

**LEGAL AND INSTITUTIONAL ENVIRONMENT
OF THE HUNGARIAN LABOUR MARKET**

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Each year the Labour Market Review has presented those changes in the legal and institutional environment of the labour market which have taken place since the publication of the previous volume, together with their reasons and motives. This year however, instead of presenting the changes, the study was commissioned to give an overview, in a comprehensive and clear way, of the current legislation and rules. The subsequent review of documents serves this objective.

As has happened a number of times previously, once again during the writing of this paper a proposal for a new legislative amendment has been put forward, the outcome of which is not known at the time of the submission of the final draft. Therefore in addition to the facts, expected future changes are also indicated.

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The legal basis of the current institutional system of the labour market was created by Act IV of 1991 on Job Assistance and Unemployment Benefits. The bill which entered into force on March 1, 1991 and amended several times:

- created an insurance scheme for unemployment benefits,
- established the institutions of organised social dialogue,
- established the single public employment service,
- expanded the range of active labour market measures.

From the above, the present chapter – due to limitations of space – focuses only on *unemployment benefits and active labour market policies*.

1. INCOME REPLACEMENT ASSISTANCE OF THE UNEMPLOYED

To compensate for the loss of income as a result of unemployment the Employment Act originally introduced three types of assistance: the unemployment benefit, the unemployment allowance of young persons and the pension. The unemployment allowance of young persons was phased out as

of July 1, 1996. New eligibility for the pre-pension could be established up until December 31, 1997. As of January 1, 1998 however it was replaced by the *pre-retirement unemployment allowance*.

At the beginning of 1993 a new type of unemployment assistance was introduced by Act III of 1993 on Social Administration and Social Assistance; the income replacement allowance for those who exhausted their entitlement for unemployment benefit. This was phased out from May 1, 2000. Since then, the only form of financial assistance for people in long term unemployed is the *regular social allowance*.

Table 1 gives an overview of the different forms of passive unemployment-compensation and the distribution of their recipients. The table shows that while in the early 1990s approximately one fourth of the registered unemployed were not receiving any assistance, this share has increased and stabilised to around one third to date. In the beginning most people received some sort of insurance-based benefit such as the unemployment benefit or the job search assistance. In 2005 less than 50% of recipients were getting such benefits.

Table 1: Distribution of recipients of passive unemployment compensation by type of assistance between 1992–2005 (percentage)

Type of compensation	Distribution of recipients at the end of the year									
	1992	1993	1994	1998	2000	2001	2002	2003	2004	2005
Unemployment benefit	86.6	57.8	34.8	40.8	44.8	51.1	47.2	45.4	43.8	42.0
Unemployment allowance of young persons	5.3	6.5	7.4	-	-	-	-	-	-	-
Income replacement assistance	8.1	27.8	45.6	45.5	36.9	10.8	4.0	0.8	0.3	-
Regular social allowance	-	-	-	..	13.2	34.8	45.6	48.4	47.9	49.1
Pre-pension	0.0	7.9	12.1	13.2	2.2	0.3	-	-	-	-
Pre-retirement unemployment allowance				0.5	2.9	3.0	3.2	2.7	2.3	2.0
Job-search assistance								2.7	5.7	6.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Those not receiving any assistance, as percentage of total registered unemployed	22.6	26.4	26.2	26.1	29.5	33.5	33.3	33.6	33.5	33.8

Source: Calculations based on data of the Employment Office.

Antecedents of the reform of the unemployment compensation system

The coverage of the registered unemployed looks far less favourable if we consider only those who are actively looking for work. Table 2 shows that while 61.9% of those who are considered unemployed according to the ILO definition were receiving assistance in 1992, this figure was 43.2% in 1999, and only 34.9% in 2004. Within this, the share of people receiving unemployment benefit dropped from nearly two thirds in 1999 to 15.7% in 2004. On the contrary, the share of the recipients of income replacement assistance increased from 6.5% in the year of its introduction (1993) to 20.9% in 1999, the year prior to its withdrawal. The regular social allowance which replaced it was paid to 13.9% of those unemployed who were actively looking for work.

Table 2: Coverage of active job-seekers by different types of compensation 1992–2004 (percentage)

