

LABOUR MARKET IN HUNGARY – 1999

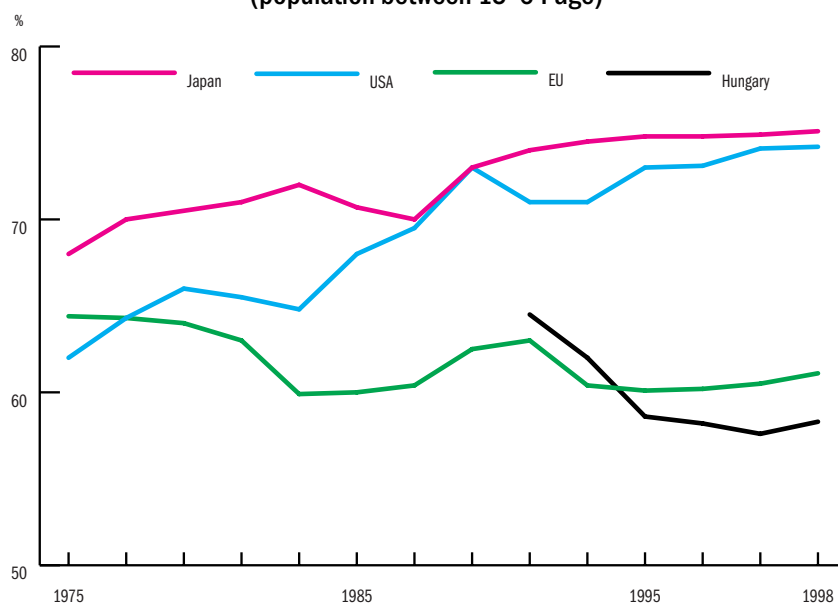
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LABOUR MARKET IN HUNGARY – 1999

In Hungary, 1999 was the first year when negative labour market trends observed since the beginning of the decade – i.e. stagnation of employment at a low level after a period of massive job losses; steady growth of the number of non-earners (the economically inactive) staying away from the labour market seemed to reverse. Employment increased by some 114 thousand over the previous year, but its level remained low, even in European comparison.

**Figure 1: Employment rates in the EU, USA, Japan and Hungary
(population between 15–64 age)**



Source: Employment Rates Report 1998. Hungary: Labour Force Survey 1992–1999, Time Series, CSO, 2000

Unemployment continued to decline in 1999 over 1998 – by some 28 thousand according to the labour force survey of CSO, the Central Statistical Office, and by 14 thousand according to NLC, the National Labour Centre, keeping a record of the registered unemployed. Both systems of

accounting indicated steady decline from 1994 on, despite the persistence of high rates of registered unemployment in certain regions of the country.

The number of persons not in employment but not regarding themselves as unemployed either, i.e. of the economically inactive, also dropped: within the population aged 15 to 74, 48.3% were inactive in 1998 and 46.9% in 1999. Nevertheless, the rate of inactivity is still exceptionally high, especially among those of working age according to the Hungarian age limits and especially women among them. Inactivity imposes serious burdens on family and society alike; we can only hope that it will decrease with the proliferation of new job opportunities.

In what follows, we shall present in detail the development of the three main population segments defined by labour market status. Unless specified otherwise, data originate from CSO's labour force surveys.¹

1. DEMOGRAPHIC BACKGROUND

On 1 January 1999, Hungary had a population of 10,091.8 thousand. The slow decline of the population from 10.7 million since 1980 has not altered its gender distribution: the proportion of women (52%) has been permanently higher than that of men (48%).

Working age starts at the age of fifteen and lasts until the age limit defined under the relevant national legislation: in Hungary, 60 years for men and 56 years for women (the following year is retirement age.) In 1999, of a population of 10 million, more than 6 million were of working age. Given the lower working-age limit of women, distribution by gender reverses here: 52% of men and 48% of women were of working age.

In contrast with Hungarian legislation, international comparisons consider ages 15 to 64 – the typical limits in countries of the OECD and the European Union – as working age.² Calculated this way, the Hungarian working-age (active) population numbers 6.9 million, and women are in majority (men: 3,335 thousand, women: 3,468.2 thousand). Consequently, in 1999, the potential labour supply in Hungary was

- 6,187.9 thousand, according to the national regulations,
- 6,803.2 thousand, according to the limits used for international comparisons: ages 15–64
- 7,717.0 thousand, according to the recommendations of the ILO: ages 15–74.

Computations based on the Hungarian regulations usually put the rate of the working-age population to the total population at 57–60%. (This is a lasting trend: the rate in question was 57.8% in 1960, 57.6% in 1980, 59.5% in 1996, 60.5% in 1998, 60.6% in 1999.)

In Europe to date one of the crucial economic and social issues concerning the labour market is the rate of those in employment to the potential

1 CSO has been collecting data on a quarterly basis, by personal interview, since 1992. Interviewees represent the adult population of the country. Data referred to in the study are *annual averages* based on the data of four quarters. The conceptual system of the Survey corresponds to the uniform international system based on the recommendations of the International Labour Organisation (ILO) that may deviate in several respects from national regulations. The most important elements of the conceptual system will be reviewed in connection with the relevant topics.

2 Retirement age may differ by country in accordance with the national social and historical traditions and value systems. The bottom limit – fifteen years of age – is essentially identical everywhere, as the legislations of the more advanced economies, having ratified the relevant international conventions, prohibit the employment of persons younger than 15, i.e. of children. The upper limit, however, depends on the national regulations. Neither are rules applying to men and women necessarily identical. In Europe, the working age limit is highest for both men and women in Denmark, at 66 years of age. It is lowest in Italy (men: 60, women: 55) – this essentially corresponds to the Hungarian limits. Computation based on the recommendations of the ILO, on the other hand, consider 74 years of age as the upper limit of working age, in view of the increase of life expectancy in the developed countries: many in the older generations would like to go on working. In accordance with European practice, CSO's labour force survey also shows labour market participation on the basis of the 15–74 year-old population, and hence regards 7,717 thousand as capable/able of employment.

labour supply. The European Union had to face the fact that employment level in Europe has accumulated a significant backlog compared to the USA and Japan. In the seventies, the European rate (64%) was still higher than that of the USA (62%), but by the end of the nineties, it fell to less than 60%, while in the USA and Japan, 74–75% of the age groups concerned were in employment. The Member States of the European Union approved a joint programme in 1997 (Luxembourg) in order to promote the catching-up of European employment. The Union issued directives and the Member States worked out the corresponding national action plans; implementation is evaluated annually.

