

**THE HUNGARIAN LABOUR MARKET  
REVIEW AND ANALYSIS  
2005**

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**2005**

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## FOREWORD BY THE EDITORS

The goal of our labour market yearbooks is to review annually the main developments on the Hungarian labour market and to give an in-depth analysis of the key issues. The subsequent chapters of this volume present “stylised facts” and recent research results, together with selected information and statistical data. Our further intention is to guide readers in finding other relevant publications and reliable statistical sources. Experiences accumulated through the publication of the previous volumes (five in Hungarian and three in English) and their reception in Hungary and abroad validated our original idea and gave us the encouragement and stimulation to enhance both the contents and the quality of the new volumes.

This year we put “in focus” the connection between education and the labour market. At the beginning of the 1990s there was a wide-spread opinion that Hungary had entered the transition with a large stock of human capital and that the educational attainment of the Hungarian population was very good by international comparison. In subsequent years the value of the different educational qualifications has changed dramatically. As a consequence expansion in education took place at upper secondary and higher level. Not only has the number and share of those studying at state education institutions risen considerably, but new participants have begun to take part in educational activity, and church-run and private institutions have enlarged the supply of educational institutions. From the mid 1990s the output from the education system of those with a higher qualification has also risen and this has consequently resulted in changes, regarding educational attainment, in the labour supply.

The related chapters collect the results of empirical research analysing the link between education and the labour market from different aspects. The first chapter investigates the labour market success of people with varied educational attainment in terms of earnings and employment and this chapter also deals with the question of how large the stock is of accumulated human capital of Hungary by international comparison. The second chapter describes the magnitude of educational expansion and its consequences. It presents research results which examine whether signs of over-

education can be observed or not and if the rise in the share of students studying in church-run and private institutions has resulted in a deterioration in quality. Following educational expansion the question of what is the role of labour market expectations in the individuals' schooling choices has also got become a focus of interest. The third chapter of the collection investigates the role of labour market expectations in the educational decisions of individuals at two turning points in their educational career: when individuals choose between upper secondary school programmes and when they decide on which studies to take at higher education. As there have been major changes in the school to work transition in recent years the fourth chapter is devoted to this question. The chapter presents changes in the structure of entry occupations and investigates the labour market success of recent graduates from upper secondary and higher education. Finally the last chapter investigates the connection between educational attainment and migration. Following accession to the EU by Hungary this question is becoming more and more important. Nevertheless the studies concerning this question – in a similar fashion to the other chapters – do not hide the research shortcomings and seek to identify those areas that are still to be investigated by empirical research in Hungary.

The aim of this collection of studies was to promote dialogue between science and policy by making research findings accessible to a broader audience, it does not seek to offer economic or social policy recommendations but rather presents the current situation and seeks to raise questions – as far as empirical research results makes that possible.

Similar to previous volumes the opening chapter gives an overview of recent labour market developments and employment policies. The authors analyse Hungarian labour market trends over the previous year, the factors shaping these trends and conclude by considering the top priority that national labour policy might follow. Their focuses are on the main aggregate variables of the Hungarian labour market, breaking down, through different dimensions (gender, regions, age and education), and also through international comparison. The brief analysis touches on the sectoral breakdown of employment and unemployment (industry, agriculture and services/public and private sector), the changes in unemployment duration and the working intentions of non-participants. In conclusion the authors try to capture the trends of gross and net wages in different dimensions (by sex, public and private sector, regions).

The third chapter provides an analysis of the causes and consequences of the legal and institutional changes that took place in employment policy last year. The first section gives an overview of measures that support the creation and maintenance of jobs. The second section presents the measures that promote the spread of non-standard forms of employment, and

the third section gives an overview of the main features of the Central Employment Register and the experiences so far. The fourth section tackles the measures aimed at promoting equal opportunities for disadvantaged people on the labour market. The fifth section summarises the changes in vocational training and adult training subsidies. The last, sixth section presents the new development opportunities and changes in the labour market institutions as a result of Hungary's accession to the European Union.

The closing chapter presents a statistical data set, and gives comprehensive information on the main economic developments, such as demographic trends, labour force participation, employment, unemployment and inactivity, wages, education, labour demand and supply, regional differences, migration, commuting, and labour relations, together with some international comparisons and methodological remarks. Data on wage and earning differentials are also presented, along with labour market developments at the level of seven regions and twenty counties. Considering that the “in focus” chapter of this volume analyses the connections between education and the labour market, we included some tables in this chapter describing the main developments both in education and in the educational attainment of the population.