Recipients of compensation	1992	1993	1994	1995	1996	1998	1999	2000	2001	2002	2003	2004
Men												
Unemployment benefit	63.0*	55.3	36.0	26.0	22.2	21.3	20.7	16.7	17.5	16.3	18.9	15.7
Unemployment allowance of young persons		2.7	2.9	3.1	2.2							
Income replacement assistance		7.2	17.5	23.1	24.0	22.8	21.7	17.5	5.7	3.0	2.1	2.3
Social allowance									13.7	16.7	15.0	15.1
Total	63.0*	65.3	56.3	52.2	48.4	44.1	42.4	34.2	36.9	36.0	36.0	33.1
Women												
Unemployment benefit	60.2*	51.5	36.0	27.8	26.4	24.2	24.4	17.9	19.6	19.4	18.3	17.0
Unemployment allowance of young persons		3.5	3.4	2.4	1.5							
Income replacement assistance		5.4	13.5	18.6	18.7	22.9	19.8	15.0	6.3	2.7	2.7	2.4
Social allowance									9.4	11.7	12.6	12.4
Total	60.2*	60.3	52.9	48.7	46.6	47.1	44.2	32.9	35.3	33.8	33.6	31.8
Total												
Unemployment benefit	61.9*	53.9	36.0	26.7	23.8	22.4	22.3	17.1	18.3	17.6	18.6	16.3
Unemployment allowance of young persons		3.0	3.0	2.8	2.0							
Income replacement benefit		6.5	16.0	21.4	21.9	22.8	20.9	16.5	5.9	2.8	2.4	2.3
Social allowance									12.1	14.6	13.9	13.8
Total	61.9*	63.4	55.0	50.9	47.7	45.2	43.2	33.6	36.3	35.0	34.9	32.4

* Including recipients of the unemployment allowance of young persons.

Source: Calculations based on the labour force survey of the Central Statistical Office.

According to the labour force survey of the Central Statistical Office, in 1992 37% of job-seeking unemployed men and approximately 40% of unemployed women were not covered by assistance, and the same figure increased to 64% among men and 66.4% among women by 2004.

In 2004 two thirds of the unemployed who were actively looking for work were not receiving any unemployment-related financial assistance. However, the proportion of those not looking for work and not ready to take up employment was growing among the recipients of benefits. Therefore the share of those who cannot formally be considered unemployed among benefit-recipients increased from 28 percent in 1992 to 52 percent in 2004. The figures in Table 3 on the one hand clearly illustrate that the longer the period of unemployment the more the readiness to take up employment – at least on the formal jobs market – diminishes. For example, in 1997 59.2% of benefit-recipients took concrete steps to find employment, while the same figure among the recipients of the income-replacement allowance was around 50%. By 2004 these indicators deteriorated; 56.1% of benefit- and 40.4% of welfare allowance recipients were actively looking for work.

The fact that barely half of the recipients of any compensation complied with the obligatory cooperation¹ and therefore were not classified as unemployed but inactive, urged the government bodies to fundamentally reconsider the unemployment-compensation system. Moreover the inconsistencies of the old benefit system (for instance the loss of the value of the benefits) were also strong arguments for change.

1 In the framework of the obligatory cooperation benefit-recipients are required to regularly visit the job centre, accept the “suitable” job offers made by the centre, enrol in training programmes offered, undertake active job search and inform the job centre of any changes in their situation (for example illness resulting in temporary inability to work, finding permanent or temporary employment).

Table 3: The share of those actively looking for work* and those not looking for work (passive unemployed) among the recipients of unemployment-related assistance**

Receive unemployment-related assistance	1992			1997			2004		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Among the recipients of unemployment benefit:									
- actively looking for work	75.0	68.0	72.0	62.7	54.4	59.2	62.5	50.4	56.1
- passive unemployed	13.0	11.0	12.0	6.2	5.3	5.8	14.5	10.0	12.1
Among the recipients of income-replacement allowance:									
- actively looking for work				52.2	46.9	50.1	55.4	53.8	54.6
- passive unemployed				17.2	11.5	15.0	23.2	10.9	17.6
Among the recipients of regular social allowance:									
- actively looking for work							40.6	40.1	40.4
- passive unemployed							35.5	23.6	30.6
Out of the total recipients of assistance:									
- actively looking for work	75.0	68.0	72.0	57.1	50.7	54.5	49.8	46.0	48.0
- passive unemployed	13.0	11.0	12.0	12.0	8.4	10.5	26.8	16.1	21.8

*Among the recipients of assistance only those can be considered unemployed who have been actively looking for work in the four weeks prior to the survey and are available to commence working within two weeks of finding an adequate job. Active job search is defined as contacting public or private employment agencies, employers, relatives or acquaintances to enquire about job opportunities.

**Passive unemployed are those who, although they would like to work, consider it hopeless and thus do not even try to look for work.

Source: Calculations based on data from the Labour Force Survey.

Before presenting these changes, it should be recalled that as of January 1, 2005 private entrepreneurs and full members of corporations also became eligible for unemployment assistance (entrepreneurs' benefit) if they pay the statutory entrepreneurs' contribution.² The rules of the entrepreneurs' benefit remained unchanged in the reform of the unemployment compensation system.

1.1. Entrepreneur's benefit and contribution

Entrepreneurs – based on the payment of the entrepreneurs' contribution – are entitled to entrepreneurs' benefit if they:

- are unemployed;
- have spent at least 365 days in employment as a private entrepreneur or as a member of a corporation over the four years prior to becoming unemployed, and have satisfied the payment obligation of entrepreneurs' contribution during this time;
- are not eligible for incapacity or accident-related disability pension, or are not receiving sick-pay;
- are registered job-seekers with the local job centre and have not been offered suitable employment.

