1999 a package of measures to be executed in several years under the responsibility of the Cigányügyi Tárcaközi Bizottság (Inter-Departmental Committee of Gypsy Affairs) operating on the basis of a decree passed by the Minister of Justice. It is essential that steps be taken at the earliest in all areas affecting the life of the Rom population, including the establishment of equal labour market opportunities, in conformity with the relevant European standards.[50]

4.4 Current reasons of unemployment

According to NCLM data quoted earlier, the average monthly number of people registering as unemployed in 1998 was over 55 thousand: 46,613 adults (82.4 %) and 9,774 school-leavers (17.6 %). The number of newly registered people was lower than in 1997 (56 thousand on monthly average), but not by much.

The large number of newly (or repeatedly) registered unemployed people with an increasing monthly average since 1994 is indicative of two important processes. One is that the economy needs the major portion of the registered unemployed people only temporarily at the most, and - as discussed already - it is the inflow and outflow within a few months' time of people employed on subsidised jobs that sustains the given level of the registered unemployed.

Another characteristic feature is that the earlier reasons resulting in the growth of unemployment (e.g., the masses of jobs lost due to bankruptcies, liquidation procedures) had come to an end by 1998. Re-organisation procedures meant to restore the viability of firms and the adaptation of their sizes to market possibilities have mostly ended. Those becoming unemployed in 1998 were typically declared redundant by firms sensitive to international economic stagnation and it has become more evident than before how closely the Hungarian economy is linked to the international economy when international firms reduced their workforce for strategic reasons, or the improvement of technological standards resulted in saving human labour.

Before discussing the most important phenomena, it needs to be noted that in many areas, but especially at large international firms, great efforts were

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[50] International public opinion was somewhat surprised to see hundreds of Gypsies trying to immigrate to England, Canada and other countries from former socialist countries - some also from Hungary- but especially from the Czech Republic. The escape attempts of Gypsies from their miserable position has only emphasised the responsibility of societies, the urgency and need of measures meant to eliminate the neglect of decades.

made to reduce the painful consequences of redundancy.[51]

Then again in several regions, thanks to more dynamic local growth, the people who had lost their jobs could more easily find new ones.

a.) Bankruptcies, liquidation procedures

According to the regularly published monthly data of the Ministry of Justice, in 1998 altogether only 48 bankruptcy procedures were initiated in Hungary. Under the conditions of market economy that was an almost unbelievably low figure, but one that becomes understandable if we recall that from the early 1990s thousands of companies went bankrupt. After the bitter transformation procedure - which decimated jobs - mostly viable companies survived out of which only very few are forced into bankruptcy now.[52]

20,563 incorporated companies, i.e. 14 % of active organisations, on the other hand, were still under liquidation or final settlement *{Number of active organisations, CSO, 1998/12.}* After unsuccessful bankruptcy composition procedures, liquidation procedures are dragging on sometimes for years, affecting both firms whose assets cannot be sold/are depreciated to a large extent, empty firms guarded by property guards; and others the viable parts of which continue to work even in the

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[51] Siemens, for instance, provides assistance to laid-off workers by establishing a "committee on employment" and by financial grants. *{Világgazdaság, 24 July 1998.};* at the canning factory of Heinz in Kecskemét, the labour service operates a local office and offers laid-off workers training possibility and administrative assistance *{Világgazdaság, 12 February 1999.};* the Bakony Power Station organises together with the Veszprém County Labour Centre retraining courses with a grant of HUF 30 million for laid-off miners *{Napi Gazdaság, 16 November 1998.};* Zobák Pit, attached to the Pécs Power Station, started in 1998 already the retraining of the miners planned to be laid off in 2000; together with the local government of Komló and with local entrepreneurs, the power station established a non-profit company to provide jobs They also set up a committee to promote employment and, in addition to utilising all instruments available according to the employment policy, people in need can receive a monthly subsidy of HUF 10-20 thousand to supplement unemployment benefit. *{Népszabadság, 10 October 1998.}* etc.
Of course, the best solution is a new job. There was such a chance not only in Western Transdanubia, but also in Békés: people laid off by the Csaba Canning Factory and by Ikarus Főnix Kft.'s plant in Szeghalom, especially skilled machine workers, were eagerly re-employed by several dynamically developing firms in the county. *{Világgazdaság, 30 October 1998.}*

[52] The glass factory in Miskolc declared bankruptcy in the middle of 1998. However, its economic programme was not accepted by the creditors and so the firm was liquidated. During the early 1990s, the firm had already suspended operation, to be re-opened again in 1996 with significant state subsidy. This time it had to lay off over 100 workers *{Napi Gazdaság, 2 October 1998.}*

course of liquidation/sale of assets[53].

Some of the parts of plants sold during liquidation recovered, while others did not prove to be viable even after receiving capital injection.

However, the firms under liquidation employ comparatively small staff, although when they are closed down, some more jobs are lost[54]. Apart from the effects of seasonal employment, the 40-55 thousand people registered as newly unemployed every month are typically fired by firms suffering market loss (if only temporary ones).

b.) Depression effects

In 1998, the Soviet market crisis had a rather sensitive effect on employment in several sectors, including especially the food industry.[55]

The direct and indirect effects of the crisis forced reduction of output and of staff in several other industries also (Ikarusz, Richter Rt.'s Tiszafüred plant, etc.)[56]. On the basis of information received from the county labour centres, NCLM estimated the jobs at risk in the affected sectors to reach 2 thousand. *{Világgazdaság, 3 February 1999.}*[57]

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[53] Typical of the current state of liquidation is the case of the Leather Factory of Simontornya. In 1996, there were 1,470 people employed by the firm, to be reduced to 240 by 1998. ÁPV Rt. had tried to save the company several times by capital increase of altogether HUF 400 million. Several attempts were made to save the firm, which had lost its markets, was burdened by environmental liabilities. *{HVG, 28 November 1998.}* The company's shareholders' equity did not cover even 10 % of the company's debt *{Napi Gazdaság, 20 November 1998.},* so the majority of employees were laid off. By the beginning of 1999, there were only 85 people employed by the firm. *{Napi Gazdaság, 24 February 1999.}*. Latextil Szőnyeg- és Takarógyártó Rt., on the other hand, employing a staff of 280, continued production during liquidation and,, moreover, it has promising Western European markets also. The former giant enterprise was subject to liquidation procedure first in 1993; it closed its carpet factory in Tata in 1997. *{Napi Gazdaság, 14 October 1998.}*
Similarly: „Egyetemi Nyomda operates with full capacity during the liquidation procedure" *{Napi Gazdaság, 6 November 1998.}*.

[54] It was not possible to sell as one unit Vörösmarty Nyomda during the liquidation process, and when they started selling it in parts, 60 employees had to be laid off *{Világgazdaság, 7 December 1998.}*

[55] Canning factories were forced to lay off hundreds of workers because of the stop of export deliveries to CIS countries which could not pay. Five hundred workers were dismissed by the Limpex group, some 600 by Deko Food, belonging to the Globus Group, 300 persons by Heinz Kecskeméti Konzervgyár Rt., etc. The poultry processing plant in Kiskunhalas plans to lay off 70 % of its staff. Because of the crisis, the 50 mayor Hungarian food processing and raw material producing firms and a crisis committee composed of representative delegates turned for help to the Prime Minister, suggesting that if the crisis continued, another 15-20 thousand people could become unemployed. *{Világgazdaság, 29 October 1998.}*
As a secondary effect of the crisis of the canning industry, the owners of the glass factory in Sajószentpéter decided to close down the plant, which means laying off some 700 workers. *{HVG, 19 December 1998.}*

[56] The loss of the market by Ikarusz affected some 10 % of the Rába turnover. Rába parted with 250 hired employees, including 130 foreigners *{Világgazdaság, 3 November 1998.}*

[57] Hoping for a fast end of the crisis, some firms - as a first step - sent their workers on forced leave. For instance, Richter Rt. sent over 100 employees on forced leave *{Napi Gazdaság, 24 September 1998.};* while Bakony Művek made 300 workers out of 1,300 work only four days a week and planned to send 5-600 on forced leave *{Napi Gazdaság, 26 September 1998.}*. In several of its factories, Graboplast changed over to a four-day week at the end of September *{Világgazdaság, 3 November 1998.}*

To moderate the employment effects of the crisis, the affected firms could draw job preservation subsidy.[58]

The Hungarian economy, increasingly tied to the world market, reacts sensitively to international effects. The drop in demands affected several sectors of the economy, even if not to the extent the Russian crisis did. Due to accumulated stocks and depressed world market prices, the closing down of Hungarian sugar mills continued. Seven only of the twelve sugar plants in operation during the first half of the 1990s were still active at end of 1998. Because of the strict European Union quotas, production (and processing) is likely to continue dropping *{Népszabadság, 2 December 1998.}*. Again, with reference to the lower (and more highly subsidised) prices in Western Europe, to the Asian buying-up prices and to the shrinking of the Eastern European market, the meat industry also suspended the operation of or closed down slaughter houses. (Kiskunfélegyháza: downsizing of staff by 100 persons and suspension of operation for an indefinite period; abattoir in Balassagyarmat under liquidation: of a staff of 120, 100 were fired).

Despite the liquidation of its capacities decades ago, the European steel industry[59] has been facing sales problems time and again. In 1998 there was yet another international steel crisis - this time it started from Asia - and steel prices plunged by the second half of the year by 35-40 percent. *{Világgazdaság, 19 February 1999.}*

The already modestly sized Hungarian steel industry was forced to be further reduced (DAM: 2-300 persons, Ózd Steel Works: commencement of a 3-year programme to reduce staff size by 20+10+10 %.) The Inota Aluminium plant declared almost 150 members of the staff redundant.

Integration to the world market implies the constant presence of the effects of its changes on the domestic market, implying loss of jobs in some areas and creation of new ones in others. In 1998, positive effects over-rode.

Adaptation to the world market, the strengthening of competitiveness, caused downsizing to a greater or lesser extent in almost every area of the economy. Although the closing down of factories, reduction of output by foreign firms in other countries have so far affected plants in Hungary to a lesser extent, they also became part of the international strategy of the given large corporations. (For instance, as a consequence of technical development in telecommunications, copper cables were no longer necessary, and 90 people were dismissed from the Szeged factory of Magyar Kábel Művek Rt., an associated company of Siemens.

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[58] As already mentioned, as from 1 July 1997, companies could apply for job preservation subsidy under certain conditions on the basis of ML Decree 8/1997.(IV.28.MüM) to manage the employment crisis. In 1998, the firms received subsidy to retain 4,587 workers.

[59] As it is well known, it was a basic initiative of the establishment of the European Union that in 1951 in Paris, with the participation of six countries (France, Germany, Italy, Belgium, the Netherlands and Luxembourg), they established Montan Union, the European coal and steel community. Members undertook to significantly downsize their coal and steel output (reduce capacities) to retain competitiveness.

Reduced demand in high-voltage cables - and the stocks which had been accumulated in Europe - made Siemens sell its factories in Balassagyarmat and Schwerin. Due to re-organisation, the number of Siemens employees in Hungary will drop by 800-1,000 persons. *{Világgazdaság, 9 April 1998., 6 November 1998.}* or: almost 600 employees of BRG in Salgótarján became redundant because Ford transferred cable production to Poland *{Napi Gazdaság, 4 November 1998.}*

c.) *Technological upgrading, less man-power*

Although there are still companies in Hungary struggling due to uneconomic operation and thus forced to lay off employees, redundancy is more typically due to the consequences of technological upgrading.[60] This is a new phenomenon, as in recent years technical development/investments used to be accompanied by staff increase, while downsizing was rather the consequence of the termination of non-viable operation, i.e. rationalisation.