The Luxembourg process implied a shift in emphasis: the easing of unemployment, the primary objective in the previous decade, was replaced by the goal of employment promotion. Current efforts aim at providing earning opportunities not only to the unemployed, but to a significant part of the economically inactive also.

In 1998, in the Member States of the EU, the average employment rate among the 15–64 year-old was 61%. This average, however, conceals significant differences. In 4 of the 15 Member States, the rate was higher than 70% (the highest in Denmark at 78.9%, but the United Kingdom, Sweden and Austria also belonged to this category); in 6 countries, it was between 60 and 70% and in 5 less than 60%. Within the last group, the lowest rates were those of Spain (50.2%) and Italy (51.7%).

In order to see Hungary's position clearly, it is worth noting that only the two EU countries with the worst results had lower employment rates than the Hungarian one which, moreover, was hardly higher than theirs in 1999 at 55.7%.

2. THE DEVELOPMENT OF EMPLOYMENT

As indicated above, from 1998 to 1999, the number of those in employment increased by 114 thousand, to 3,811.5 – a promising result even if 'employment' today no longer covers exclusively full-time paid employment or self-employment, but also subsidised jobs (e.g. public work) and short-term temporary work.

According to the definition of the ILO, everyone having performed at least one hour of income generating activity in the week prior to the interview date qualifies as employed; moreover, the ILO takes into account the age groups of 15 to 74, irrespective of national working age. CSO's survey adopted the definitions of the ILO. (This latter circumstance is a definite advantage in that it does not limit employment to the national working age but, as a matter of fact, in Hungary very few of those past retirement age – 70 thousand out of a total population of 1.5 million – were in employment.)

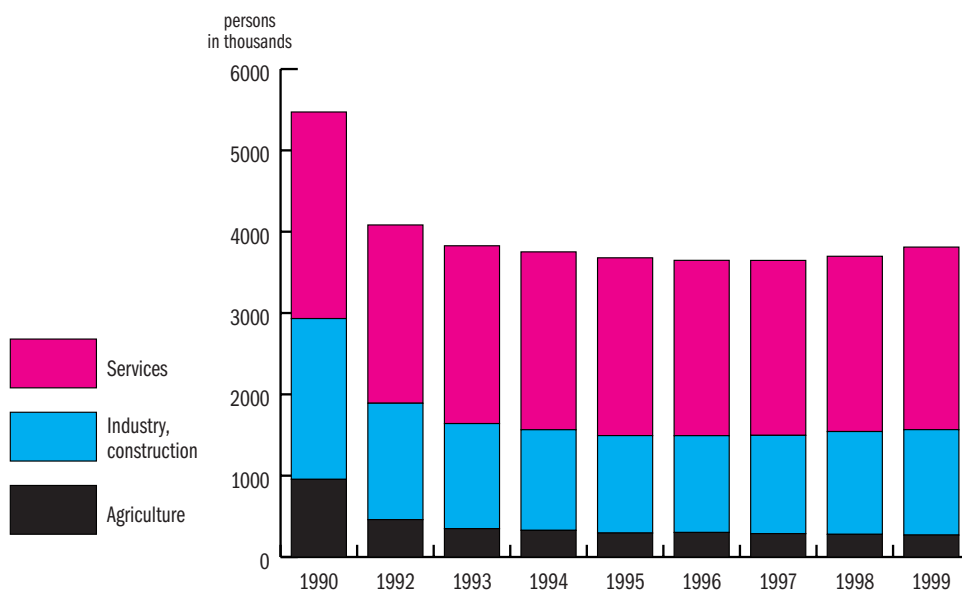
Within the total working age-population as defined by Hungarian legislation, 3,742.6 thousand, were in employment; in the population aged 15 to 64, the corresponding figures were 3,789 thousand and 55.7%, respectively. 55.2% of all the employed were men and 44.8% women. Some 60% did manual work.

The employment rate was highest (the same as in the countries of the European Union) among prime-aged workers, i.e. those aged 25–45 (ages 25–29: 68.9%; ages 30–39: 74.4%; ages 40–45: 72.3%). The corresponding rates were much lower in both the younger and the older age groups (ages 15–19: 10.4%; ages 60–69: 5.4%; ages 70–74: 1.4% – in the higher age groups, employment was limited mostly to men).

Where have new employment opportunities been created? Let us note, first of all, that the branch structure of the economy keeps changing still. Although dramatic transformations are by and large over, and most jobs having escaped the massive bankruptcies and liquidations have been linked to viable business activities, structural changes have remained the order of the day (although their pace has become slower).

In Hungary, constant shifts in the relative proportions of the three broad employment sectors (agriculture, industry/construction and services) are still quite perceptible. (Fig. 2.)

Figure 2: Employment changes in the three sectors of the economy



Source: CSO Labour Force Survey

Agriculture used to employ more than 60% of earners at the turn of the 20th century, but it has been losing weight steadily ever since. (The retreat of agriculture is an indicator of the level of economic development.) Agriculture based on a growing input of capital (machinery) and knowledge (chemistry, biotechnology) guarantees higher yields than ever and requires a smaller amount of labour than ever. In the most advanced economies, agriculture already employs less than 2–3% of earners (2% or less in the USA, the United Kingdom, Belgium and Sweden), and the 3.1% EU average is actually maintained by the relatively high share of agriculture in Greece, Ireland and Portugal.