The amount of entrepreneurs' benefit is calculated on the basis of the income which has served as the base for the entrepreneurs' contribution. For this

² The unemployment benefit scheme for the entrepreneurs was introduced by sections 39/C, 42(7), 44-46/B, and 58(5) of Act IV of 1991 on Job Assistance and Unemployment Benefits.

purpose the income of the last calendar year is taken into account in which the unemployed paid the entrepreneurs' contribution for at least 6 months during the period of 4 years prior to becoming unemployed. The actual level of the entrepreneurs' benefit is 65% of the monthly average income defined in this way. Nevertheless, there are minimum and maximum amounts: the monthly minimum and maximum benefit are equal to 90% and 180% of the minimum old-age pension respectively. The period of payment of the benefit is a maximum of 270 days; one day of disbursement corresponding to 5 days of contribution.

The entrepreneur's contribution is payable by self-employed private entrepreneurs and members of corporations for the income subject to the health insurance contribution. The level of the contribution is 4%. (The sum of the 3% employers' contribution and 1% employees' contribution.)³

1.2. The reform of the Unemployment Benefit System

*As of November 1, 2005 the unemployment-compensation system has undergone fundamental changes – but the new measures are applied only for the new entrants.*⁴

The various types of unemployment compensation were replaced by a range of job-search support schemes that are available only for job-seekers, *in other words, people who are not simply wishing to return to work, but are actively engaged in job search and do their best to find work.*

1.2.1. Job-search benefit

In the new system the unemployment benefit is replaced by the job-search benefit. The eligibility conditions (see Table 4) are similar to a mixed, insurance-based and universal benefit coupled with stronger incentives to take up work. The latter is manifested for example in the fact that the amount of assistance decreases with the duration of unemployment.

Table 4: Conditions of eligibility for job-search benefit

Introduction of job-search benefit	Employment records	Eligibility period		Waiting period	
		minimum	maximum	voluntary departure	redundancy
November 1, 2005	A minimum of 12 months within 4 years of becoming unemployed	73 days	270 days	3 months	N/A

Job-search benefit can be granted to job-seekers who were employed for at least 365 days within four years of becoming unemployed. As eligibility to one benefit day requires five days spent in employment, *the shortest disbursement period of the job-search benefit will be 73 days* (previously the shortest peri-

Unemployed people redefined as jobseekers

Primary objective: promoting the take up of work

³ The annual contribution calculated on the basis of the minimum wage should be paid regardless of whether the entrepreneur has received income – in the form of entrepreneur's withdrawal or personal involvement – from the private enterprise or the company

⁴ Act LXX of 2005 on the Amendment of Act IV of 1991 on Job Assistance and Unemployment Benefits. The Act was adopted by Parliament on June 27, 2005, and entered into force on November 1, 2005.

od was 40 days requiring 200 days in employment), while *the longest period will remain at 270 days. The level of the job-search benefit equals 60 percent of the eligible average wage. The maximum and minimum amounts are no more linked to the minimum old-age pension but to the minimum wage.*

The two phases of disbursement

– *In phase one, the duration of which is half of the disbursement period, but a maximum of 91 days, the level of the job-search benefit is 60% of the beneficiary's earlier average wage, with a fixed minimum and maximum. The minimum amount is equal to 60% of the minimum wage, while the maximum is the double of this (see Table 5). (The minimum wage was HUF 57,000 on November 1, 2005. Thus the minimum amount of the benefit was HUF 34,200 and the maximum was HUF 68,400 per month; in contrast to HUF 22,230 and HUF 44,460 before the 1st of November.)*

– *The duration of phase two is the number of the remaining entitlement days, but not longer than 179 days. The benefit during this phase is a fixed amount: 60% of the minimum wage. (If the job-seeker's eligible monthly average earning was lower than the minimum amount of the benefit, then the amount of the benefit is equal to that).*

Table 5: Calculating the amount of job-search benefit

The level of the benefit in		Duration of Phase 1	Formula to calculate the average wage	Amount	
phase 1	phase 2			minimum	maximum
60% of previous average wage	60% of the minimum wage	Half of the entitlement period, but a maximum of 91 days	The average wage in the four quarters before becoming unemployed	60% of the minimum wage	120% of the minimum wage

Active job search is a key requirement in order to qualify for the benefit. Its steps are established in an agreement between the job seeker and the local job centre. In this document the two parties set out a sequence of activities that help the individual to return to work. Active engagement and participation of the individual in job search is crucial to the extent *that in case of non-compliance the benefit must be terminated.*

The introduction of a so-called bonus for successful job-seekers – already used as part of the earlier job-search incentive scheme – might encourage finding work in a shorter period. The bonus is granted to job-seekers who take up full-time, or part-time – at least 4 hours a day – work with a permanent contract during the disbursement of their job-search benefit, and they remain in the job for a certain time. It is a lump-sum payment that amounts to 50% of

Bonus for taking up employment

the remaining benefit entitlement. This case should be regarded as if the individual had been receiving the benefit for the whole entitlement period.