In 1998, staff reduction was claimed to be the consequence of technological advancement in the first place not only in manufacturing areas, but also in one of the most advanced fields of services: the banking sector. The National Bank of Hungary laid off some 1,100 persons. *{Világgazdaság, 15 December 1998.}*, OTP Bank got rid of some 2,000 employees *{Népszabadság, 28 October 1998.}*, Kereskedelmi és Hitelbank of 250 people and the staff of several smaller banks was also downsized *{Figyelő, 5 November 1998.}*. (It may also have happened, however, that in some cases only the method of employment changed to save staff costs, and employees were asked to obtain entrepreneurial license and continue working on that. In the financial sector (including insurance companies), the number of private entrepreneurs increased by over 8 thousand. *(For more details see Chapter 7.)*

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[60] For example:

- Henkel Magyarország Kft intends to develop with an investment of hundreds of millions of HUF the plastic processing plant it purchased in Barcs. They want to install primarily technology and technical know-how in Barcs to develop it into a regional centre. In 1997, they laid off only a few people, but intend to reduce the staff of 133 by another 20 % *{Figyelő, 5 March 1998.}*.
- Hajdú Rt. has significantly modernised production. With an investment of HUF 1 billion, they solved the problem of freon-free insulation, eliminated polluting procedures, met the quality assurance requirements of ISO 14,000. The firm achieving great successes both on the domestic and export markets reduced the size of non-productive staff by 160 in 1998. *{Világgazdaság}*
- Haas und Sohn Kft., the current owner of the Elekthermax factory, significantly increased its volume of sales with the modernisation of oil and coal-burning stoves and with technology development. 90 % of its products are sold on the German and Austrian markets. To increase output, the firm increased the staff from 110 to 200. It modernised the obsolete painting shop and constructed a new, mechanised warehouse. Production became more efficient, and as a consequence, the company parted from 46 employees, most of whom used to work on contract. *{Napi Gazdaság, 8 December 1998.}*

d.) *Miscellaneous layoffs*

In addition to layoffs due to more or less clear reasons, there have been other, less frequent yet repeated layoffs due to specific problems and interests facing individual companies, just like in every economy[61]

Re-organisations to modernise economic structure, in progress for years, continued in 1998 also.

The efforts in question included the methodical cutback on coal-mining, the closing down of uneconomic mines according to a pre-set schedule. (Such a bitter procedure eliminating jobs for tens of thousands of people had taken place in most European countries during the past 20-30 years.) The government postponed the closure of three mines planned to be closed down and undertook the provision of the HUF 2-2.5 billion state subsidy needed for their operation *{Népszabadság, 30 December 1998.}*, and thus to preserve the job of some five thousand people. The closing down of the mine in Dudar, on the other hand, has become final, and in February 1999 they started to lay off the staff of 191 (sized down in the course of the years from 1,300 to 400, and then by 1998 to 191).

Cutbacks accelerated also at coal mines attached to power stations. There will only be 200 workers left by 2000 in the Zobák pit attached to the Power Station of Pécs, where in 1993 over 2,000 people had been employed. At Bakony Power Station - as the coal reserves were petered out - all the three mines in Ajka will be closed down by 2005 - 650 workers had been laid off since the fall of 1998.

In the sphere of public services, in spite of the declared demand for a "cheaper state" only sporadic layoffs occurred. (In several areas there has even been an increase in staff, for instance the Ministry of Defence increased the size of staff from 50 thousand in 1997 to 53,150 *{HVG, 27 February 1999.}* or in the Prime Minister's Office. The Budget Act stipulates a more decisive downsizing - altogether by 3 % - for 1999.)

The rather significant number of layoffs has been, luckily, essentially countered by job creation in 1998 also, particularly through developments and greenfield investments put into operation one after the other. However, in order to retain what is a low employment level anyway, work opportunities funded from money spent on active employment measures - that is, payments by employers and employees in the final analysis - have also been indispensable.

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[61] Some examples:
The Salgótarján stove factory of SUT Wamsler Rt. producing fireplaces mostly for the German market had accumulated significant stock. For this reason, they downsized output and laid off some 130 workers out of a staff of 780 *{Napi Gazdaság, 27 August 1998.}*
The re-organisation of MMG Automatikai Művek Rt. is nearing completion. In one year, the firm laid off half of its staff (the current size of staff is 1,250); they stopped manufacturing uneconomic products and closed down - among others - the central plant in Budapest *{HVG, 21 November 1998.}*.
To promote more efficient operation, by the end of the year MALÉV will lay off 300 people out of its staff of 3,500 *{Világgazdaság, 4 June 1998.}*.

5. *THE ECONOMICALLY INACTIVE*

Economically inactive persons are defined as adults of working age staying away from the labour market either voluntarily or involuntarily; that is, who are neither employed nor unemployed.

Staying away may have several reasons, such as retirement age or traditions in a given country (for instance, the way society looks at the role of women in the family or on working women), job opportunities in a given region or personal opportunities. Depending on the various types of conditions, the individual can take a voluntary decision or may be forced by circumstances (giving up search for a job because of the absence of employment opportunities, etc.).

In many European countries, the increase of employment means - apart from providing jobs for the unemployed - the activation of the population staying away from the labour market. Apart from the youth, great emphasis is put on the increase of employment in the 55-64 age group: the recommended level for national action plans is to reach the 54 % employment rate attained by Sweden, Denmark and the United Kingdom for that age group, with special regard to the high employment rate for the elderly in the USA and Japan *{Joint Employment Report, 1998, p.11.}*. Additionally, the objective is to employ a greater ratio of women, as in many countries of the Union over 50 % of women are economically inactive. (The margin in the rate of male and female employment is smallest in Sweden, Finland and Denmark.)

5.1 Inactivity in Hungary

In Hungary, where employment has stabilised (at a 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. During the past 9-10 years, masses have exited the labour market. The labour force survey of CSO has been publishing relevant data since 1992 (in 1993 180 thousand, in 1994 143 thousand, in 1995 107 thousand, in 1996 47 thousand, in 1997 53 thousand people of the 15-74 age group have left the labour market - or have never entered it -, and even in 1998, their number was still 48 thousand).

In the 15-74 age group, in 1997, the number of inactive persons - 3,804.9 thousand - surpassed the number of employed ones (3,646.3 thousand); in 1998 - computed according to the new methodology - the number of inactive persons was somewhat less (3,745.1 thousand), but even so exceeded that of the employed ones (3,697.7 thousand).

Naturally, this state of affairs was due to a decisive extent to low employment age in Hungary, an effect enhanced by possibilities to escape to retirement (early retirement, exemption by age, preliminary retirement), but there were also some other routes of escape (e.g., absence from the labour market due to child care). Involuntary withdrawal from the labour market is reflected mainly by the growing extent of passive unemployment, a typical course taken by the Hungarian active-age population. In 1997, 95 thousand, in 1998 (according to the new computation methodology) 110

thousand people had given up job search because their attempts failed in the absence of jobs. Then again the number of inactive persons also includes pupils/students above the age of 15. Their number has been continuously growing as a growing number of persons reaching employment age chose to remain in education.

The decisive impacts of diverse key reasons, to be presented in more detail later on, is quite perceptible even if we analyse the extent of inactivity among the 15-64 year-old.

Table 5.1

Number and percentage of economically active and inactive persons in the 15-64 year- old population

Year	15-64 year-old	Economically active		Inactive	
		'000 persons	%	'000 persons	%
1992	6,898.9	4,462.9	64.7	2,436.0	35.3
1993	6,895.6	4,294.0	62.3	2,601.6	37.7
1994	6,886.2	4,157.1	60.4	2,729.2	39.6
1995	6,891.4	4,060.5	58.9	2,830.9	41.1
1996	6,877.1	4,020.5	58.5	2,856.6	41.5
1997	6,876.5	3,973.0	57.8	2,903.5	42.2
1998*	6,831.7	3,965.5	58.0	2,866.2	42.0

Computed according to the new methodology.
Source: LFS, Time Series, 1992-1998, CSO, 1999

The ratio of economic inactivity is - understandably - highest in the 15-19 age group, the members of which continue to attend school, and in the group of people above the age of 55-60 having reached retirement age. It is most disadvantageous for the economy, on the other hand, that in every age group within the working age brackets, the percentage of non-employed persons is very high and even in the prime age group of 25-54, the age group with the highest employment rate, every fourth of fifth men or women is missing from the labour market.

Table 5.2

Percentage of economically inactive persons by age group

%

Age group	1992	1993	1994	1995	1996	1997	1998*
15-19	77.0	79.2	80.9	83.2	84.7	85.8	83.8
20-24	28.9	31.5	33.9	35.6	38.7	40.3	31.7
25-29	22.4	24.0	24.3	27.0	27.6	28.1	27.1
30-39	13.4	15.1	17.2	18.7	19.0	20.6	20.7
40-54	18.3	20.6	22.5	23.5	23.8	24.8	25.9
55-59	65.7	69.1	72.6	71.8	70.8	71.3	74.1
60-74	89.7	92.1	93.3	94.7	95.4	95.8	95.8
Total	41.1	44.0	46.0	47.6	48.2	48.8	48.3

* Computed according to the new methodology.
Source: LFS, Time Series, 1992-1998, CSO, 1999

One could only establish whether absence is voluntary or compelled in knowledge of the background of individual cases. There are, however, some conditions which have a determining effect on personal intents.

One such condition is the elimination of masses of jobs since the early nineties. According to the relevant calculations, in a few years' time, one-and-a-half million jobs have been lost and, moreover, over the same period, labour supply increased partly for demographic reasons and partly as a consequence of government measures (e.g., the significant reduction of the period of military service from the earlier two years, and the drop in the number of young people drafted from 110 thousand at the beginning of the decade to 45 thousand increased the labour supply of young people year after year; the annual increase of the female retirement age increased female labour supply, etc.). Although every one of the measures taken are fully justified in many respects, and measures have also been taken to reduce the supply (the possibility of early retirement for employment policy reasons removed over 40 thousand people annually from the labour market, and supporting so-called full-time motherhood for mothers raising a minimum 3 children had a similar effect), increased supply and moderate demand, that is, the dropping chance of hundreds of thousands of people to find a job on the organised labour market has of necessity led to increasing inactivity.

Naturally, every country has smaller or larger groups of people who do not want or cannot work. In Hungary, in the years of full employment, there were some 250-400 hundred thousand people of employment age who could not or would not work. Personal, family conditions make it rational for many today also to stay away from the labour market (well-to-do family, dependent wife, long schooling period, etc., although it may be financially more advantageous in lower-income families for the woman to stay at home and thus save household expenditures than to take a job under unfavourable conditions, such as low wage, commuting, working in shifts, etc.). The rate of inactivity as it developed during the past ten years, however, suggests that large groups had been driven out of the labour market. The state of the labour market compelled school-leavers without a chance of employment and not entitled to benefits, women who always find something to do in the household, people considered old at the age of 40 to give up search for a job, forcing them to become dependent on their family. The position of the affected families was somewhat eased if the family member squeezed from the labour market could expect some modest but regular monthly income, whether pension on early retirement or child-care allowance.

As a summary - according to computation based on the population survey - of the 6.5 million persons of employment age under the Hungarian regulations, almost 2.2 million or 36 % were inactive in 1998, namely 971 thousand men and 1,227 thousand women. (in 1997 - still computed by using the earlier methodology - the size and ratio of the inactive population were the same).

Below, we shall give an overview of the known and presumed reasons of the inactivity of this 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 63.4 % of 15 to 19 year-olds are withdrawn from the labour market, but among the 20 to 24 year-olds this ratio is only 13.3 %.