In Hungary, many workers hold a second job in agriculture in the hope of earning extra income – most of them are officially inactive, in pensioner status or on child care leave. (The CSO's Microcensus of 1996 identified some 250 thousand inactive persons in pensioner households who did more than 90 days of agrarian work annually.) In CSO's 1999 labour force survey, nearly ten thousand indicated that they had a second job in agriculture.

The share of industrial employment essentially stagnates, despite the growth of the number of industrial employees by more than 30 thousand in 1999. In the developed countries, industrial employment shows no increase of merit any longer: production processes modernised by the investment of a growing amount of capital and human knowledge require less and less labour to arrive at the same output. Hungary is not past yet the changes affecting the internal, branch, structure of industry and serious cut-backs in certain branches (coal mining, metallurgy, textile industry etc.) – a thing of the past already in the advanced economies –, while industries representing state-of-the-art technology (motorcar industry, microelectronics etc.) have not been deployed yet (they are gathering strength now, thanks mainly to foreign direct investments).

In 1999, services created the largest number of jobs. The growth of the number of services employees (and their share in excess of 70% already in the most developed countries) is usually considered a sign of welfare and development, i.e., a state in which individual and society alike can and will spend more on health protection, education, entertainment, tourism, sports etc., as well as on public consumption such as environmental protection, development of the education system, safety etc. New demands and new opportunities have generated new jobs in many of the services branches and, hopefully, new demand (e.g., the demand exhibited already by households for assistance to care for children, for the old, the sick or to do household work) will bring about new work opportunities under new forms.

Table 1: Development of Broad Employment Sectors (in thousands)

Year	Agriculture, forestry		Industry, construction		Services		Employees		
	1 st January	prs	%	prs	%	prs	%	prs	%
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	2,150.6	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
1999		270.4	7.1	1,296.1	34.0	2,245.0	58.9	3,811.5	100.0

Source: 1900–1990: *CSO Yearbooks*, from 1992 on: *Labour Force Survey, Time Series, 1992–1999*, CSO, 2000.

Hungary is quite far away yet from the level of welfare realised in the developed countries.³ Therefore, on the one hand, the tertiary sector creates a smaller number of jobs (the number of services jobs was smaller in 1999 than in 1990) and, on the other, the internal reshuffling of the services branches is still in progress. This latter is expected to be, the same as everywhere else in the world, a process measured in decades, depending on the improvement of the standards of living as well as the fate of state finances reforms, as more than one third of jobs in the services sector are in branches funded by the state budget, such as administration, health care and education.

The branches of agriculture, mining, electricity, gas, heat and water supply, financial intermediation and supplementary services, and the so-called public, social and personal services not classified elsewhere employed less in 1999 than in the previous year. Altogether, they lost some 20 thousand jobs. The other branches of the economy acted as labour absorbers. Employment increased fastest, by some 45 thousand, in the branch of “wholesale and retail trade and repair of motor vehicles” including many activities, the repair and maintenance of public goods among others. Nearly 23 thousand new jobs were created in construction, some 21 thousand in ”real

3 According to the relevant data of CSO, in 1998, per capita GDP, a generally accepted welfare indicator, was HUF 997 thousand in Hungary, equivalent to USD 4,651 at the official conversion rate. (In 1993, the corresponding figures in the least developed countries of the European Union were the following: Greece, USD 7,390, Portugal: USD 9,130, Ireland, USD 13,000). Calculated in purchasing power parity, expressing income value more precisely in case of international comparisons, per capita GDP in Hungary attains 49% of the EU average.

estate, renting and business support”, 17 thousand in manufacture and more than 11 thousand in ”hotels and catering”. The other branches showed much more modest gains (and, contrary to the original intentions of the government, administration, health care and education, i.e. branches financed by the central budget for the most, showed net job gains by more than 10 thousand).

It is worth noting that most activities in two of the branches showing significant growth (trade, repair and maintenance) are traditionally performed by small businesses and unincorporated companies, i.e. self-employed persons: in 1998, 44% of the sole and 57% of the limited companies were active in these two branches). Presumably, the number of 1–2-strong family enterprises founded without capital investment and based on personal expertise grew fastest, as the increasing specialisation of the services concerned (repair/maintenance of a growing array of telecommunications and entertainment electronics products, PCs, accounting) requires just this type of enterprises.

Modest employment growth in manufacturing is actually the resultant of most marked structural changes in progress in the background. No detailed and reliable information is available in this respect yet, but the daily press makes it clear that many branches of manufacturing, primarily the food industry (canning, meat industry, poultry processing, dairy industry etc.), but also textiles and clothing devoted mainly to outward processing as well as metallurgy have lost quite large numbers of jobs as plants were closed down or forced to operate with significantly reduced staff.

Losses suffered in the branches concerned, however, were offset by the creation of new jobs, primarily by such technology-based industries enjoying the support of foreign capital as the manufacture of products for the car industry, engineering and microelectronics. The branch development of employment is shown in Table 2.

Some 85% of those in employment (1998: 84%) were employees (employees of co-operatives, collective partnerships and small businesses included). More than 70% of the more than 400 thousand self-employed worked alone (without employee). The number of temporary workers was somewhat smaller than one year ago (25 thousand instead of 29.5 thousand), and the number of assisting family members also declined a little (1998: 28.8 thousand, 1999: 28.2 thousand).