The job-search benefit gives entitlement to social security benefits, and thus – like the unemployment benefit – is subject to health insurance and pension contributions which are administered by the disbursing authorities.

1.2.2. Job-search allowance

The aim of the amendment is to ensure that no group of unemployed persons receives a lower amount of benefit, and any reduction in the average daily assistance is compensated by a longer entitlement period. Therefore for those who:

- exhausted their eligibility for the job-search benefit;
- are close to the statutory retirement age;
- or due to the changes in the eligibility conditions, do not qualify for job-search benefit

a new scheme, the job-search allowance was created. (*see Table 6*) The allowance is 40% of the minimum wage, a fixed-sum which was HUF 22,800/month on November 1, 2005 when the act entered into force. The allowance gives entitlement to social security assistance, thus the allowance is subject to health insurance payable by the disbursing authority and pension contributions payable by the recipients. Its payment can be suspended, but in the event that the allowance is terminated, the remaining entitlement days cannot be taken over for a new period.

Table 6: Main features of the job-search allowance

Eligibility	The amount of the allowance	Length of payment
1. For persons who have been entitled to at least 180 days of job-search benefit, already used-up their entitlement however have not yet found work.	40 percent of the minimum wage	90 days, for persons aged 50 and over 180 days
2. Job-seekers who have spent between 200 and 364 days in employment during the 4 years before becoming unemployed.	40 percent of the minimum wage	90 days
3. Persons who were eligible for pre-retirement unemployment allowance before November 1, 2005.	40 percent of the minimum wage	Until reaching statutory retirement age, but maximum 5 years

Eligibility for job-search benefit and length of payment

The introduction of the job-search incentive on July 1, 2003 served the purpose of promoting longer and closer cooperation with the job centre. One of the eligibility conditions of this new assistance was closer cooperation during

the period of disbursement. This allowance could be granted to those who had received unemployment benefit for at least 180 days and had entirely used up their entitlement. The amount of the allowance was 85% of the minimum old-age pension and the duration was 180 days, which could be extended by another 90 days for people aged 45 years and over.

The job-search incentive had to be adjusted to the new system of job-search assistance, while preserving those features that worked. One of these for example is that active job search is expected from the beginning of unemployment and not only following a longer period of passive benefit-receipt. In the new system indeed, engagement in active job search is one of the main conditions of eligibility.

Therefore job-seekers allowance can be granted to those job-seekers who have been eligible for at least 180 days of job-seeker's benefit and have already used them up but were not able to find work. The allowance is paid for 90 days, in the case of job-seekers aged 50 years and over, for 180 days.

– Furthermore, job-seekers allowance can also be paid to those who became eligible for unemployment benefit for 40 days based on 200 days in employment, according to the old rules (in effect) before November 2005. However in the new system they cannot receive benefit because they have not reached 365 days in employment. To avoid a situation whereby these people are worse-off in the new system, *they are granted job-seekers allowance if they had been employed for at least 200 but less than 365 days during the four years before their unemployment. The allowance is also paid for 90 days in their case.*

– The pre-retirement unemployment allowance was kept with identical eligibility and payment conditions. (The amount of the allowance has increased: previously it was 80% of the old-age minimum pension and now it is 40% of the minimum wage). However, its name has been changed and under the term 'job-search allowance' it has been integrated into the general scheme. The allowance can be paid – as in the previous scheme – until the individual becomes eligible for a pension, but for no longer than 5 years.

Employment during job-search assistance

People receiving job-search benefit – likewise the recipients of the previous unemployment benefit – are not permitted to take up employment with the exception of casual jobs.

The welfare allowance system evidently can be less expected to “promote return to work”, nevertheless it should minimise the disincentives to work and avoid the benefit trap. To this end, one of the necessary conditions is that *working does not lead to the immediate termination of the allowance*. Therefore, short-term employment with the casual employee log is permitted, and – not like in the case of job-search benefit – with no consequences on the amount of the allowance.

1.2.3. Job-search assistance and the regular social allowance

People who are receiving certain types of job-search assistance or who have already exhausted their entitlement are eligible for a means-tested social assistance that is administered by the local governments. *The regular social allowance can be paid to people of working age who are not in employment, are not receiving job-search benefit and do not have other means to support themselves or their family.*

One of the conditions of the regular social allowance is cooperation with the designated authorities.⁵ This involves:

- registering and,
- signing a written agreement on the individual reintegration programme with the designated authorities, and
- compliance with the terms and conditions of the agreement.