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 ratio of those continuing with their studies has shown constant growth since 1988/89, i.e. the appearance of large generations, and in 1996/98 there were already 616 thousand young people, that is, 10 % of those in employment age, participating in full-time education.[62]

Table 5.3

Number and percent of full-time students in the 1959/60-1997/98 school years

thousand

School year	Number* of pers. aged 15-19	of which: students'			
		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	607.3	37.6	302.2	49.8
1997/98	1,596.5	616.1	38.6	308.8	50.1

* 1. January of given year; age groups different from those under the LFS; this classification includes 25 year-olds, too.

** Data of the Population Census

Source: Yearbooks, CSO

Because of the dropping number of births, the number of young people entering the age of 15 has been diminishing year after year, while the number of those remaining in education has been rising steadily.

96 % of the 15-year -olds are in school (the high ratio is, however, partly due to the presence of those who did not finish primary school yet). Data on

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[62] The number of students stated in 1997 as being 631.2 thousand was corrected by CSO in 1998 to 607.3 thousand, accordingly, the 1996/1997 ratio of 10.3 % was also modified to 9.4 % of Hungarian persons of working age.

the next generations show that the schooling period of young people essentially lasts up to the age of 16-17. 50-60 % of pupils complete secondary school at that age, and another 25-28 % continue studies in apprentice schools or secondary vocational school.

After the age of 18, the ratio of students is dropping: less than 5 % of the 24-year-old are full-time students. Let us note here that professors of Budapest University of Economics investigating the labour market situation of the 15-24 age group in comparison with that of their peers in the OECD countries pointed out that - contrary to the experiences of other countries where generation size varies very little from one year to the other, in Hungary, because of the consequences of the strictest prohibition against abortion in 1952-54, and due to its recurring effects, the size of the age groups concerned fluctuates most markedly.

Consequently, the ratios of young people participating in full-time education may be misleading. For instance the number of secondary-school students hardly changed during the 1992-1997 period, yet the rate improved, as in 1997 the size of the 15-17 year old population was by 20 % smaller than in 1992. There is an adverse situation in higher education: despite the fast growth of the number of students, improvement is modest because between 1992 and 1997 the 19-22 year-old population increased by some 20 %.

According to our calculations, the extension of secondary and higher education during recent years - disregarding the fluctuation in the given age groups - significantly improved the ratio of full-time students. For the 15-19 age group, the ratio was higher than the 1995-1996 level in many advanced European OECD countries and for the age group above 20, the ratio got close to that in OECD member countries. *{Péter Galasi, Gyula Nagy, János Tímár: Changes in the labour market position of young people, the Budapest University of Economics is 50-year old; Jubilee meeting, 1-3 October 1998. , Volume One, pp 101-109., BKE 1998.}*

In the annual survey *Employment in Europe*, the European Union combines the ratios of young people participating in education and those in labour market training.

In 1996 and 1997, 82.5 % and 83.5 %, respectively, of young people aged 15-19 participated in education and labour market training; in the age group of the 20-24 year old, the corresponding rates were 37 % in 1996 and 38 % in 1997. Hungary has no data covering labour market training as well, but on the basis of statistics on the composition of people participating in training we can conclude that - taking into consideration the great fluctuation of the number of people in different age groups - we may have to increase participation significantly especially in the 19-21 age group.

Table 5.4

Full-time students by age and by type of school in the school year of 1997/98

Age	**Population total 1 Jan 1998**	Students*		*of which*, in %					
		Persons	%	primary school	school for handicap-ped	Vocatio-nal sec. school	apprentice school	second-ary school	college, univ.
15	**129,240**	123,930	95.9	5.2	2.9	1.7	27.2	59.4	
16	**138,007**	109,529	79.4	1.3	1.3	2.0	24.7	50.0	
17	**143,664**	105,428	73.3		0.9	1.5	14.0	56.9	
18	**154,463**	70,031	45.3		0.4	0.9	6.2	28.7	9.4
19	**161,843**	48,127	29.7		0.1	0.6	3.2	9.6	16.2
20	**170,707**	43,783	25.7		0.1	0.3	2.2	5.7	17.4
21	**177,857**	28,505	16.0			0.3			15.7
22	**189,208**	22,438	11.9						11.9
23	**180,953**	14,061	7.8						7.8
24	**150,572**	7,091	4.7						4.7
25	**146,198**	3,934	2.7						2.7
26 + or older	-	7,015	-						-
Total	-	**583,872**	-	-	-	-	-	-	-

* At the beginning of the school year (15 September)
Source: *Yearbook, 1998*, CSO

In any case, of the 2.2 million inactive persons, 963 thousand are young people aged 15 to 24, and 616 thousand among them are absent from the labour market because they are in school. The reason for the absence of over one third of the group (346.7 thousand persons) is different (child care, waiting for university entrance, conscription, lack of hope to find a first job right after primary school, etc.). In the labour market sense, many of them are in fact hidden unemployed.

This is supported by the conclusions drawn by the Galasi-Nagy-Tímár study referred to above: although the ratio of the unemployed among young people dropped between 1992 and 1997, that of the inactive increased, and the combined rate of the unemployed and those remaining in the household did not change (in 1992, the combined rate for men of 15-19 was 10.5 %, in 1997 10.6 %, and for girls in the same age is was 12.6 % and 10.4 %, respectively. Among males in the 20-24 age group, the rate increased from 23.5 % to 24.1 %, in the case of females from 31.2 % to 36.4 %.)

If the organised labour market fails to offer the population in question adequate employment opportunities, they will work on a temporary basis or constantly when and where they find a job, and, typically, wherever possible, without registration.[63] A major part of young people - just as the older ones - are interested in not declaring their income, and in fact for the

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[63] This is also supported by the survey made in four former socialist countries and in Hungary in two counties in different position (Vas and Szabolcs-Szatmár). According to the findings of the survey, most of the young unemployed work occasionally (40 % of them said they had a non-registered workplace or were preparing for further studies), but they did not consider it important to accept just any job or to conclude a work contract. One fifth of the sample claimed to be looking actively for a job *{Népszabadság, 19 December 1998.}*.

majority the rights they could obtain through registered work are of no interest, especially in the case of obtaining pension right, something that is decades away.

According to experiences they generally consider health insurance important, but waive even that, hoping that being young they would perhaps never fall ill.

5.2.2 Persons on parental leave

After the 1960s, when the number of child births - which used to be high - started to drop all over Europe, several countries took measures to motivate child birth and make child-rearing easier.[64] Such measures included leave (generally subsidised from central resources) from the job for the first years of the young child, and the protection of the job of the parent making use of such absence from work.

For similar reasons, unpaid child care leave - supported by social security- was introduced in Hungary in 1967 (generally for 1-2 years). Although at that time the objective was not to release the burdens of the labour market, in the course of past decades, hundreds of thousands of parents (usually mothers) made use of the child-care leave for the authorised period. Their absence from work was made easier by the fact that the employers were obliged to keep up their jobs. For this reason, statistics listed people on child care leave among those in employment.

Since the early nineties, however, during the period when masses of jobs were lost, people on child care leave were also laid off in masses. (In the meantime, the system itself was also modified several times. In April 1996, the system of child care fee (GYED) - which used to be proportionate to the earlier income of the parent - available until the child reached the age of 2 year was terminated, but it has become a citizen's right - i.e., not attached to employment - to obtain a fixed monthly sum of child care allowance (GYED) up to the child's age of 3. Benefits again changed in 1998, offering primarily financial subsidy to families rearing children.)

As from 1994, child-care subsidy has been available for mothers rearing a minimum 3 children of ages 3-8, a function considered as employment from the aspects of pension. The parent entitled to receive GYET can have a job (often a home-based one) without any time limit.

Different forms of financial support make it easier for parents (primarily mothers) to stay away from the labour market. As they have very little chance to find a job or return to their former workplace, as from the 1st January 1998, parents making use of some form of child-care leave are considered as economically inactive (in conformity with the 1995 ILO recommendation) in Hungarian statistics. (Legislation permits them to take part-time jobs for 4 hours a day. In the absence of part-time jobs, however,

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[64] On the number of children per one woman we presented data from "Demographic Situation in the European Union, 1995" in our 1997 publication. The demographic situation in the European Union, 1995, European Communities, 1996.

they have little chance to find such work and those who do are, in principle, stated among the earners.)

According to the labour account, on 1 January 1998, somewhat less people (typically women) made use of the child-care leave facility than in 1997, but even so the system drew 291 thousand persons of employment age from the labour market.

Table 5.5

Persons on parental leave, 1980-1998

thousand

Year 1 January	Persons on parental leave (GYED, GYES)			GYET	
	Male	Female	Total	Female	Total
1980	0.1	263.9	264.0	-	264.0
1990	1.2	243.5	244.7	-	244.7
1991	1.3	250.3	251.6	-	251.6
1992	1.8	260.3	262.1	-	262.1
1993	1.7	260.4	262.1	-	262.1
1994	2.2	252.4	254.6	24.1	278.7
1995	5.2	246.8	252.0	33.0	285.0
1996	4.6	226.0	230.6	44.6	275.2
1997	2.0	245.1	247.1	48.1	295.2
1998	1.0	238.0	239.0	52.0	291.0

Source: Labour Account, 1 January 1998, CSO

In 1998, according to NHIF data, repeated changes in the conditions of eligibility did not result in significant changes in the number of persons making use of the various forms of child-care benefits. Together with maternity subsidies, altogether almost 300 thousand people (295,981 persons) made use of some form of child-care benefits.

The number of parents registered as unemployed and becoming entitled to child care allowance (GYES) - and so no longer entitled to unemployment benefits - continues to be small. In December 1997, 13,312 such people had been registered by the labour service, in December 1998 11,570.

Based on practical experiences we can, however, assume that those who find work among them (even if only on a temporary basis) would work. The micro-census conducted in 1996 identified among the more than 500 thousand inactive persons who had worked in agriculture a minimum of 90 days annually 12.5 thousand persons registered as beneficiary of child-care allowance, and those people, presumably working mainly on the family farm, did not consider themselves „employed".

5.2.3 *Retirement at working age*

In addition to those reaching retirement age, a growing number of people have been retiring at working age, a tendency that continued in 1998 also.

Table 5.6

*Early retirement**

thousand

Years 1 January	Persons in early retirement			*of which*		
	male	female	Total	Pensioners by age exemption	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
1998	254.0	157.8	411.8	5,968	10,636	16,604

* Exclusive of employed working-age pensioners.

Source: Labour Account, 1 January 1998, CSO, Official communication of the National Pension Fund

In Hungarian practice, the major part of people retiring in working age (some 30 % annually) leave vocations where retirement age is lower than the general limit due to special working conditions (e.g. in some jobs in coal-mining, armed service, Hungarian Railways).

Another major group of those who retire early do so for health reasons (some 40 %). As discussed earlier from another aspect, every fourth pensioner in Hungary retired for health reasons. (CSO publishes data annually (in March) - in addition to domestic statistics - also on the number of invalid pensioners. Their number in March 1990 was 540.9 thousand, in 1996 749 thousand, in 1997 771 thousand, in 1998 782.1 thousand, and that latter figure included 424.8 thousand men and 357.3 thousand women. These data, however, also include pensioners of non-working age. *(Yearbook, 1988. CSO.)* Efforts to rehabilitate people of working age and to bring them back to the labour market are thus fully justified.

A third group of people retiring in working age joined the group of pensioners specifically for labour market reasons. Rather than being laid off, employees have been given the option to take early retirement if they had less than five years to retirement age. The cost of this has been, in part or wholly, covered by the Employment Fund up to 1 July 1995 (after that the costs were paid by the employers, the Employment Fund and its successor had to cover the costs of liabilities undertaken earlier only). In 1994 6,283 people took early retirement (covered by the EF), and by 1998 their number dropped to 1,348.

Prepension as an option was available to people who had become unemployed and received unemployment benefits for a minimum of 6 months, provided they had met the conditions specified under the Act on Employment.