Persons working in non-traditional, atypical, forms of employment are present in the economy in perceptible numbers (or statistical accounting covers them to a growing extent). One such form is employment for shorter working hours than the legal working-time (part time workers). In Hungary, part-time work is not defined and regulated, and even less encouraged, yet. Employers are held back from employing part-time workers pri-

Table 2: Number and Distribution of Employees by Branch

Branch		1992	1993	1994	1995	1996	1997	1998	1999
A-B	in thousands	460.1	349.4	327.6	295.1	302.4	287.8	278.8	270.4
	per cent	11.3	9.1	8.7	8.0	8.3	7.9	7.5	7.1
C	in thousands	52.7	42.2	39.2	34.0	32.8	27.2	25.7	24.4
	per cent	1.3	1.1	1.0	0.9	0.9	0.7	0.7	0.7
D	in thousands	1,053.5	937.8	888.8	850.2	850.8	864.1	912.1	928.9
	per cent	25.8	24.5	23.7	23.1	23.3	23.7	24.7	24.5
E	in thousands	108.0	105.1	108.3	96.6	88.8	97.4	96.5	89.9
	per cent	2.6	2.7	2.9	2.6	2.4	2.7	2.6	2.4
F	in thousands	216.8	207.1	201.0	217.3	217.7	219.2	230.0	253.0
	per cent	5.3	5.4	5.4	5.9	6.0	6.0	6.2	6.7
G	in thousands	480.4	469.5	467.4	459.9	486.9	496.8	472.2	517.5
	per cent	11.8	12.3	12.5	12.5	13.3	13.6	12.7	13.6
H	in thousands	115.6	110.4	110.6	116.6	114.1	120.9	121.6	133.2
	per cent	2.8	2.9	2.9	3.2	3.1	3.3	3.3	3.5
I	in thousands	346.4	336.3	314.5	319.6	321.2	310.0	301.9	308.3
	per cent	8.5	8.8	8.4	8.7	8.8	8.5	8.2	8.1
J	in thousands	68.7	72.6	72.9	82.2	83.3	83.3	81.8	80.9
	per cent	1.7	1.9	1.9	2.2	2.3	2.3	2.2	2.1
K	in thousands	140.3	137.6	125.6	130.6	128.2	146.3	163.0	183.9
	per cent	3.4	3.6	3.3	3.6	3.5	4.0	4.4	4.8
L	in thousands	293.7	299.5	320.2	318.1	306.6	293.8	294.3	301.9
	per cent	7.2	7.8	8.5	8.6	8.4	8.1	8.0	7.4
M	in thousands	311.8	342.8	338.6	335.4	319.6	296.9	305.5	306.9
	per cent	7.6	9.0	9.0	9.1	8.8	8.1	8.3	8.1
N	in thousands	236.3	241.6	239.0	231.4	225.6	232.1	237.8	239.2
	per cent	5.8	6.3	6.4	6.3	6.2	6.4	6.4	6.3
O-Q	in thousands	198.4	175.4	197.8	191.8	170.1	170.5	176.5	173.2
	per cent	4.9	4.6	5.3	5.2	4.7	4.7	4.8	4.6
1.	in thousands	4,082.7	3,827.3	3,751.5	3,678.8	3,648.1	3,646.3	3,697.7	3,811.5
	per cent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2.	in thousands	1.1	0.4	-	-	-	0.1	-	0.1
	per cent	-	-	-	-	-	-	-	-

Notes: A-B = agriculture, hunting, forestry and fishing, C = Mining, D = Manufacture, E = Electricity, gas, heat, water supply, F = Construction, G = Trade, repair and maintenance of motor vehicles, H = Hotels and catering, I = Transport, storage, post, telecommunications, J = Financial intermediation and supplementary activities, K = Real estate, renting, business support, L = Public administration, mandatory social insurance, M = Education, N = Health care, social welfare, O-Q = Other services, 1 = National economy, total, 2 = n.a.

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

marily by *equal* tax and contribution payment obligations applying to full-time and part-time workers.

In countries of the European Union, on the other hand, this form of employment is quite widespread. (In 1998, the EU average for part-time employment was 17.4%, but their share was 38.8% in the Netherlands and around 25% in Sweden and in the United Kingdom). In the nineties, most new jobs were created in this category.

1999 data show that in Hungary 70% of (main job holder) earners worked 40 hour weeks or shorter ones as specified under the law. The usual number of weekly working hours was reportedly "highly volatile" in another 10 per cent or so of the cases. Some 14% worked *more* than a weekly 40 hours, and only 6% less than that.

From among the 130 thousand working shorter hours for some reason (health, studies, etc.), a mere 44.4 thousand (34%) indicated that they did not want to work full time, three-quarter of them women. Another 36 thousand (27%) worked shorter hours because they could find no full-time job, or could not be employed full time for lack of work assignment.

Local discrepancies in labour demand and supply are indicated by the fact that 65 thousand of employees had a second job, and 124 thousand – 75% of those working more than the regular working hours specified under the law – did over-time at their main job. Presumably, in case of the adequate, motivating, regulation of part-time work, part of the extra tasks would be performed by part-time workers mainly through the re-employment of inactive persons.

The other form of atypical employment subject to regular monitoring throughout Europe is work under fixed-term contract. This form was brought to life by the constraint to save labour: employers in general prefer to hire new hands only for the period required by unusual tasks or extra workload at the workplace. Another advantage of fixed-term contracts is that the end of the work contract implies no notice period or severance pay for the employer. However, the conditions for concluding such contracts are strictly limited under the labour laws of most countries.

In Hungary, 94% of employees have an indefinite work contract, the 6% share of the approximately 200 thousand fixed-term contracts cannot be regarded as high. Hungarian labour law – and hence related statistics – does not make sufficiently clear distinctions between atypical forms of employment yet (e.g., it is not clear whether seasonal workers employed by food industry – canning, sugar-making – or in agriculture and construction should be assigned here), and no detailed information is available on more than one quarter of those assigned to this category. All we know is that the category includes industrial apprentice trainees, persons employed for a trial period, public workers. Only a modest proportion of those em-

ployed this way (some 13 thousand) indicated their intention to find employment for a fixed period of time only.

The self-employed included, in 1999, some 786 thousand, i.e. around 20% of all earners, worked under one or another of the atypical forms of employment. (In the European Union, in 1998, the corresponding rate was 44.9%.)