This reintegration programme might *require the claimant to cooperate with the local employment services in order to find work*, or in other words to become an active job-seeker.

Reintegration programme to promote taking up work

1.3. Registration as a job-seeker with the Public Employment Service

Those clients of the Public Employment Service are considered job-seekers who satisfy the following criteria:

- have the capacity and satisfy the general conditions to be employed and
- are not enrolled in full-time education, and
- not entitled to old-age pension, and
- are currently not in employment, other than casual employment, and are not engaged in any other income-earning activity, and
- inform the job centre of any changes in the above four conditions within 8 days, and
- are engaged in active job-search, and
- sign a job-search agreement with the local office of the job centre, and
- accept any suitable job offers, and
- are registered by the local office of the job-centre as job-seekers.

The registration is initiated by the client by submitting the appropriate registration form in the local office of the job centre. If the individual meets the conditions of registration, the job-search *agreement* is signed.⁶ *The agreement is in fact a document that sets out the ways the individual gets engaged and cooperates in active job-search.*

Progress and compliance with the content of the job-search agreement is evaluated jointly by the individual and the designated member of staff of the local office of the job centre on a regular basis at personal meetings. The doc-

⁵ See Act CXXXVI of 2004 on the Amendment of certain social acts. Among others, this concerns Act III of 1993 on Social Administration and Social Assistance. The relevant section has been in force since September 1, 2005.

⁶ The rules concerning the job-search agreement are set out in MoEL regulation 18/2005 (October 18) and its amendment by MoEL regulation 24/2005 (December 27).

ument can be modified or amended by mutual agreement of the individual and the job-centre if:

- *any change in the conditions of the job-seeker prevents compliance* with the terms of the agreement or to fulfil the tasks and requirements specified in it, or
- the job-seeker wishes to *modify the means and methods of job-search* specified in the document.

1.4. The experiences of the implementation of the new rules

Experiences following November 1, 2005 suggest that the modification of the term ‘unemployed person’ caused significant confusion, especially the replacement of the term ‘unemployed’ by the term ‘job-seeker’ because job-search is not linked only to the unemployed status. Active job-search could also be enforced by using the term ‘job-seeking unemployed’.

The emphasis on active job-search nevertheless should be regarded as *positive*. However, *the mandatory job-search agreement has not fulfilled the expectations* and it – in its current form – raises constitutional concerns as well.⁷

The ombudsman for national and ethnic minority rights put forward the criticism concerning the role of the job-search agreement that over the past few months a number of plaintiffs who are receiving regular social allowance complained that the local office of the job centre removed them from the database of registered job-seekers. Later this decision was justified by the lack of compliance with the job-search agreement, the failing to undertake active job-search by the plaintive. But plaintiffs claimed that they failed to fulfil their tasks because the requirements were unclear to them.

Feedback from the job centres also suggest that the rules concerning job-search agreements should be revised. The agreement might be helpful to those who live in areas with better labour market conditions, because “in the absence of vacancies” active job-search might not be successful.

Furthermore, they indicate that concluding job-search agreements with certain clients is a formality because it obviously will not lead to employment. They also complain about the administrative burden and that agreements are paper-consuming. As a result waiting times become longer which makes clients edgy and less tolerant. On top of these the positive impact of the job-search agreement, namely any improvement in the employment indicators remains imperceptible.

Therefore the amendment of the Employment Act as of January 1, 2007 introduces the following changes in order to clarify the situation of job-seekers:

Planned changes

⁷ Ministry of Social Affairs and Labour (MoSAL), Department of Employment Policy: Proposal for the amendment of the unemployment assistance system and the rules on the mandatory cooperation. Draft, Budapest, August 10, 2006.

- *it puts forward a list of statutory* requirements that form part of the mandatory cooperation non-compliance with these leading to adverse legal consequences (impact negatively on the status of the job-seeker),
- it clearly indicates the nature and scope of sanctions that are attached to any non-compliance with the requirements.

The proposal⁸ makes it *mandatory* to conclude job-search agreements when it is made necessary and *justified by the particular circumstances of the cooperation requirement*. In other words, when the job-seeking unemployed person receives any unemployment-related assistance, namely:

- job-search assistance or
- regular social allowance and the reintegration programmes require cooperation with the PES.

2. ACTIVE LABOUR MARKET POLICIES

Paragraph 1 of Section 5 of the Employment Act asserts that employment services and employment-related aid should be the primary means of solving, managing and mitigating tensions on the labour market, as well as preventing, reducing and alleviating the negative consequences of unemployment. The tasks related to eligibility, payment and monitoring are carried out by the local offices of the job centres and supported by the decentralised budget of the Employment Sub-Fund of the Labour Market Fund. The different types of assistance, their conditions and scope of eligibility are set out in this act.⁹ In general, *access to these schemes* – in contrast to passive assistance – is not *guaranteed neither for employers nor people in unemployment* even if they meet all eligibility criteria laid down in the act.