All in all, during the period of 1990 to 1998, over 300 thousand people retired for employment policy reasons; the average annual number of 40 thousand dropped significantly in 1998 only.[65] As part of the affected people are transferred into the regular retirement group every year, at the end of 1998 the number of people forced to take retirement for employment policy reasons was 75 thousand.

In order to increase employment, the European Union recommends the Member States to revise their own domestic pension system.

The Labour Account of CSO of 1 January 1998 presents a survey on the reasons of inactivity of the Hungarian population of working age - some 2 million in 1997 - on the basis of a survey made by a methodology different from that of the labour force survey. Some two thirds of the group had a good, clear reason to explain their inactivity, but the rest could not account for their status in simple terms.

Table 5.7

*Composition of the inactive working-age population, 1 January 1994-1998**

thousand persons

Denomination	1994	1995	1996	1997	1998
Pensioners	370.5	385.0	387.0	409.0	411.8
Students	577.7	589.6	605.3	607.3	616.1
On child-care leave **	278.7	285.0	275.2	295.2	291.0
Other economically inactive persons	503.9	654.0	684.7	712.2	681.2
Total	1,730.8	1,913.6	1,952.2	2,023.7	2,000.1
Of which: female					
Pensioners	151.2	154.0	153.6	149.4	157.8
Students	287.8	292.2	301.1	302.2	308.8
On child-care leave**		279.8	270.6	293.2	290.0
Other economically inactive persons	262.3	354.9	397.7	440.8	410.6
Total	977.8	1,080.9	1,123.0	1,185.6	1,167.2
%	56.5	56.5	57.5	58.6	58.4

* According to concepts used since 1998; i.e. inactives including persons on child-care leave.
** Including mothers receiving child-care benefit.
Source: Labour account, Hungary, 1 January 1998

Naturally, there are many shared, socially typical reasons for which individuals/families in very different positions would consider it a forced but nevertheless rational decision to give up job search and stay away from the organised labour market. Of the data available the followings can be deducted:

⇒ the inactivity ratio of the 15 to 74 year-old (48.3 %) is very high, but the basic reason is the Hungarian pension system: of the 3.7 million inactive, some 2.4 million are of non-working age, and that explains two thirds of inactivity;

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[65] Firms in trouble continue to make use of the possibility of early retirement. Bakony Power Station laying off 800 persons, Zobák pit to be closed down and several canning factories want to use this instrument to solve part of the downsizing problem.

⇒ out of the 3.28 million inactive persons in the group of the 15-64 year-old, the absence from the labour market of 1.7 million (52.4 %) is again justified by Hungarian retirement age;

⇒ within the total Hungarian population of inactive persons of working age (on the basis of the labour account of 1 January 1998), the absence from the organised labour market of students (31 %), of people on parental leave (14.5 %) is justified, and that of pensioners who retired for various reasons (21 %) can also be explained;

⇒ although according to the labour account, the number and ratio of women withdrawing into the household has dropped somewhat (and that drop is also reflected by labour force survey data on 1998), the ratio continues to be high both in international comparison and compared to their earlier position. Apart from absence due to retirement, studies, child care, the proportion of women of working age absent from the labour market for other reasons has been continuously increasing for years (in 1997 60 %).

Despite moderate changes experienced in 1998 in the age group data of the labour force survey, one can conclude that the situation has remained largely unchanged.

Table 5.8

Percentage of economically inactive females by age group

Age group	1992	1993	1994	1995	1996	1997	1998*
15-19	78.5	80.2	82.4	85.9	87.1	88.2	85.8
20-24	39.4	42.6	43.5	46.6	50.7	50.8	47.9
25-29	37.9	40.2	40.3	45.7	46.5	47.1	42.7
30-39	20.1	22.2	25.0	28.1	28.9	30.7	29.3
40-54	22.7	24.7	27.5	28.8	28.6	29.8	29.8
55-59	80.7	83.2	86.2	85.3	84.5	83.8	'85.3
60-74	92.1	94.2	95.0	96.6	96.5	97.0	97.2
Total	**49.0**	**51.5**	**53.7**	**56.2**	**56.6**	**57.2**	**55.9**

* According to the new computation methodology.
Source: LFS, Time Series, 1992-1998, CSO, 1999

The labour market position of women, their economic activity or inactivity is closely linked - as is well known and as we have discussed earlier - to the state ever of the economy and of society. The labour market supply and demand forecast up to 2010 prepared under the management of János Tímár and referred to above presents, starting from 1910, on the basis of census data collected once every ten years, data on the economic activity of the population per age group and gender. The figures clearly reflect also the development of the position of women through history. For instance, in 1910, when almost 60 % of earners used to work in agriculture, 75 % of women had not been considered as earners, and in 1930 still 70 % of them were considered economically (to use the current term) inactive. By 1970, the trend had reversed (40 % of women were inactive), while by 1990 less than 30 % of the 15-54 age group. To reflect current tendencies, let us

compare out of the history of almost 100 years data of a single year, a year of recent past, 1980 with the data of 1998.

Table 5.9

Growth of female economic inactivity, 1980-1998

Age group	Female population						Growth of % share of the inactive by 1980
	number		of which: economically active		% rate of inactive females		
	1980	1998	1980	1998	1980	1998	
15-19	315.7	352.8	127.6	50.2	59.6	85.8	+ 26.2
20-24	398.8	425.5	239.3	221.6	40.0	52.1	+ 12.1
25-29	439.4	350.0	306.7	200.5	30.2	42.7	+ 12.5
30-34	374.7	303.6	305.0	203.5	18.6	33.0	+ 14.4
35-39	362.0	305.3	308.8	226.7	14.7	25.7	+ 11.0
40-44	338.6	431.5	283.1	341.0	16.4	21.0	+ 4.6
45-49	354.3	391.9	277.0	288.2	21.8	26.5	+ 4.7
50-54	363.8	330.5	251.1	180.3	31.0	45.4	+ 14.4
55-59	365.4	311.7	123.5	44.4	66.2	85.8	+ 19.6
60-64	210.2	282.2	51.5	14.9	75.5	94.7	+ 19.2
65-69	309.3	292.1	48.3	5.2	84.4	98.2	+ 13.8
70-74	243.5	258.1	14.4	3.2	94.1	98.8	+ 4.7
15-54	2,947.3	2,891.1	2,098.4	1,712.0	28.8	40.8	+ 12.0
15-64	3,522.8	3,485.0	2,273.4	1,771.3	35.5	50.6	+ 15.1
15-74	4,075.6	4,035.2	2,336.0	1,779.8	42.7	55.9	+ 13.2

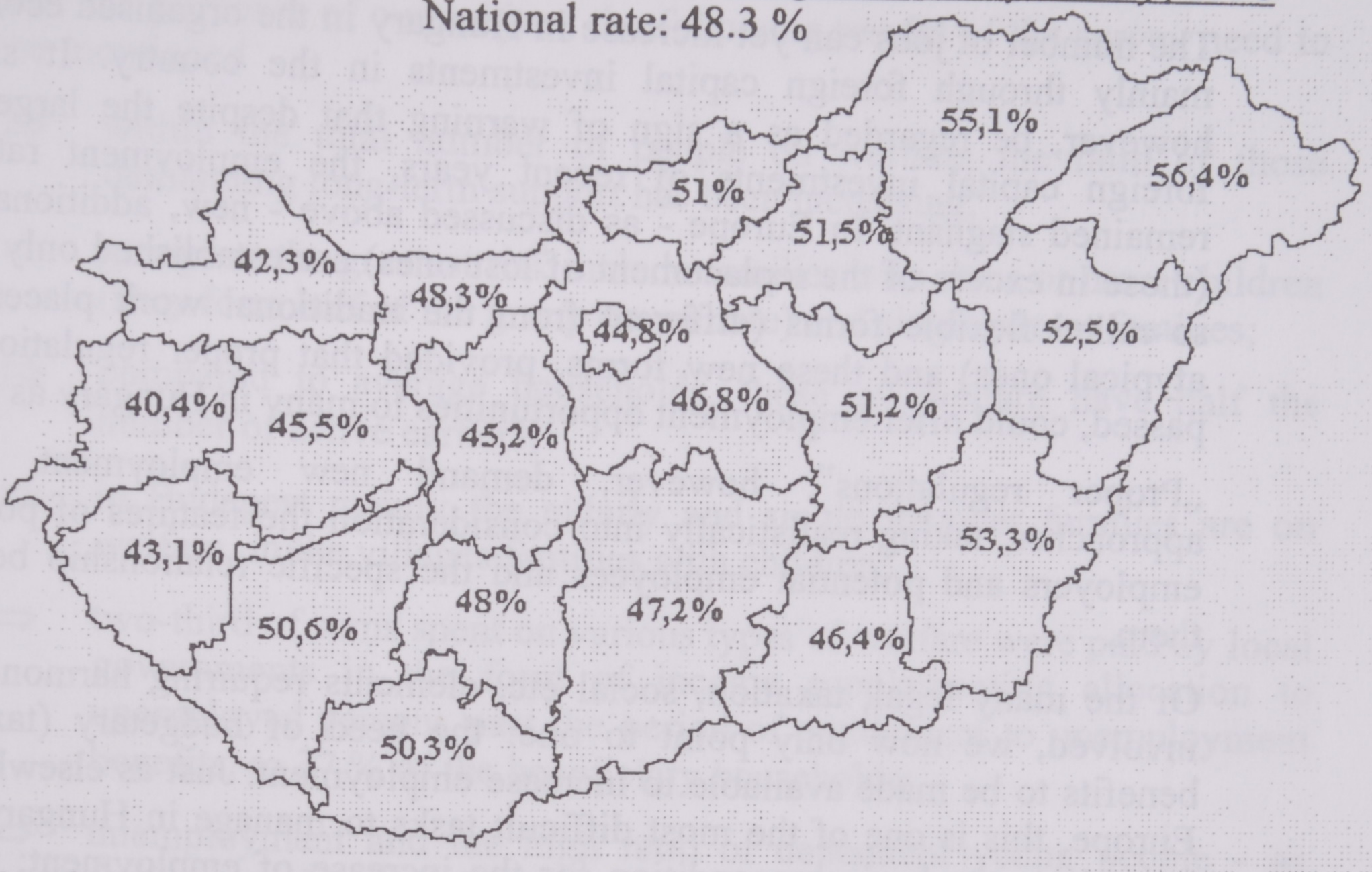
Source: 1980: Calculation based on prognosis in Labour Supply and Demand 1995-2010., volume II., Tables 5. and 8.; 1998: LFS Time series, 1992-1998. CSO, 1999.

Apart from the fact that the ratio of inactive people increased in every age group, the difference is biggest in the labour market activity of the youngest age group and of women having reached retirement age. In the case of the youngest age group, despite the change in the size of the age group (it increased by some 10 % compared to 1980), further education explains the almost total (86 %) absence of the age group from the labour market, but as for the group of women past 55 years of age, there are obviously much less among them on the labour market than in 1980.

A primary employment promotion objective could be to mobilise women absent from the labour market, i.e., to help them to (re)employment.

Chart 10

Percentage rate of the economically inactive aged 15-74 by county, 1998



5.3 Employment opportunities of the inactive population

As already discussed, the European Union wants to increase the general employment level by establishing employment opportunities for the unemployed, and also for those who were forced to withdraw from the labour market.

As in many member countries of the Union, in Hungary the increase in the employment rate, the reduction of the very high rate of inactive persons, requires a new approach, different from those used earlier. We shall now refer to two important - in many respects inter-linked - elements: measures to be taken in the organised economy and the extension of the organised labour market. In both aspects, government organs will have to act in a co-ordinated way and social partners must efficiently participate. Here we can only refer to some of the relevant ideas. (Mária Frey has developed detailed proposals for that work, closely linked to the recommendations of the European Union concerning the national action plans for 1998 and then for 1999.)