3. EARNINGS

In 1999, the gross average monthly earnings of employees employed full time exceeded that one year earlier by 16.1%, their net average wages were up by 12.7% and their real earnings by 2.5%, i.e. the tendency of cautious growth observed in the two previous years continued.⁴

Although monthly gross average wages have increased significantly in nominal terms since the beginning of the decade (from HUF 10,571 p.a. in 1989 to HUF 77,190 p.a. in 1999), in most years, the rate of inflation exceeded the growth rate of earnings, and as a result of taxes imposed on earners, net real earnings declined constantly in real value. From 1989 to 1996, with the exception of the election year of 1994, the real value of earnings dropped by a total of 25.7%. Real earnings started to grow again in 1997 (to 104.9% relative to the previous year in 1997 and to 103.6% in 1998).

Average monthly wages conceal quite marked differences. By economic branch, for example, the gross monthly wage of HUF 165,330 of those performing financial activities is nearly 3.5 times more than the HUF 47,550 wage of those employed in the textiles, clothing and footwear industry, or: the HUF 106,960 earning of non-manual workers is nearly twice that of those doing manual work (HUF 55,218).

Forms of ownership and the legal form of the business company also imply more and more marked differences in earnings. According to the analysis of Ecostat, the average wage of employees of Hungarian-owned companies (64% of all earners) is 16% below the average in the competitive sector, while the 14–15% of earners employed by fully foreign-owned companies earn 33% more than the average.

The wage advantage of bigger companies also increased. In 1987, employees of companies with a staff of more than 3000 earned 7% more only than those employed by companies with 20–50 staff, by 1995, the gap widened to 25%. The earnings edge of those employing a larger staff versus smaller organisations has become obvious.

4. UNEMPLOYMENT

According to the definition of ‘unemployed’ applied by CSO on the basis of the relevant recommendation of the ILO, a person will qualify as unemployed, if he/she a) has no work and would like to work and looks for a job

4 CSO monitored the development of earnings of those employed full time by organisations with more than 20 staff in the beginning of the decade, then extended its survey to cover business organisations with more than 10 staff and from 1998 on to those with 5–9 staff also. Public institutions and their and social security partner institutions were included among the data suppliers irrespective of staff size. Enterprises employing 5–49 staff are monitored by CSO on the basis of representative sampling. In 1999, 2.7 million of the 3.8 million earners in the circle of accounting were employed.

actively, b) could take up work if he/she found a job, or c) has already found a job where he/she would start work within 30 days.

The above definition is independent of national regulations, national working age limits and of the status – e.g. student or pensioner – of the person looking for employment. The main criterion is that the person concerned should seek paid employment.

CSO's surveys indicated the steady decline of the number of the unemployed for years (1996: 400.1 thousand, 1997: 348.8 thousand, 1998: 313 thousand). In 1999, the number of active job-seekers fell to 284.7 thousand, and the rate of unemployment among the 15 to 74 year-old moderated from 7.8% in the previous year to 7%. (In 1998, the corresponding EU average was 9.9%.)

A survey by age groups shows that the proportion of active job-seekers among younger persons is particularly high: the unemployment rate was nearly 23% among the 15–19 year-old, and more than 10% in the age group of 20–24. The rate was somewhat higher than the average 7% among the 25–29 year-old as well (7.6%). The older generations, however, show a much smaller propensity to work, and even that tends to decrease, with the passing of age, to less than 1% among the 70–74 year-old.

However, with the exception of the oldest generations, there are also thousands of persons in every age group who gave up job-search for lack of hope, discouraged by their personal or social failures. They are the so-called passive unemployed. Their number was around 95 thousand in 1997, 110 thousand in 1998, and neither did it decrease substantially in 1999, when 109.1 thousand would have entered the labour market had an opportunity presented itself.

The unemployment rate was 7.5% for men and 6.3% for women. The latter is the result of the dramatic decline of the labour market activity of women: less than half of women aged 15–74 (45.4%) is present on the labour market.

Half of the unemployed (50.5%) has been looking for a job for max. one year and the rest (49–5%) for a longer time – several years in some cases. The average duration of uncompleted spells of unemployment has hardly changed: in the last quarter of the year of 1996, it was 16.0 months, in the corresponding period of 1997 18.9 months, in that of 1998 17.4 months and in 1999 (on annual average) 17.1 months.

The long average duration of the period of job search is the result of several underlying demographic, ethnic and regional factors of relevance for the skills and position of unemployed persons. First of all, unemployment hits hardest families with many children. 14% of households raising three or more children under the age of fifteen included one or more unemployed members, while the corresponding rate was 11% for families

with two children, almost 11% for families with one child and 5% for households without children under 15. Although the survey does not show it, it is quite possible that the high number of children was typical of the Roma population, hit hard by unemployment anyway.

Nearly 70% of the long-term unemployed are of prime working age, i.e. ages 24 to 49 (another 21% are younger than that), but more than one third have primary education only, and another 9% have GCSE certifying to a higher level of general education but giving no qualification at all. The rate of persons with vocational qualification is 40%, but the vocations in question are probably such as are not in demand regionally or nationally any more.

CSO's survey does not cover ethnic origin, but it is well known from other sources that the Rom can little expect to have a job. According to the 1997 survey of *Szonda-Ipsos*, the rate of unemployment was 6–8% in the non-Roma population and nearly 30% among those openly declaring themselves Rom.

