

FOREWORD BY THE EDITORS

The original goal of our labour market yearbooks is to review annually the main developments in the Hungarian labour market and to give an in-depth analysis on selected issues. Experiences accumulated through the publication of the previous volumes (seven in Hungarian and five in English) and their reception in Hungary and abroad confirmed our original idea and gave us the stimulation to enhance both the contents and the quality of the new volumes. This volume consists of four parts:

1. Labour market trends in Hungary

In this chapter we present the main labour market trends in 2006. Alongside with the discussion of the standard indicators of employment is a more detailed analysis is devoted to the increase in the number of unemployed both in the private and public sectors. We also provide information on the development of wages and regional differences in labour markets.

2. In Focus

This year we put “in focus” wage formation on the Hungarian labour market. Five years ago the 2002 volume of *The Hungarian Labour Market* focused on how wages evolved during the post-communist transformation. In this volume, we take again a close look at Hungarian wages and answer the question whether transition related trends continued into the 2000s. It will also be also revealed how more recent developments and policies have affected wages.

The first study analyses the role of in-kind benefits in total labour income in Hungary. Little attention was paid to this issue so far, not at least because of the lack of adequate data. This study fills the gap by deriving data from a new household survey and analyzing earnings and in-kind benefits data to-

gether. The second study points out factors determining inter-firm differences in average wage rates, with an emphasis on firm-level wage dynamics. Its main focus is on rent sharing, i.e. the split of productivity gains between employers and employees. The third study, analyzes the wage differences between the public and private sectors during the period of 2000–2004. In the middle of this period the wages of public employees were raised significantly. As a result, their average wage increased by 36 percent in real value. The analysis focuses on wage differentials in narrowly defined groups. The subject of the fourth study is how regional earnings differences have changed since 2000. The fifth study looks at the labour market value of higher education degrees. The main question of this study is whether higher education degrees can still be considered as exceptionally good investments in Hungary, or have the returns on such type of investments have eroded with the mass production of graduates. The sixth study analyzes the composition and earnings of public school teachers. Using large datasets, the study documents the trends in earnings and (measurable) skill composition between 1992 and 2004, a period that includes the significant raise of salaries of public employees. It also examines the incentives for current teachers and the career choice of potential teachers. The seventh study examines male-female earnings differences between 1986 and 2002 and relates those to occupational and firm-level gender segregation. The main question here is whether gender disparities in occupational composition are a major factor in sustaining the gender wage gap. The last study takes yet another look at a hotly debated issue in post-transition Hungary: the effect of the expansion of higher education on the employment and wages of young graduates. The analysis makes use of a unique dataset of fresh graduates in order to analyze their earnings mobility.

3. Legal and Institutional Environment of the Hungarian Labour Market

Previously, Labour Market Reviews concentrated on annual changes in the legal and institutional environment of the Hungarian labour market. This year's study, however, is different: it is a summary overview of the current legislation and rules, having unemployment benefits and active labour market policies in its focus.

4. Statistical data

The closing chapter presents a statistical data set, and gives comprehensive information on the main economic developments, such as demographic trends, 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.

Labour market developments at various regional levels are also included. This chapter is especially rich in information on wages and earnings in Hungary.

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