5.3.1 Enhancement of the employment capacity of organised economy

Inactivity data show that in Hungary the high rate of inactivity among the 15-64, but especially the 15-74 year-old is primarily the consequence of Hungarian retirement age. The gradual increase of retirement age will - with rough estimation - retain some 600 thousand people (500 thousand women and 100 thousand men) on the labour market, increasing from the current 61 % to 67 % the ratio of people of working age in the population.

The big question, however, is whether people retained on the labour market by legislative means will increase the number of those in employment, that of the unemployed population or - similarly to over 2 million people of

working age - become inactive. That will depend on the state of the economy, but also on social decisions.

The number of jobs can yet increase in Hungary in the organised economy, mainly through foreign capital investments in the country. It should, however, be regarded as a sign of warning that despite the large-scale foreign capital investments of recent years, the employment rate has remained stagnant. In Europe - as discussed above - new, additional jobs (those in excess of the replacement of lost ones) are established only in the so-called flexible forms (different from the traditional work places, i.e., atypical ones) and these new forms, provided that proper regulations are passed, could offer employment opportunities to many in Hungary as well.

„Proper regulations", however, demand new employment policy approaches, taking realistically into consideration the features of potential employers and potential employees and the specific relationship between them.

Of the many legal, taxation, social etc. elements requiring harmonisation involved, we now only point to one: the need of budgetary (taxation) benefits to be made available to increase employment. Just as elsewhere in Europe, this is one of the most difficult tasks to manage in Hungary also; but this is the basic precondition for the increase of employment; viz. to integrate atypical forms and work performed so far undeclared (the two generally coincide) into the organised economy.

Just like elsewhere in Europe, the costs burdening employment are very high in Hungary. (As discussed in details in last year's Report: in 1992, in Hungary, out of the total labour cost the ratio of earnings was 56.9 %, in 1996 57.1 %, and that was burdened by over 40 % tax and levy to be paid into the budget.)

The tax and levy payment obligations (pension, social security levy, contribution to the solidarity fund, to vocational training, health care contribution of a fixed sum) make employment very expensive especially for the potential employer available - in principle - in largest number (micro-, small and medium sized companies forming 99 % of the economic organisations), and they make the employment of the least trained, least educated labour, that earning the lowest wages, expensive.[66]

Although this contradictory situation is obviously very difficult to solve, a first step ahead could be to „release the burden" for the employment of the most backward people, those who need social support.

In Hungary today some one third of households receive some social (local government) subsidy. As the survey prepared by the Division of Social Statistics of CSO showed, most of the households need financial support, because one or more members of the household have lost their job

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[66] It is quite another matter that taxation also burdens the employees, and according to OECD evaluation in 1996 the average single Hungarian employee paid 18 % of his gross earnings as tax and 12 % as social security contribution. Such burden in Denmark was 45 %, in Germany 41 %, in Sweden 34 %, but in Switzerland only 22 %, in Spain 20 and in Japan 14 % *{Világgazdaság, 24 February 1998.}*

temporarily or on the long term, while housing maintenance and child-rearing costs have increased greatly.[67]

For the purposes of our subject, the following results of the survey need to be mentioned

⇒ within the total number of people on welfare, the ratio of those demanding long-term support has been increasing;

⇒ groups at the greatest risk include families with three or more children (they form half of the group on welfare) and single parent families;

⇒ compared to average households, those on welfare have half the number of active earners;

⇒ in Budapest mainly the elderly and single member families are on welfare, in the villages families with children;

⇒ two-third of sums spent on various types of welfare were paid by local governments in the form of income supplementing allocation to unemployed persons past the period of entitlement to unemployment benefits, to 37 % of the beneficiary households;

⇒ unemployment and the high ratio of dependent young people - as factors causing social need - are closely related to the low income-earning capacity of settlements.

Among families on welfare, the ratio of those living below subsistence level - as established officially - is very high at 60-80 % (depending on the types of households).

Although society has been spending large sums to help families and individuals in greatest need, the affected people actually receive very low income. An author of the study volume[68] quoted TÁRKI data. According to TÁRKI calculations, in 1998, in comparison with the poverty and welfare threshold values calculated on the basis of per capita average income, the income supplement paid to the unemployed (HUF 10,960.) was less than half of the per capita average income (HUF 11,424.) and was somewhat more than half of the median income (HUF 10,048), but remained below the lowest critical limit (HUF 13,379), and of the minimum pension of HUF 13,700.

People on welfare could be "target group" No. 1. whose employment would be made free-of-charge by the state demanding neither tax nor levy from them or from their employers. It would, however demand registration of employment, and in such case the Labour Market Fund would pay the fair tax rate on employment. Another target group could be the group of retired people on low pension.

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[67] Az önkormányzati segélyezés és a segélyezett háztartások életkörülményei. (Local government subsidies and the living conditions of subsidised households.) *{Társadalom-statisztikai füzetek 22., CSO, 1998.}*

[68] Judit Monostori: Gondolatok a szociális segélyezésről (Some thoughts on welfare). Paper presented to the conference „Törések és kötések a társadalomban" (Gaps and links in society) organised to commemorate Rudolf Andorka *{22-23 April 1999.}*.

According to CSO data, during the first half of 1998, the average amount of per capita pension was HUF 25,534, and that of pre-pension HUF 10,690. *{CSO Reports, 1998/6., pp.50-51.}*. According to March 1998 data, the gross monthly sum of pension earned on own right, disability pension and widow pension paid from social security funds amounted to HUF 26,362. *{CSO Reports, 1998/4. p. 44.}*. In case retired people earning pension below a given level were employed, the Labour Market Fund could undertake to pay the taxes to the budget.

Other opportunities adjusted to current real demand should be identified to promote the employment of other social groups.

Demand has for years deviated from that presumed by both earlier and more recent regulations. There is no demand at all (or demand only exists locally and occasionally, for instance with new, major investments) in permanent, full time employment. There is, however, demand in supplementary type, perhaps only part-time, employment, perhaps only for a few hours of short term, temporary work. (One reason for the lack of success of the TEB system was that such demands were fully neglected.)

Employment adapted to the demand of households, self-employed persons inter-linked with households, family businesses - where most undeclared demand arises today - cannot be present in the organised economy in the absence of proper legal forms. (A precondition for registration is labour cost in proportion to actual working time. No attempt demanding, for instance, the payment of health care contribution also in case of fragmented working time would stand the least chance of success.) The viability of future - and increasingly urgent - regulations depends on whether they take realities into account, i.e. create forms allowing that existing demand and current supply (represented by diverse groups of the inactive in the first place to date) meet.

These days, efforts are being made all over Europe to find feasible solutions (perhaps half-solutions only, but offering a way out nevertheless) in the new situation.[69]

In Hungary, the emphasis has not shifted yet from unemployment management to employment promotion. From the perspectives of the country's membership to the EU, the level of employment is likely to figure among the approximation criteria (just as the budget deficit or the rate of inflation) Objectives to be met, however, cannot be achieved at the expense of the other (for instance, the deficit of the budget cannot be reduced by increasing taxes on employment): only co-ordinated actions can bring results.

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[69] France, for instance, sees the possibility of establishing local employment companies. Such companies mediate men and women who cannot find employment otherwise. The companies and their members enjoy tax benefits, moreover, the households hiring unemployed can write off from their tax a portion of the wage they pay. The practice which is now being developed is described in details by Mária Frey *{Munkahelyteremtés a munkaerőpiac fő áramán kívül (Job creation outside the mainstream of the labour market), Budapest, 1997. Publisher: a Non-profit Vállalkozásokért a Népjóléti Szférában Alapítvány, with OFA subsidy.}*

II. FURTHER FEATURES OF THE HUNGARIAN LABOUR MARKET

6. EARNINGS IN 1998

In 1998, in the economic units monitored for statistical purposes at monthly frequency - that is, the ones employing minimum 10 staff, budgetary institutions and major non-profit organisations -, a modest 0.4 % increase in the size of staff took place, while the total number of employed persons also grew by some 0.8-1 %.

94-95 % of the some 2,520 thousand employees subject to monitoring worked full time. Their gross income in 1998 reached HUF 67,760, i.e. by 18.3 % more than the year before. The rate of growth of net incomes is affected by the changes in the computation of personal income tax and it is also modified by the rates of reduction to be made by the employer. As against 1997, when the reduction of the rate of personal income tax for the top bracket from 46 to 42 % was not a negligible source of the 24.1 % increase in net earnings and of the over 1.8 % growth of gross earnings, in 1998 it has meant a minor, but positive correction that - while the tax bands remained unchanged - the rate of tax benefits for employees increased, and tax benefit was attached to the payment of pension contribution. The change in 1998 of the rules on personal income tax essentially countered the degressivity of gross and net income indices deriving from the tax table. (Degressivity was due to the fact that when the tax table employing bands is applied, the increase of gross nominal earnings is concurrent with the growth of average tax burdens per one HUF, and hence net earnings increase at a lower rate than gross earnings, with all other conditions remaining unchanged.) Thus in 1998 the rate of growth of net earnings was almost identical to that of gross earnings at 18.4 %.

Despite the rather mixed picture projected by the dynamism of demand at the level of economic organisations/sectors in recent years, in the competitive sector, the growth rate of gross average earnings by and large corresponded to the inflation rate of the preceding year. In 1998, they were fully in conformity - although that was partly so by accident. On the level of the national economy, earnings grew by 18.3 %, that is, exactly at the annual inflation rate of the preceding year and in the competitive sector - following the classical path of interest assertion - by 18.5 %. The consumer price index of the previous year or years has been the „milestone" minimum requirement. In order to actually achieve the expected increase in earnings, economic organisations had to achieve favourable results. At the same time, despite the persistence of unemployment at a rate of 7.8 %, competition to attract and retain quality labour has become more and more acute.

In 1998, the consumer price index grew by an average of 14.3 %, the lowest rate during the decade. In the 3.6 % increase in real earnings in 1998 both influencing factors - viz. the increase of the consumer price index below the expected rate and the growth in earnings in excess of expectations, but at less that the inflation rate of the previous year - had an important role to pay. The first development is partly the result of conscious anti-inflationary policy followed for years, but the Russian crisis also had an effect on it, just as the fact that 1998 was

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election year. Because of export sales problems, some types of food products have entered the market in large volumes and at a low price and, because of that, food prices, representing 27.6 % of the consumer price index, increased only by 14.4 % on the average. Energy price increases were postponed partly for political reasons, as around election time a drastic increase in energy prices is unfavourable both for the old and the new parties in government.

Table 6.1

Monthly gross and net average earnings, the consumer price index and real earnings, 1989-1998

Year	Average monthly earnings of full-time employees*				Consumer price index	Index of real earning
	gross	net	gross	net		
	HUF /month/person.		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	122.3	124.1	118.3	104.9
1998	67,760	45,160	118.3	118.4	114.3	103.6

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

Source: Employment and rate of earnings from 1993 to 1995, CSO, 1996; Main courses of labour in I-IV quarters of 1997; 1998. CSO, 1998., 1999.

From the perspective of factors influencing earnings during the nineties, the economy can be divided into two distinct segments, namely the competitive sector and the public organisations. Earnings proportions in the competitive sector are governed in the final analysis by wage bargains of market agents at various levels, and the central power can hardly influence the process as far as gross earnings are concerned. (The dynamism of net earnings can, however, be influenced through personal income taxation and social security regulations.)

Agreements reached at the highest level by the Interest Reconciliation Council seem not be able to influence the actual rate of growth of earnings in the competitive sector. In the 1993-1997 period, the rate of growth of incomes in the competitive sector corresponded to the recommended minimum. In 1998, it surpassed the upper limit by 2.5 % (but it should be noted that the band was much narrower than during earlier years).