Personal drawbacks (in terms of skills, ethnic origin) function in the context of a specific regional employment situation. Several counties recorded unemployment rates well in excess of the average in 1999 also (County Borsod-Abaúj-Zemplén, 13.1%, County Szabolcs-Szatmár: 11.1%, County Jász-Nagykun-Szolnok and County Nógrád: 10.9%). The rate of unemployment is still highest in Northern Hungary (Counties Borsod, Heves, Nógrád, at 11.6%), and it exceeds 10% also in the Northern Plain region (Counties Hajdú-Bihar, Jász-Nagykun-Szolnok, Szabolcs-Szatmár). It is more than 8% in the Southern Transdanubian region (Counties Baranya, Somogy, Tolna). In these areas, unemployment eases more slowly, for different reasons, than in those in a more fortunate situation (Western Transdanubia: 4.4%, Central Hungary, including Budapest and County Pest: 5.2%). The improvement of the placement opportunities of those living in the depressed regions essentially depends on economic development in the region itself.

More than 40 thousand among the unemployed had had no work earlier either, and more than three-quarter of the rest had lost their job due to the liquidation of the workplace/job, the termination of temporary/seasonal work or the failure of his/her small business. Only 12% resigned on their own initiative, mostly on account of the work conditions.

According to the data of CSO, 41% of the 284.7 thousand unemployed received unemployment benefits (HUF 22,406/ month on average in 1999), and 44% income-supplementing allocation (HUF 12,280/month on average in 1999).

The most frequent method of job search was to read job announcements (83%), and nearly 80% contacted relatives/acquaintances. The third most

frequent method (67%) was to inquire at the labour service. (Only 2% did that alone.) 65% contacted employers directly, and many placed ads and answered them or contacted private labour exchange offices etc.

The majority (more than 50%) wanted a full-time job, but another 36% would have accepted a part-time one. Only ten thousand were looking definitely for part-time work, and another five thousand would have preferred that to other alternatives. Hardly more than 1,600 unemployed intended to start up an independent business activity. More than 13 thousand had no other desire but to work – they would have taken up any kind of work.

Statistics covering the *registered* unemployed, based on the relevant national legislation, the Employment Act in the first place, project a different picture of unemployment than the labour force survey of CSO. The national labour service registers those job seekers who are not in employment and not in pensioner or student status either.

The registered unemployed are eligible to the full range of assistance options available to the labour service, including unemployment benefits conditional on certain eligibility criteria for a definite period of time (up to 1 February 2000, 360 days, subsequently 270 days). At the end of the benefit period, persons still out of work could get an income supplementing allocation on a means-tested basis. (This form of provision will be cancelled as of May 2000. Social aid has been assigned to the competence of the municipalities, in return, the beneficiary must perform 30 days of work offered on a compulsory basis by the municipality.)

The labour service is responsible for job centre functions, i.e. labour exchange, and the improvement of the placement chances of the unemployed by offering various programmes (training, retraining). Participants of training or of subsidised employment (e.g. public benefit work) do not qualify as registered unemployed for the period of their training/employment.

Those who registered (could register) themselves with the national labour service must keep in touch on a regular basis with the service, and be available for work, i.e. for filling a potential vacancy.

In spite of the fact that the national regulations identify a narrower circle of subjects than the 'unemployed' definition of the ILO (excluding students and persons of retirement age) and impose stricter registration criteria, the number of the registered unemployed is regularly higher than the number of those qualifying themselves as active job-seekers in CSO's labour force survey (1996: 500.6 thousand, around 100 thousand more than the corresponding CSO figure, 1997: 470 thousand, 121 thousand more, 1998: 404.1 thousand, 91 thousand more, 1999: 409.5 thousand, 125 thousand more).

The gap would presumably be narrower if those qualifying as passive unemployed according to the ILO definition, i.e. persons having given up job search, would also be taken into account among the unemployed (their number, as mentioned already, was 109 thousand according to the 1999 CSO survey).

Since we cannot go into the details of the differences in contents and methodology of the two accounting systems here, suffice it to review a few data released by the labour service.

Although the number of the registered unemployed, too, has shown steady decline since 1993 – in 1999, it dropped from 423.1 thousand one year earlier to 409.6 thousand –, the rate has nevertheless remained high at 9.7%. 82% of unemployed were manual workers, and 54% were men. Every fifth unemployed was 25 years old or younger.

According to the National Labour Centre, 31% only (128 thousand) of the registered unemployed received unemployment benefits in the course of the year, and this ratio has been relatively stable for years. 39% (around 160 thousand) received income supplementing allocation – every person entitled to that was long-term unemployed (i.e., out of work for more than 12 months).

The experience of NLC is that the rate of the recurrent unemployed has been rising for years. In 1999, a monthly average of 57.2 thousand had themselves registered, 75–80% not for the first time, after having finished public work or other subsidised work, or at the end of the agricultural, construction industrial, trade or some other season. The share of the new unemployed is declining, a sure sign of the livening of the economy, but school-leavers on the look-out for a first job still represented some 16%.

Most among those leaving the register, however, did so not so much on account of the growth of labour demand, as on that of the expiry of eligibility to provisions, loss of income supplementing allocation, placement at subsidised jobs or participation in training, diminishing the stock of the registered unemployed by approximately the same number as that added by the entrants.

5. THE ECONOMICALLY INACTIVE

The population of those aged 15–74, on the rise until 1995, started to decrease in 1996 (1992: 7,728.9 thousand, 1995: 7,819.7 thousand, 1998: 7,755.8 thousand, 1999: 7,717 thousand). Approximately half of this population, changing in size year on year, consisted of inactive persons (1995: 47.6%, 1996: 48.2%, 1997: 48.8%). The rate of the inactive declined first in 1998, although to a hardly perceptible extent, by around 0.5 percentage point (to 48.3%), but the almost 1.4 percentage point decline in 1999 can

already be taken to mean that those leaving the group of the unemployed did not join the inactive. As indicated already, the proportion of non-earners is still very high in comparison with most European countries at 46.9%.

The more than 3.6 million non-earners include groups in highly diverse situations.