2.1. Employment promotion and support for training aid

The Act that entered into force on March 1, 1991 defined the following range of employment incentive measures:

- *labour market training/re-training*,
- support to unemployed people to become self-employed,
- subsidy for the employment of people in long-term unemployment,
- *public work*,
- subsidy for *job creation*,
- subsidy for part-time employment,
- early retirement.

By the end of 1996 this list was amended only at one point: *as of July 1, 1995 the funding of early retirement from the Employment Sub-fund was terminated*.

8 Ministry of Social Affairs and Labour: Proposal for the Policy Management Meeting on the Amendment of Act IV of 1991 on Job Assistance and Unemployment Benefits August, 2006, Budapest.

9 The detailed rules are now more often published in the Ministry of Labour regulation no. 6/1996 (VII. 16) on employment aid and aid to mitigate the effects of crisis situations on the labour market.

More significant changes took place on January 1, 1997 when:

- *the subsidy for part-time employment was phased-out*
- and new measures were introduced:
 - support for the job-creation of self-employed persons,
 - subsidy for the protection of employment: a) in the form of capital grants and b) subsidy for the part-time employment of certain groups of employees,
 - and compensation for *employment-related contributions*.

As of March 19, 1998:

- in the framework of mobility support, in addition to commuting, the costs of transportation of workers, accommodation and recruitment are also eligible for funding.

As of January 1, 2000:

- Job-creation and employment-protection subsidies were dropped from the Employment Act, however these were re-incorporated as of January 1, 2002,
- besides single active measures, the combination of them is also eligible for funding in the form of active labour market programmes,
- the regulation of employment services was carried out and new services were introduced as of May 20, 2004,
- public interest organisations can also undertake temping to promote the employment of disadvantaged groups. This activity is eligible for support as of 2005.

Besides the Employment Act, other acts (on personal income tax; corporate and capital return tax, fixed-sum health insurance contribution) also provide for targeted reductions of tax and contributions for the employment and training of job-seekers and other disadvantaged or disabled people. Community work programmes also play an important role in the transitional, temporary employment of unemployed people who are impossible or difficult to place in the primary labour market. The main rules of these schemes are summarised in the Appendix.

A significant number of people were channelled out from unemployment by the active labour-market measures. Between 1993–2005 the average number of participants in active measures was between 75–116 thousand each year (table 7). This corresponds to 2–3% of the economically active population. This also means that during this period the unemployment rate, which fluctuated between 9–11%, would have been that much higher had jobless people or people threatened by redundancy not received preventive or active support to remain or return to the labour market.

Each year 2–3% of the economically active population take part in active measures

Table 7: Average number of participants in active labour market measures, 1993–2005

Active labour market measures	1993	1994	1998	2000	2001	2002	2003	2004	2005
Labour market training		30,662	23,039	26,307	27,187	23,410	25,044	17,919	11,838
Public work*		27,021	30,877*	23,705	23,185	17,751	17,534	14,235	15,790
Wage subsidy		20,442	29,313	27,524	26,547	21,963	20,439	18,909	18,417
Job-creation investment aid**		23,051	12,291	3,192	6,943	1,708	1,270	2,717	2,742
Entrepreneurship aid		3,668	1,307	1,506	1,616	1,269	1,250	953	1,137
Part-time employment aid		1,781	-	-	-	-	-	357	586
Early retirement		6,283	1,348	45	-	-	-	-	-
Travel costs reimbursement		1,907	2,326	4,091	3,483	3,294	3,088	2,112	1,836
Measures for young persons			10,302	7,816	7,094	6,827	7,686	7,908	8,086
Self-employment support scheme			1,992	4,505	5,142	5,204	4,642	3,963	3,111
Aid for job protection			1,528	3,029	156	2,209	3,419	2,923	4,284
Reduction of contributions			556	1,255	3,399	3,116	3,887	3,324	3,821
Total	75,864	114,815	114,879	102,975	104,752	86,751	88,259	75,320	71,648

* Including all forms of community work.

** The number of jobs newly created with the aid and for which workers were hired.

Source: Statistics of the Employment Office.

These measures offered employment and training opportunities initially for an increasing and then for a decreasing proportion of jobseekers. The so-called activation rate – which compares the number of participants in active measures with the sum of active measure participants and registered unemployed – was around only 16–17% in the mid 1990s then rose above 20% in 1998 and reached 22.4% in 2001. Since then, a sharp decline has been taking place and the rate fell to 18.5% in 2003 and 14.9% in 2005.

When considering these figures, it should be taken into account that in 2004 the programmes funded by the European Union were launched and from 2005 – in the framework of the “100 Steps Programme” – a number of new measures were introduced to increase employment and reduce unemployment. These to some extent overlap with the active measures of the Employment Act but the beneficiaries of these programmes do not appear in the statistics on participation in active measures.