Minimum wage growth, also subject to agreement, has remained below the actual rate of growth of gross earnings during the 1990s. Taking the 1992 value as 100, by 1998 the minimum wage increased 2.44 fold, while average gross earnings increased, at the level of the national economy, over 3-fold. That was also the consequence of the fact that the minimum wage - logically - progressed along the medium value proposed by the Interest Reconciliation Council, while

the actual rate of income growth surpassed the recommended maximum for the 1992-1998 period.

Table 6.2

Recommendations of social partners, gross earnings growth and minimum wage in the competitive sector

Year	Recommendations of social partners			Gross earnings growth in the business sector	* Minimum wages in effect from the beginning of the year	
	minimum	average	maximum		HUF	previous year = 100,0
	previous year = 100.0 business sector					
1993	110.0-113.0	118.0	125,0	125.1	9,000	112.5
1994	113.0-115.0	117.0-119.0	121.0-123.0	123.4	10,500	116.7
1995	no agreement reached			119.7	12,200	116.2
1996	113.0	119.5	124.0	123.2	14,500	118.9
1997	114.0	117.5	122.0	121.8	17,000	117.2
1998	113.5	-	116.0	118.5	19,500	114.7

- 'Beginning of the year' meaning January or February.

Source: Ministry of Labour, CSO

As against the specific and complex bargaining mechanism of the competitive sector, the public sector is governed by short-term government interests, explaining also the lack of synchronicity between incomes in the two spheres. During the first half of the nineties, the earnings of people employed by public institutions kept lagging behind corresponding earnings in the competitive sector (but the public sector offered a much bigger chance to retain one's job). The gap increased further in 1995-96. The 23.3 % rate of growth in the competitive sector in 1996 was concurrent with a rate of growth by 14.6 % in the public sector. In 1997, however, over a low base and supported by a number of central measures, earnings growth in the public sector at 23.3 % slightly surpassed the rate typical in the competitive sector, partly because the maintaining organisations (local governments and social security funds) themselves contributed to the financing of income growth to a larger extent than in earlier years. Compared to the 17 % agreed upon by the Interest Reconciliation Council of Public Institutions - causing some surprise even to the financial administration - the increase was in 1997 six percentage points higher, but that only compensated the 5 percentage point lag of the previous year (for 1996 the agreed percentage point was 19.5 %).

1998 was special also from the aspect that earnings growth in the two sectors was unusually balanced, and in fact the rates of growth showed parallel and balanced development throughout the year. It seems that 1998 was the first year when basic remuneration and multipliers were successfully defined in the various budgetary spheres so as to provide for the parallel movement of the two spheres. (One can only assume that the original intent was rather to reduce somewhat the income gap for the budgetary sector, but that was neutralised by the greater-than-expected rate of income growth in the competitive sector.)

Table 6.3

Gross earnings in the business and the public sectors, 1992-1998

(%)

Year/Period	Business sector	Public sector	National economy
previous year = 100.0			
1992	126.6	120.1	125.1
1993	125.1	114.4	121.9
1994	123.4	127.0	124.9
1995	119.7	110.7	116.8
1996	123.2	114.6	120.4
1997	121.8	123.2	122.3
1998	118.5	118.0	118.3
1991 = 100.0			
1992-98	416.0	321.8	387.5

Source: CSO

Wage differences among sectors

In relation to income levels and partly income growth rates, in recent years one could already identify the winning and losing areas, and in that respect 1998 did not bring any decisive change. Earnings increased fastest in the sectors/industries characterised by high average earnings (e.g., supply of electric energy, gas, heating and water, financial activities, real estate transactions, economic services, etc.). At the other end, the rate of earnings growth lagged significantly behind the average in processing industries such as the manufacture of timber, paper, printed products, textiles, clothing, leather production, in agriculture, building industry, hotel services, catering and in several budgetary areas such as public administration and health care services.

Table 6.4

Monthly average gross earnings of full-time employees of the national economy, 1998

Sector	Manual		Non-manual		All employed	
	HUF	previous year = 100.0	HUF	previous year = 100.0	HUF	previous year = 100.0
Agriculture, forestry	41,115	115.3	77,811	117.8	48,762	115.5
Mining	72,065	111.3	138,398	106.2	84,977	110.4
Manufacture	53,908	116.5	118,989	119.1	67,169	116.6
Of which:						
Manufacture of food. Beverages, tobacco	51,060	115.2	115,247	119.9	65,068	117.5
Textiles, wearing apparel, footwear, leather	37,160	115.1	82,666	117.9	42,209	115.1
Wood, paper prod., publishing and printing	52,745	114.2	105,741	113.9	65,682	111.6
Chemistry	72,013	116.9	147,799	115.9	96,847	116.3
Non-metallic mineral products	59,477	117.4	120,542	116.2	70,902	117.6
Metals, metal products	58,476	114.8	113,405	121.5	69,108	116.4
Machinery	60,043	119.0	122,943	122.3	72,687	118.6
Furniture, recycling	40,121	116.1	81,720	119.8	47,224	116.1
Electricity, gas, steam and water supply	72,890	118.4	128,646	119.7	90,305	119.2
Industry	55,899	116.3	120,690	118.9	69,839	116.6
Construction	42,937	115.5	92,179	113.9	54,123	115.4
Wholesale. retail trade. repair	39,344	114.1	97,009	119.4	62,688	116.7
Hotels and restaurants	34,683	113.5	76,985	116.1	46,437	113.2
Transport. storage and telecommunications	59,222	118.7	101,707	120.6	76,108	120.3
Finance. business services	75,118	113.9	143,947	124.9	142,432	124.8
Real estate. renting and business support	43,468	120.5	118,360	133.0	81,125	132.7
Public administration	47,429	117.3	98,028	120.1	75,671	118.2
Education	33,886	115.4	64,813	118.1	59,822	118.1
Health-care and social welfare	37,308	115.6	60,113	116.3	52,781	116.3
Other communal, public and personal services	44,675	115.5	83,599	117.0	63,896	117.2
All	**49,423**	**116.5**	**92,711**	**120.1**	**67,764**	**118.3**

Source: CSO, QI-IV, 1998.

From the aspects of nominal earnings positions in various areas, it is also interesting to see the ratio between manual and non-manual labour, in view of the (increasing) difference in incomes in favour of the latter group. As shown in the table above, the rate of growth in earnings was 3.6 percentage points higher in 1998 for non-manual workers. Thus the average gross income of non-manual employees exceeded that of manual workers by 88 %, representing a 66 % gap in net income. The latter value was only 48 % in 1990. For this reason, it makes sense to prepare rank orders of earnings for the different sectors and industries separately for manual and non-manual workers. Limiting the survey to the major sectors (employing a minimum of 20 thousand persons per employee category), these are the typical data - taken from the previous table - for 1998 on the highest and lowest gross earnings:

Table 6.5

Highest and lowest gross earnings

Highest gross earnings							
Manual				Non-manual			
Numb. in rank order	Sector	Staff number ('000 pers)	Gross earnings (HUF /pers)	Numb. in rank order	Sector	Staff number ('000 pers)	Gross earnings (HUF /pers)
1	Electricity, gas, steam and water supply	56.9	72 890	1	Finance, business services	26.7	147 800
2	Chemical industry	55.1	72 010	2	Chemical industry	96.9	143 950
3	Machinery	156.0	60 040	3	Electricity, gas, steam and water supply	25.7	128 650
Lowest gross earnings							
1	Social welfare	25.1	33 330	1	Social welfare	33.1	47 940
2	Education	39.2	33 890	2	Health care	116.1	62 490
3	Hotels and restaurants	45.5	34 680	3	Education	190.8	64 810

From the aspects of the rank order of earnings, the relative positions of the sectors have not changed much during recent years. Profitability is the determining factor, to which, in the case of manual workers, the qualification requirement of the work performed is also added as an influencing factor. The backlog of earnings in public services financed mainly by the budget, such as education and health care, prevails despite the fact that in these areas both manual and non-manual work requires specific, and in the latter case definitely high, qualifications. Earnings differences lead to adverse selection, the migration of quality labour to better-paying areas, especially in the case of non-manual workers, and that gap is an important factor already for school-leavers entering the labour market.

Earnings differences are significant in the competitive sector and the public institutions at every level of educational qualification, and the income gap for employees of public institutions increases with the increase in qualification. That also means that the competitive sector can recognise to a much greater extent financially higher qualification (especially university degree) or intellectual surplus such as foreign language skills of scientific grade or foreign diplomas than the public sector, rigid from the aspect of earnings due to the introduction of the wage tariff system.

7. *EMPLOYMENT CAPACITY OF SMALL ENTERPRISES*

Employment in Europe, 1998 surveys the employment capacity of self-employed persons having no independent firm (non-legal/unincorporated entities), as well as that of the small and medium-size enterprises (SMEs) separately, although analyses by organisation size generally list the self-employed under the relevant size category (typically that employing less than 10 staff).[70]

According to the available data - most of them relating to 1994 -, companies employing less than 50 persons each employed over 40 % of the earners in the Union, and those employing 50-250 staff another 10 %.

In Hungary, self-employed people form an integral part of the country's small and medium sized sector. In addition to the term „small enterprise" generally used in Hungary to cover self-employed persons as well, statistics also assigns them to the respective small and medium sized company sectors when analysing their development (mostly in numerical terms) *{CSO has a monthly publication entitled „Number of active economic organisations").* Out of a total of almost 780 thousand economic organisations registered at the end of 1998, we separate, for the purpose of analysis (motivated by employment policy considerations in our case) self employed persons and small enterprises (the two types coincide in many cases).

In order to identify self-employed persons, as discussed earlier, we use the definition provided by the ILO, listing in this group those who have entrepreneurial license and are "companies" for the purpose of taxation, but have no independent, incorporated firm, that is, whose operation, revenue, assets are not separated from those of their household. If they are successful, their family, household is better off, if they fail, the family's livelihood is at risk. On the other hand, small (size) companies can also be incorporated companies of any type provided that they employ less than 50 staff.

As indicated already, 81 % of the Hungarian economic organisations were considered self-employed (458,355 entrepreneurs and 174,836 partnerships without legal entity, altogether 633,191 units.)

At the end of 1998, 99 % of the organisations were small enterprises (in size): self-employed persons represented 81 % and incorporated companies the remaining. 18 %.

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[70] The analysis, however, repeatedly draws attention to the fact that the data are uncertain. They are not complete -- and most of the data relate to 1994 -, and what is even more important, their contents differ from country to country. (For instance, whether the data of the given country include self-employed persons, including those operating in agriculture, or whether they are or are not organisations operating on the market, etc.). For this reason, despite of the multitude of data presented, it does not draw general conclusions. Perhaps its most interesting finding is that government policies supporting the development of the SMEs can be successful in the most dynamic sectors, especially if in addition to the establishment of employment, innovation and technology development are also supported (op.cit. pp *99-112.}*

Table 7.1

Number of selected forms of active incorporated organisations by staff category, Dec. 1998

	Staff category								
	0*	1-9	10-19	20-49	0-49 together	50-249	250-499	500 and over	Total
LLC									
number	54,768	62,252	8,192	5,668	130,880	2,800	266	161	134,107
%	40.8	46.5	6.1	4.2	97.6	2.1	0.2	0.1	100.0
CLS									
number	769	804	356	441	2,370	772	287	307	3,736
%	20.6	21.5	9.5	11.4	63.4	20.7	7.7	8.2	100.0
Co-operative									
number	2,193	1,108	500	801	4,602	996	63	7	5,668
%	40.3	45.8	6.2	4.4	25.5	2.6	0.4	0.3	100.0

* Owner without employee, including organisations with unknown staff number
Source: Monthly Bulletins of Statistics, CSO

Let us now survey in more detail the employment position of the two most typical forms of self-employed businesses - businesses which are not legal entities, contributing almost 60 % (58.8) to the total number of economic organisations, and limited partnerships contributing another 18 %.