Firstly, those of *retirement age* by the relevant Hungarian legal regulations. Women aged more than 56, some one million in all, and men older than 60, more than half a million, represent 40% of the inactive. The group of persons leaving the labour market on account of their age is raised by 657 thousand by those sent to retirement due to disability (491 thousand) or with age exemption to avoid unemployment (166 thousand). (Two-third of disability pensioners are younger than 55, and the majority are men.) Altogether, the 22 million persons inactive due to age, early retirement due to external constraints or disability make up 55% of the inactive.

As mentioned already, few among those having reached retirement age remained in employment in 1999: 68.9 thousand men and women in all, i.e. somewhat more than one year earlier (65 thousand). The marked contraction of employment in the older generations is a decade-long process: in 1989, nearly half a million (488.4 thousand) among them still worked, but this number decreased every year. In the given situation, very few among them look for work actively (CSO's survey therefore assigns them to the category of the unemployed) – their number is less than one thousand. Hence 90% of women aged 57–61 and 97% of men and women older than 61 are inactive.

The second biggest group of the economically inactive (much smaller though than the first one) consists of persons in education.

CSO's survey registered a total of 714 thousand persons studying at different levels among the non-earners. 157 thousand among those in employment and more than ten thousand among the unemployed were in education, the majority taking part in vocational training.

CSO's survey grouped persons older than 15 and in education in 1999 by three forms of education: participants of *general* education (elementary school, general secondary school – 27%), participants of *vocational* training (special school, vocational secondary school, special training course, college, university, training providing academic qualification – 71%) and participants in forms of training not to be assigned to the first two categories.

The survey does not allow to identify the number of those having stayed away from the labour market on account of being in streamline education. What we know for sure, however, is that in the age-group of the 15–19 year-old, where the proportion of the economically inactive is 86.4%, 28% took part in general and 46% in vocational education. In the group of the

20–24 year-old, the corresponding ratios are 39% (inactivity), 17% (general education) and 24% (vocational training).

Educational statistics indicate that a growing number of young persons past 15 remains in education every year: in the school-year of 1979/80, 372 thousand, 25% of the 15–24 year-old, in the school-year of 1989/90 483 thousand, 33% of the 15–24 year-old and in the school-year of 1998/99 687.1 thousand, i.e. 44%, were in education.

Despite this welcome improvement, the rate of those remaining in education after the age of 16 or 17 is still very low in Hungary: in 1997/98, for example, 73% of the 17 year-old were studying, but the corresponding rate for the 18-year-old was only 45%, for the 20-year-old 26% and for the 24-year-old a mere 5%. In countries of the European Union, the rate of persons in streamline education among those above the age of 17 is lowest in Greece (18-year-old: 48%, 24-year-old: 8%), and it is highest in Finland (18-year-old: 81%, 24-year-old: 32%). Altogether, from a total inactive population of 3.6 million, once again according the labour force survey of the CSO, on 1 January 1999, 19% in the working-age segment were in education.

Persons receiving child-care provision also qualify as inactive. Earlier, statistics used to assign them to the category of the employed, on the assumption that they had a job from which they were only away temporarily, until the child reached a certain age. In the beginning of the nineties, however, as a result of massive job losses, there were fewer and fewer places to go back to, and hence now the persons concerned figure, in accordance with reality and also the relevant international conventions, among the inactive.

In spite of the steady decline of the number of births, and amidst constant changes of eligibility criteria, the number of those (mainly women) requesting one or another form of child-care provision keeps rising every year. Mothers raising at least three young children and receiving child-care allowance (*gyet*) included, according to the data of the Labour Account, on 1 January 1999, 299.9 thousand (in 1998, the corresponding figure was 291 thousand, on 1 January 1990 245 thousand).

According to the 1999 age-group-specific data of the labour force survey, nearly 40% of inactive persons devoting themselves to child-care belonged to the age group of 25 to 29, another 27% to those between 20 and 24 and nearly 20% to the 30 to 34 year-old.

During the period of child-care, 6% also pursued some kind of earning activity, probably in the form of short-term temporary work (note that the survey considered as ‘employed’ persons having performed at least one hour of earning activity). Nearly 3000 regarded themselves also as active job-seekers (i.e. unemployed) – probably those on the look-out for a job for the period after their eligibility too child-care provision.

The above reasons explain the absence from the labour market of more than 3.1 million, i.e. 87% of the inactive. The inactivity of another approximately 500 thousand persons (472.4 thousand) of working age under the Hungarian regulations, however, cannot be explained by such simple causes. There are many private or economic reasons that can keep one away from the labour market – for instance the hopelessness of job search. Let us recall that nearly 110 among the inactive gave up job search. The figure of 3.1 million for those inactive "with good reason" by and large corresponds to that of those having indicated at the time of the survey their unwillingness to work. (The orders of magnitude, however, correspond numerically only: as we have seen, every group of those inactive for a simple reason – pensioners, persons on child-care etc. – included persons working or looking for a job.) Those absent without such simple reason, however, would generally have preferred to work: some were looking for a vacancy, but could not fill it (they were not ready to take up work), but the majority would have liked to work but did not look for a job actively for different reasons.

6. REGIONAL DISCREPANCIES OF THE LABOUR MARKET

Employment growth generated favourable developments, although mostly on a modest scale, in practically every county. The rate of unemployment as calculated by CSO fell relative to the previous year at least by a few tenth of percentages in every county with the exception of County Komárom-Esztergom where it grew by 0.1 percentage point. Decline was most marked in County Zala (from 7.9% to 5.1%), County Békés (8.1% to 6.3%) and County Bács-Kiskun (8.6% to 6.4%).

The unemployment rate was lowest in Győr-Moson-Sopron (3.8%), Csongrád (4.5%) and Vas (4.7%), and highest in Borsod-Abaúj-Zemplén (13.1%), Szabolcs-Szatmár-Bereg (11.1%) and Jász-Nagykun-Szolnok and Nógrád (10.9%). That is, the improvement of the employment situation had little effect on the traditionally most deprived counties.