2.2. The “100 Steps Programme”

The labour market chapter of the “100 Steps Programme” initially included 15 and then a number of further measures to increase employment and improve transparency on the labour market relating to undeclared work. Here only the relevant measures are presented, namely those that *reduce social insurance contributions, based on a universal entitlement*.

2.2.1. The Start Programme

The Start Programme was launched on October 1, 2005. The programme covers young people under the age of 25 years or – in the case of people with

It is worthwhile to hire young persons

higher education – 30 years who finished or temporarily left school and entered their first job.¹⁰ Their employers are eligible for a subsidy *during a period of 2 years*. The subsidy takes the form of a *reduction of social insurance contributions based on universal entitlement*: employers have to pay (monthly) *15% of the eligible wage as a contribution in the first year, and 25% in the second year*. The reduction can be used for *wages equalling up to 150% of the minimum wage for people aged less than 25 years, or 200% in the case of young graduates up to the age of 30*. Nevertheless, this does not mean that the actual wage cannot be higher than this amount, only the subsidy is capped at these levels.

Eligibility is proven with the Start-card issued by the tax authority. All young people aged less than 25 years (in the case of people with higher education 30 years) who enter their first job or paid internship are entitled to claim this card provided they finished or interrupted their studies. *Between October 1, 2005 and August 28, 2006 32,865 young people applied for the card and 9,000 people entered employment using the discount provided by the Start Programme.*

2.2.2. Increasing employment and promoting flexibility

From January 2006 micro-, small- and medium-sized enterprises and NGOs with less than 250 employees *are exempt from the employer's contributions* if they hire new workers who have been registered unemployed for at least 3 months.¹¹ The reduction is for one year during which the new workers should be retained and their employment should be maintained for an additional year. The discount covers the fixed-sum health insurance contribution, the social security contribution payable by the employer and the employer's contribution for unemployment insurance. The basis for the reduction shall be up to 130% of the minimum wage for full-time employees and correspondingly less for part-time workers. *Based on data from the first 6 months of the year, 7723 people who were unemployed for more than 3 months found work as a result of this new scheme.*

2.2.3. Expanding the Start Programme

Based on the positive experiences of the Start Programme, with the support of the European Social Fund the Programme is expanded from 2007.

– In the framework of the Start Plus programme for people returning to work after child care or caring for a next of kin the statutory contributions payable by the employer are partly covered by the Labour Market Fund.

– The Start Extra Programme aims to provide assistance to return to work for people in long term unemployment who face difficulties in the labour market because of their age or because they live in deprived areas. In their case the Labour Market Fund fully covers the employer's contributions in the first year and partly in the second year.

10 Act LXXIII of 2005 on Incentives to Promote the Employment of Young persons, Unemployed People Aged 50 Years and over and People Returning to Work after Child Care or Nursing, and on the Amendment of Act CXXIII on the Paid Internship Employment. The act was adopted on June 27, 2005 and entered into force on October 1, 2005.

11 Act CLXXX of 2005 on Measures to Increase Employment and Promote the Flexibility of Employment. The act was adopted on December 19, 2005 and entered into force on January 1, 2006.

2.3. Changes in the system of employment promotion¹²

Changes in the system of employment subsidies have been long due.

– During the years an unmanageable number of employment subsidies have been created that are often overlapping as well. Therefore the PES has to provide subsidies with different conditions often for the same target group. Their administration is very difficult and their impacts are not transparent.

– *The system of employment subsidies is for the most part in conformity with EU regulations.* The main reason for this is that a number of subsidies that are not in line with the rules on block exemption are provided as *de minimis* aid.¹³ This means that the subsidies could be maintained avoiding the lengthy notification and approval procedures of the Commission. Nevertheless, besides its advantages, *de minimis* aid has also many disadvantages. Therefore it is desirable to reduce the number of *de minimis* schemes and keep them to the smallest possible extent.

The Community regulations on block exemptions for state aid to enterprises remain in force until December 31, 2006 and can be applied for an additional 6 months, until June 30, 2007. Most of the national aid schemes were notified to the Commission with an expiry on December 31, 2006. Therefore information or a simplified notification (according to Article 4 of 794/2004/EC regulation) had to be sent to the Commission in order to extend their application for the additional 6 months. It is expected that the application of block exemption regulations will be extended to December 31, 2007. Therefore the application of existing national aid schemes can be extended to this date.