We have basically two data sources to work from: the annual average employment data available from NHIF for 1997 and 1998. (As discussed already, NHIF registers levy payers on the basis of their social security contribution obligations. For those who are parties to more than one legal arrangements - e.g. in addition to working as self-employed, they also operate a company - the data may contain some accretion. In most cases this can be screened out, but in the absence of personal records - for instance, in the case of those who are parties of more than one legal arrangement - not fully.)

With the help of NHIF data, we can assess changes in the employment position of small companies during one year.

The other source of data is the Tax and Financial Control Office (APEH), which, on our request, has been processing separately employment data provided under the tax declarations. On the basis of the processing of tax declarations submitted in 1998 (on the year of 1997), we can survey the employment capability of sole proprietorship and partnerships on a longer time scale, that is, for the period of 1992 through 1997.

7.1 Sole proprietorships

As mentioned in Chapter 3, according to NHIF's data, the number of persons employed (as full time employees and pensioners) dropped by 34 thousand in 1998 over the previous year.[71] That is mainly the consequence

[71] Here and hereinafter, we shall only discuss full timers, while in the size of staff we also consider those who work while drawing pension - in conformity with the relevant Hungarian legislative provisions - as well as their full time (and pensioner) employees, whether or not their employer is a full-time or only a part-time entrepreneur.

of the fact that the number of sole proprietorships dropped in several economic sectors. The number of industrial - mainly manufacturing - enterprises greatly decreased and the number of employees there dropped by almost ten thousand. The drop in trade is also significant, and implied the layoff of over six thousand employees.

At the same time - suggesting significant restructuring - there has been a sudden increase in supplementary financial services (e.g., in the insurance industry, where people are mostly engaged as commercial agents, or perhaps as a consequence of the layoffs by the banks requesting former employees to obtain entrepreneurial permit), in education and health care. In these three sectors, at the end of 1998, there were 16.2 thousand registered sole proprietors, as opposed to 3,576 thousand one year earlier.

Table 7.2

Number of sole proprietors by sector and legal status, 31 January 1997 - 31 December 1998.

Code	Sector	Total*		Of which					
				main job holder		second job holder		pensioner	
		1997	1998	1997	1998	1997	1998	1997	1998
A+B	Agricult,, hunting and forestry	22,249	27,850	10,090	15,092	6,971	7,661	5,188	5,097
C	Mining	24	23	16	18	7	4	1	1
D	Manufacture	57,779	43,043	36,150	28,107	14,865	9,803	6,763	5,133
	Of which:								
	manufacturing of food, beverages, tobacco	4,998	4,258	3,395	2,900	847	683	756	675
	textiles, wearing apparel, footwear, leather	12,740	9,176	8,793	6,625	1,856	1,177	2,091	1,374
	wood, paper prod,, publishing and printing	9,611	6,818	6,650	4,306	2,158	1,855	803	657
	chemistry	1,490	1,611	782	931	481	432	227	248
	non- metallic mineral products	2,725	2,098	1,959	1,486	500	391	266	221
	metallurgy, metal products	10,660	7,562	6,139	4,744	3,586	2,111	934	707
	machinery	8,055	6,211	3,989	3,482	3,421	2,141	645	588
	furniture, recycling	7,500	5,309	4,443	3,633	2,016	1,013	1,041	663
C+D	Industry	57,803	43,066	36,166	28,125	14,872	9,807	6,764	5,134
F	Construction	42,236	41,109	29,483	30,226	10,862	8,774	1,891	2,109
G	Wholesale and retail trade; repair	138,596	119,263	83,530	77,774	40,160	27,097	14,903	14,392
H	Hotels and restaurants	25,436	32,507	19,670	19,079	3,624	7,565	2,142	5,863
I	Transport, storage and telecom,	38,091	35,087	28,621	26,572	8,211	6,854	1,258	1,661
J	Financial intermediation	233	11,978	164	7,680	47	3,347	22	951
K	Real estate, renting and business activities	107,160	96,375	37,351	34,961	53,613	44,998	16,195	16,416
M	Education	212	7,854	95	2,369	79	4,919	38	566
N	Health and social work	7,091	9,456	2,754	3,794	3,824	4,781	513	881
O	Other services	37,637	33,810	26,534	25,011	8,389	6,284	2,714	2,515
	Total	476,744	458,355	274,458	270,638	150,652	132,087	51,628	55,585
	Of which:								
	With entrepreneurial permit	n.a.	416,948	n.a.	265,540	n.a.	106,940	n.a.	45,468
	with other permit/tax identification number	n.a.	41,407	n.a.	6,143	n.a.	25,147	n.a.	10,117

* As from the 1 January 1998, CSO adapted its staff category limits and also the system of uniform classification of economic activities (TEÁOR) to the respective systems used in the European Union member countries. For this reason, the above data can only be approximately compared to those of the previous years.

Source: Active economic organisations, CSO, 1998/12.

As against the 326 thousand main job holder sole proprietors stated in the 1998 December data of CSO, NHIF registered 392 thousand sole proprietors as an average during the year (including 347.7 thousand main job holders and 44.3 thousand pensioners). But in that category NHIF registered a drop of some 40 thousand compared to 1997.

The number of persons employed by sole proprietors increased very slightly in 1998 (see Chapter 3.), but that did not modify the significant drop in employment.

Contrary to expectations, sole proprietors did not act as job creators, and did not even contribute to retaining them, in 1998.

This, however, is not necessarily a negative phenomenon from the point of view of economic growth. Presumably , the process taking place in Hungary during the difficult years of transformation was similar to that having occurred in EU Member States during the crises of the last decades when masses of people threatened to lose their job established their own businesses. (In Hungary that was also accompanied by the strong determination to become independent.)

At the beginning of the decade, the worst years in the employment sense, sole proprietorships, set up practically without initial capital, relying on expertise and family support, helped hundreds of thousands of people change over from employee status, becoming increasingly uncertain by the day, to, also uncertain, sole proprietor (self-employed) status which at least offered the hope of subsistence.

We have most probably passed the peak (at least within the frameworks of the interpretation used so far - statistics could, for instance, show significant increase in numbers if private farmers were actually registered). In effect, the increase continued up to 1995. During the eighties, a prudent growth has started - 9-18 thousand new, additional self-employed/small enterprises annually -, to give way to a leap of over one hundred thousand in 1989, and growth of around one hundred thousand annually remained typical up to 1995, when the increase was only 13 thousand. Then, in 1996, compared to December 1995, the number of licensed entrepreneurs dropped by over 46 thousand. In form, that could be partly due to the removal of registered but inactive enterprises from the register[72]. (There is still a difference of about 200 thousand between the number of registered enterprises and those considered as active; inactive ones are typically sole proprietorships and partnerships which are not legal entities.)

Even so, the establishment of jobs by sole proprietorships - especially the increase in the number of employees - is noteworthy. Out of sole

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[72] Since 1996, CSO states separately the registered and the operating organisations and it presents detailed data only on the active ones.
APEH and the CSO use different criteria to determine „active status". APEH considers as active every enterprise which has a tax number if not under liquidation or subject to bankruptcy procedure, and did not submit report on winding up the operation. CSO regards as active the enterprise which submitted tax declaration for current year and the previous year (corporation tax, VAT, etc.) and performed statistical data provision and was established during current year or the year before.

proprietorships considered by CSO as active, some 80 % have been submitting tax return year after year to APEH. Between 1992 and 1997, the number of sole proprietors acting as main job holders and of their full-time employees increased by 175 thousand and the number of pensioners grew by over 12 thousand. Only the number of registered supporting family members dropped significantly, by more than 29 thousand.

Thus during the most critical years of the economy, sole proprietorships demonstrated their high job creation capacity and provided income for many people.

Table 7.3

Number of sole proprietors, their employees and assisting family workers in 1992 and 1997

	According to the processed tax return forms			
	1992		1997	
	persons	%	persons	%
Sole proprietor	338,776	100.0	382,726	100.0
of which:				
main job holder	184,183	54.4	243,265	63.6
second job holder	124,068	36.6	96,639	25.2
pensioner	30,525	9.0	42,822	11.2
Number of employees	104,562	100.0	220,542	100.0
of which:				
at main job holders	88,111	84.3	180,701	81.9
at second job holders	13,169	12.6	28,782	13.1
at pensioners	3,282	3.1	11,059	5.0
Number of family workers	39,683	100.0	10,385	100.0
of which:				
at main job holder	28,992	73.1	8,073	77.7
at second job holder	8,023	20.2	1,480	14.3
at pensioner	2,668	6.7	832	8.0
Total number of employed persons	**483,021**		**613,653**	

Source of data: Tax return forms in 1992 and 1997, Tax Office

It is quite another issue that sole proprietorships are typically small businesses. APEH data provide information on their sizes. Just as traditionally, three quarters of the sole proprietorships active in 1997 worked alone, without employee or (registered) family support. (The relevant ratio in the EU, as discussed earlier, is 60 %.) Half of the remaining some 20 % sole proprietorships employ maximum one person (family member). The ratio of those employing more than two staff is slightly over 10 %.[73]

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[73] Of the over 458 thousand enterprises registered by the CSO at the end of 1998, some 1,600 are of bigger size, moreover there were sole proprietors employing more than 500 people each (10-19 employees: 1,245 enterprises, 20-49 employees: 343 enterprises; 50-249 employees: 55 enterprises; 250-499 employees: 1 enterprise, and over 500: 2 enterprises). *{The number of operating economic organisations 1998/12. CSO 1999.}*

Table 7.4

Employees and family members at sole proprietorships in 1994 and 1997

As proprietor	Number of proprietors	Number of employees*	The share of proprietors with employees (%)					Average numb. of employees per proprietors*
			0	1	2	3	4+ - more	
1994								
Main job holders	258,881	162,547	74.4	13.8	5.4	2.5	3.9	0.63
Second job holders	175,554	31,692	91.8	4.9	1.6	0.7	1.0	0.18
Pensioners	44,328	8,599	89.7	6.7	2.0	0.7	0.9	0.15
Total	**478,763**	**202,838**	**82.2**	**9.9**	**3.7**	**1.7**	**2.5**	**0.36**
1997								
Main job holders	243,265	188,774	75.8	13.0	5.1	2.3	3.7	0.78
Second job holders	96,639	30,262	87.6	7.1	2.4	1.1	1.8	0.31
Pensioners	42,822	11,891	87.5	7.8	2.4	0.9	1.4	0.28
Total	**382,726**	**230,927**	**80.1**	**10.9**	**4.1**	**1.9**	**3.0**	**0.60**

*Including unpaid family members.

Source of data: Tax return forms in 1994 and 1997, Tax Office

Sole proprietors (self-employed persons) meeting typically local demands, even if not growing in number, will remain long-term actors of the economy. Their number may grow with the registration of agricultural operations as referred to above, as well as the compulsion to establish own livelihood on a labour market characterised by shrinking demand, which is likely to be limited to self-employment, because of the absence of capital needed (also) for the establishment of a firm.

The consolidation of the economy, strong competition in practically every field of life, and the need of capital for development to succeed in the competitive environment are all factors acting against the increase of the number of sole proprietorships. (The sum may even be available, but only by reducing household consumption, but the majority is not eager to undertake such challenge.) The above tendencies are supported by the evidence that the number of sole proprietorships decreased in the manufacturing sector requiring assets while it increased significantly in sectors where the operation does not require investments only expertise.

In addition to all that - as everybody knows - current tax regulations efficiently drive the firms - regardless of the intent of legislators - into forms currently most advantageous for them. (When performing data processing, NHIF, the National Health Insurance Fund noticed that many sole proprietors transformed their businesses into some form of partnership.) NHIF data do not disclose more, but such change could mean progress - the establishment of a limited liability company or a company limited by shares of a single owner - the first arrangement requires capital of HUF 3 million, the second one HUF 20 million, but could equally cover transformation into a partnership, i.e. an unincorporated entity demanding no capital investment.