The activity rate (the combined rate of the employed and the unemployed, i.e. of those present on the labour market) also changed slightly only. Its level was highest in Vas, where 59.6% of the 15–74 year old population was present on the labour market, and in Győr-Sopron at 58%. Labour market participation was lowest in Szabolcs-Szatmár (44%), and was below 50% in another 6 counties (Borsod, Békés, Baranya, Heves, Nógrád, Somogy). That is to say that in around one third of counties, half of the population aged 15–74 was absent from the labour market. In 1999, activity grew fastest in County Bács-Kiskun (from 49.7% to 53.4%), and declined most in County Baranya (from 52.8% to 49.9%).

CSO released comprehensive data for larger, regional, units for the first time in 1999, i.e. the reference base for measuring the extent of changes and shifts at the regional level is only being created now. Regional data essentially reflect the trends identified earlier.

The unemployment rate was lowest at 4.4% in the Western Transdanubian region comprising Counties Győr-Sopron, Vas and Zala, and highest at 11.6% in the region of Northern Hungary including Counties Borsod, Heves and Nógrád. Differences in employment opportunities were reflected by the activity rates showing similar discrepancies: the best rate of 56.2% of the Central Hungarian region including Budapest and County Pest exceeded that of the Northern Hungarian region by 8.3 percentage point.

Unfortunately, in comparison with the average of the European Union, even the best regional employment results are very poor indeed. No doubt, serious efforts have been made to increase employment. The government encourages foreign capital to invest in the more backward regions by offering tax holiday and other subsidies. However, many other measures are also necessary in order to promote (registered) employment.

7. EMPLOYMENT PROMOTION OPPORTUNITIES

As indicated also by the above, the situation of the working-age population (whatever the exact age limits) is characterised by the combined rates of employment, unemployment and inactivity. It is not enough to focus on the rate of unemployment (however relevant the growth or decline of this indicator may be from the point of view of the state of economy and society), for its decline may take its toll and result in growing inactivity or exit/exclusion from the labour market.

This is one of the reasons why the 1997 Luxembourg Summit identified the development of *employment* as the decisive indicator. Member States of the European Union regard human capital as the most important form of capital and its utilisation an essential condition of improving life quality.

This recognition has induced the governments of the Member States to commit themselves to the implementation of national action plans.

In Hungary, attaining the 1998 employment average of the EU would require, in addition to maintaining results achieved so far, the employment of 300 thousand more among the 15 to 64 year-old. (Of course, keeping pace would require further growth.)

The objective of catching up with Member States of the EU showing better employment results would imply, on the basis of the current number of the working-age population, some 68 thousand new jobs for each per cent of improvement.

These net new jobs of course mean net addition after the replacement of job losses. Although the big transformation of the economy is over, the

industrial structure of the economy is still subject, as mentioned earlier, to strong impacts. Annual job losses amount to tens of thousands, partly as a result of the effects of international economic trends, but also of deliberate decisions taken by the administration to shut down mines or transform the state administration system, for example. Net new jobs have also been created recently, and this tendency will hopefully prevail, thanks in the first place to the unflagging interest of foreign capital.

Under the effects of the current economic development trends, within the three broad sectors, employment will typically continue to decrease in agriculture and mostly remain level in industry even in the event of significant growth – with only the diverse branches of the tertiary sector promising a chance of real growth. In Hungary, however, at the given development level of the country, there are still chances to increase (registered) employment in both agriculture and the industry.

Hence the demand side seems promising, with the proviso that, parallel with the growth of the costs of labour (wages and public burdens), the demand for part-time, fixed-term and other atypical forms of employment will become more and more general especially in the services, but also in areas of agriculture and industry/construction characterised by seasonal work. (In the latter, seasonal employment/work has always been general practice.)

For the sake of employment promotion, more decisive support should be given to establish the necessary framework conditions for the above forms, especially in view of the ample supply of labour. Even if we consider exclusively the population of around 400 thousand of active job-seekers (unemployed persons) and of those who would like to work but do not look for a job actively (the passive unemployed) – and disregard hundreds of thousands either planning to re-enter the labour market after child-care leave or sent to retirement at a relatively early age and wishing to supplement their modest pension allowance –, it is quite obvious that a large number of jobs of a great variety would be needed.

Employment expansion essentially depends on the development/demand of the economy, but promoting the match between demand and supply requires a multitude of special and general policies. (One special policy area is agriculture where work in excess of 90 days annually, not registered today, should be acknowledged as registered employment. Another special area is the promotion of the, mostly temporary, seasonal, employment of persons receiving a small pension or beneficiaries of social allowances, by granting exemption from tax/contribution payment among other things, etc.)

General measures affect employment policy as a whole, and include the following, among others:

a) review of typical forms of employment by economic sectors, appropriate regulation of new forms (part-time, fixed-term or temporary work), with special regard to the needs of organisations of different size in the enterprise sector, of the public sector and the households as employers, and acknowledgement of the fact that only major units will be able/willing to provide full time jobs for unlimited duration;

b) minimisation (occasionally elimination) of the tax and contribution payment burdens associated with new forms of employment, with special regard to the endowments of the potential supply (unemployed/inactive persons).

The above tasks quoted by way of example actually cover a great variety of functions to be performed in combination, after appropriate, thorough and detailed, preparations.

Assistance to the unemployed should constitute a chapter of its own including the re-definition of 'unemployed' under the Employment Act in accordance with the relevant recommendation of the ILO, the consequent reconsideration of active and passive policies, and the transformation of the current labour service offices essentially to labour exchange service providers open for every person seeking employment.

Employment promotion makes it necessary to focus on more comprehensive development of the education system in the depressed regions. Equally important are the conditions of asserting the principle of equal opportunity to employment in accordance with the relevant directives of the European Union. The time has come to re-design employment policy, and although this demand took shape in connection with requirements associated with Hungary's prospective accession to the European Union, employment growth is essentially in our own national interest.