The increase in the number of employees depends not only on good business performance, but also on the costs of employment: taxes, levies on

wages/ salaries (for instance the health care contribution, of a fixed sum, and its increase year after year) also act against the intent to hire employees. (Although it cannot be proven by data, we are convinced that the „disappearance" of supporting family members is also the consequence of the increase of levies.)

7.2 Limited partnerships

After sole proprietorship, the most popular form in Hungary is limited partnership. (At the end of 1998, there were 140,449 active partnerships, a bigger number than that of companies operating in the most popular form of legal entity, that is, Ltd., of which there were 134,107). The popularity of this form is due partly to the fact that legislators wanted to create something that is easy to establish and operate (just as an other form of partnership).[74] Although it was presumed that the members would contribute assets to its establishment - but on the basis of the provisions of the act on economic organisations - the capital can be an unspecified moderate sum , moreover it does not have to be money (it can for instance be intellectual product). The only condition set by legislation is that the contributor of the non-cash contribution must guarantee for five years that the contribution would retain its value as stated in the deed of association.

The members of the company can personally participate in the operation of the company and are entitled to earn remuneration for such participation. On the basis of the settlement at the end of the year the members share the profit and loss in proportion to their original contribution to the capital.

Just as any other economic organisation the company can settle its operational costs (in conformity to the regulations in effect).

The other explanation of the popularity of the limited partnership form is employment policy. Parallel with the increase of the cost of employment, it has become evident that the employment of a member of a ‚limited partnership is the cheapest arrangement for an employer as such a member would himself/herself pay taxes and levies on his/her income while the employer has no cost related to the employment. The employer is a member of the limited partnership, working in the limited partnership and earning a fee for the work.

Thus in essence some of the former employees became self-employed. This procedure speeded up in 1998. According to NHIF data, in 1997 the number of full-time limited partnership members was 50 thousand (44 persons of working age + 6 thousand pensioners), to increase in 1998 to over 127 thousand (112.6 thousand persons of working age + 14.7 thousand

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[74] According to the legislative provisions, with the articles of association establishing a „limited partnership", the members of the company undertake to carry out economic activities jointly, so that minimum one member (the internal member) has unlimited liability for the costs not covered by capital net worth of the company, and his/her liability is joint with the other internal members, while the minimum one other (external member) is liable only to provide the equity contribution undertaken in the articles of association, but shall not be liable for the company's liabilities with the exceptions specified by law.

pensioners).[75] The number of second job holders dropped significantly (from almost 30 thousand to 8 thousand).

The number of their employees also increased significantly (although employer's taxes and levies need to be paid on them, but then it is possible to register employees with lower salaries). According to NHIF data, in 1997, 149.6 thousand, in 1998 243.3 thousand full-time employees worked in the limited partnerships, together with 9,785, and 18,982 pensioners, respectively. Thus the limited partnerships employed in 1997 altogether almost 160 thousand full timers and pensioners, and in 1998 263.9 thousand people; almost 50 % of the number of persons employed by sole proprietorships.

Although limited partnerships operate in growing number in every economic sector, their operation has concentrated for years in specific areas.

Table 7.5

Main fields of activity of limited partnership in 1994, 1997, 1998

%

Sector		1994*	1997	1998
G	Wholesale and retail trade; repair	36.3	31.9	32.0
K	Real estate, renting and business activities	21.2	23.5	24.7
D	Manufacture	13.9	12.9	11.2
F	Construction	7.9	7.7	7.9

* 1994: registered business enterprises

Source: CSO

Of the above sectors encompassing some 76-80 % of limited partnerships, the latter are concentrated in retail trade and repair and a variety of business services, such as bookkeeping, software development, tax consulting and technical consulting.

The tax declarations submitted to APEH provide information on the size of the staff of companies of this type. In 1998, 89 % of the 118,419 limited partnership companies registered submitted tax declaration (on the year of 1997).

Owing to registration differences between the two systems (and the different interpretation of the "entrepreneurial" or " employee" status of the member), NHIF and APEH data differ slightly (NHIF 1997: 159,389 full-time members and employees; APEH 1997: 176,349 persons of the same legal status).

According to APEH data: compared to 1996, the number of people working in limited partnerships dropped in 1997 by almost 7.5 thousand[76] and the

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[75] NHIF pointed out that compared to 1997 the number of economic associations increased in 1998 also because partnerships which did not submit report on their staff but had live current account were also included in that group.

[76] As already explained, NHIF registered significant growth in 1998. Apart from the grouping as explained above a reason could have been that the companies which did not submit report on the size of staff but had live current account had been put into this category.

„size of the organisations"- small to begin with - continued to drop: in 1991 the average size of such a company was 1.9 person, to drop to 1.7 in 1997. Although there exist limited partnerships with large staff also (in 1997 according to CSO data there were 353 with staff of 21-50, 71 with staff of 51-300 and 3 with staff of over 300 members) 98.6 % of the limited partnership companies belonged to the smallest size category defined at that time, that is, the category employing less than 11 people.

The typically very small sizes shrunk or grew somewhat depending on the type of operation they were engaged in. The average size of partnerships engaged in labour-intensive manufacture or service activities is higher (but still below 5!) and in the main areas of financial, book-keeping services the average size is even below or just slightly above 1. The last column of the following table reflects this tendency: limited partnerships engaged in labour-intensive manufacturing or service operations include in larger number bigger companies, while the ones engaged mainly in personal (administrative) services have mostly maximum 1 or 2 members.

Table 7.6

Staff number of limited partnerships having filled out tax returns in 1997

Sectors	No. of limited partnerships	No. of employed pers.	Average staff number/partnership	Share of partnership (%)	
				with 1-2 pers.	more than 10 pers.
Agriculture, forestry	2,679	4,795	1.8	29	34
Mining	60	116	1.9	19	53
Manufacture	13,553	37,992	2.8	20	48
Of which:					
Manufacture of food, beverages, tobacco	1,051	3,833	3.6	13	56
Textiles, wearing apparel, footwear, leather	1,641	7,802	4.8	12	68
Wood, paper prod., publishing and printing	3,931	6,313	1.6	37	27
Chemical industry	673	1,987	3.0	19	39
Non-metallic mineral products	384	870	2.3	25	23
Metallurgy, metal products	1,647	4,669	2.8	20	38
Machinery	3,348	10,645	3.2	19	55
Furniture, recycling	878	1,873	2.1	28	24
Electricity, gas, steam and water supply	75	132	1.8	26	27
Construction	8,076	17,254	2.1	27	24
Wholesale, retail trade, repair	33,563	55,640	1.7	38	18
Hotels and restaurants	4,500	9,653	2.1	27	24
Transport, storage and telecom.	3,857	6,515	1.7	39	17
Finance, business services	840	726	0.9	74	14
Real estate, renting and business support	24,696	26,521	1.1	55	17
Public administration	-	-	-	-	-
Education	2,249	1,908	0.8	63	7
Health-care and social welfare	5,146	8,661	1.7	45	5
Other communal, public and personal services	5,826	6,436	1.1	60	13
All	**105,120**	**176,349**	**1.7**	**36**	**25**

Source: Tax returns, 1998, Tax Office

Unincorporated forms of organisations are of the self-employed type (including the less important types of associations not discussed here) play a significant role in employment in Hungary, similarly to the situation in the less advanced member countries of the EU. It would be desirable, however, to see the number of companies which are legal entities with strong capital muscle to grow and develop and thus increase the number of employees in the country.

EXPLANATION OF TERMS

The Report uses the main terms of employment and unemployment 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 Centre for Labour Methodology.

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

The source of labour account data is the annual institutional labour statistical report covering undertakings with a staff of more than 20 and the whole circle of public and social insurance organisations, irrespective of staff size.

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

Working-age population (in 1997): men aged 15 to 59, women aged 15-55 (15-54 until 1996).

Active earner: person pursuing earning activity, earning a salary/income, employed on a main job holder basis by a partnership or sole proprietorship or other organisation, including pensioners in employment suspending their pension and conscripts subject to employment relation. Working members of collective partnerships. sole proprietors and their assisting family members, assisting family members in agriculture and temporary and day workers also belong to this category.

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, including, from 1998 on, persons on child-care aid/fee, or receiving child-care assistance; pensioners/benefit recipients pursuing no earning activity; persons living on renting their landed estate/house, on keeping tenants/night lodgers, on contract relating to support for life; persons under the age of 16; persons above the age of 16 in education; household dependants, public dependants; persons under social care.

Labour Force Survey terminology

The quarterly representative Labour Force Survey conforming to the recommendations oft the International Labour Organisation (ILO) covering the 15-74 year-old population of some 24 thousand households until 1998 was extended to 30 thousand households in 1998, and refers to the week (from Monday to Sunday) including the 12th day of the month. The relevant data are comprehensive quarterly averages.

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.)

Data on this group differ from earlier ones due to the fact that, in accordance with the relevant international recommendations, from 1 January 1997 on, persons receiving child-care aid/fee qualify as inactive and are hence excluded from the group of the employed.

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".

Data on this group differ from earlier ones due to the exclusion of those on child-care aid/fee from among the employed.

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 an appropriate 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.

Activity rate data differ from earlier ones due to the exclusion of those on child-care aid/fee from among the employed.

Unemployment rate: percentage rate of the unemployed to the economically active population of the corresponding age group.

Unemployment rate data differ from earlier ones due to the exclusion of those on child-care aid/fee from among the employed.

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 earnings 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, including units subject to bankruptcy/liquidation/final settlement procedure at that date.

Active business organisation: enterprise having filed tax returns in the year concerned or in the previous year (corporation tax, VAT etc.), having met its statistical data provision obligation, or established in the given/previous year.

The following shall not be regarded as active: liquidated enterprise not registered as such due to administrative reasons, omission of reporting obligation; units subject to liquidation for several years, performing no activity; units suspending activity or not having started the activity yet; unit performing entrepreneurial activity occasionally only; unit figuring on the pre-registration record only under the „single-window" registration system having become effective on 16 June and 1 July 1998, until the passing of the registration decision.

APEH, the Inland Revenue Office, regards as active a business organisation with tax number not subject to liquidation/final settlement/bankruptcy procedure and not having reported the termination of its activity.

Registered budgetary and social insurance, non profit and ESOP organisations and, from 1998 on, registered organisations of housing co-operatives, building communities and blocks of flats qualify as active.

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.

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.)

Number of persons receiving income supplementing allocation for the unemployed: number of the unemployed having received income supplement on the closing day of the month.

Unemployment rate: base month number of the registered unemployed as percentage of the economically active population (employees + registered unemployed) on 1 January of 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 cover guarantee (max. 50 %) on loans.

Number of beneficiaries of wage promotion for the purpose of employment expansion: employers providing employment for long-term unemployed in accordance with the provisions of the Employment Act permanently (for a min. of 6 months and a min. of 3 months for school-leavers) in the period under scrutiny *and* employers affected by wage subsidies for the employment of long-term unemployed: the actual number of the former long-term unemployed in subsidised employment in the period under scrutiny.

Number of public benefit 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 solve that problem 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.

Beneficiaries of other forms of subsidies, conscription in the form of civic service: persons authorised to perform civic service instead of regular/reserve military service.

Number of persons in subsidised pension with age exemption: number of persons benefiting from pension with age exemption with the partial or full (50 or 100 %) subsidy of the Employment Fund due to significant layoffs or the termination of the employer without legal successor, having no more than five years to reach retirement age at the time of the termination of the employment relation. This subsidy, extended under the Employment Act, was terminated as of 1 July 1995.

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