The six months transition period does not apply to aid schemes that were in conformity with the Community regulation in force before the adoption of Commission Regulation (EC) No 2204/2002 and were notified to the European Commission before EU accession. These aid schemes are *aid for increasing employment, aid for the protection of employment, aid for increasing the employment of disabled people and aid to work placement.*

In conclusion: The reasons for the review of the system of employment-related subsidies and the amendment of the regulation of active measures are to:

- ensure conformity with Community legislation,
- increase transparency of the aid system,
- eliminate overlapping subsidies, and
- improve the effectiveness of employment aid schemes.¹⁴

The changes concern the following schemes:

- aid to reimburse wage and its contributions (wage subsidy),
- aid to support the provision of employment services,
- aid to support the mobility of workers,
- support to business start-up, and
- labour market training aid.

Reasons for the changes

¹² This chapter is based on the proposal of the Ministry of Social Affairs and Labour for the Amendment of Act IV of 1991 on Job Assistance and Unemployment Benefits submitted in August 2006.

¹³ According to the Commission Regulation No 69/2001 of 12 January 2001 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, the total *de minimis* aid granted to any one enterprise shall not exceed EUR 100000 over any period of three years. *De minimis* aid shall not be granted to the transport sector and to the activities linked to the production, processing or marketing of agriculture and fisheries products, to activities directly linked to export and activities contingent upon the use of domestic over imported goods.

¹⁴ The amendment does not concern those schemes that provide a reduction of contributions and other taxes on the basis of other acts (on personal income tax; corporate and capital return tax, fixed-sum health insurance contribution) to promote the employment and training of job-seekers and other disadvantaged or disabled persons. These schemes are not considered state aid in the meaning of Community legislation. They are so-called general measures (open to all enterprises meeting the eligibility conditions) and are not subject to prior notification to the Commission.

*Purpose and beneficiaries
of the wage subsidy*

15 *Employer*: pursuant to Article 58 (5) c) of the Employment Act.

16 Pursuant to Article 58 (5) d) of the Employment Act

17 Section e) of the Government regulation No. 177/2005. (September 2)

18 The aid shall be suspended and the received sum paid back fully or partly – according to the extent of non-compliance – if the employer fails to provide employment. Employers are exempt from the repayment if it proves that positions have fallen vacant following the lawful dismissal or the voluntary departure of the employee or because of the liquidation of the company.

19 Pursuant to Article 5 (3) point b) of Commission Regulation No 2204/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment “the worker or workers must be entitled to continuous employment for a minimum of 12 months”. This is most likely fulfilled if funding is available for 12 months. Nevertheless, the above provision can also be understood as the workers are entitled to 12 months subsidised employment.

20 Employment aid for disadvantaged workers can be granted on the basis of Commission Regulation No 2204/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment and therefore provisions in Articles 8 (4) and 9 (2) on the cumulation of aid also apply.

2.3.1. Wage subsidy

The previous sections have showed that various target groups are eligible for different wage- and contribution subsidies. It is the wage subsidy that undergoes the most fundamental changes: some of the existing subsidies are being merged into the new scheme or are being phased out.

The purpose of the wage subsidy is to promote the employment of disadvantaged persons. Commission Regulation (EC) No 2204/2002 defines the concept of disadvantaged workers and the categories of disadvantaged persons. On the basis of this employers¹⁵ are eligible for a wage subsidy if they employ workers falling into the categories set out in the Community regulation.

Disadvantaged persons are those *job-seekers*¹⁶ who:

- have not attained an upper secondary educational qualification, or
- are aged 50 years or over when entering employment, or
- are disabled¹⁷ or
- have been registered as unemployed with the local office of the job centre for at least 12 of the previous 16 months, or in the case of young persons for 6 of the previous 8 months, or
- live as a single adult looking after a child or children under 18 years, or
- before registering as a job-seeker has been receiving any form of child care benefit, maternity pay, or carer’s allowance during the previous 12 months, or
- before registering as a job-seeker have been imprisoned during the previous 12 months.

Moreover, employers are eligible for wage subsidy if they retain in employment a *disadvantaged person (worker) who is losing their job*, namely:

- their work contract is terminated because of redundancy, or their fixed-term employment contract ends within 90 days, and
- they are aged 50 years or over when they are re-employed, or
- they have not attained upper-secondary education,
- except in the event that the parties sign an employment contract within 60 days from the termination of the previous employment relationship.

Eligibility conditions apply in order to qualify for wage subsidy of disadvantaged workers. Employers shall:

- employ disadvantaged workers with the wage subsidy for a minimum of 12 months (employment obligation), and
- have not made workers in similar jobs redundant in the 6 months prior to claiming the wage subsidy.¹⁸

*Employers are eligible for a wage subsidy of up to 50% of the wage costs, in the case of disabled workers up to 60%, for a period of 12 months.*¹⁹

According to the *rules on cumulating*²⁰ the amount of the wage subsidy cumulated with other State aid or Community funding shall not:

- result in a gross aid intensity exceeding 100 % of the wage costs over any period (month, year etc.) for which the worker or workers are employed, and
- exceed a gross aid amount of EUR 15 million over any three-year period.

Wage subsidy of the participants of labour market programmes

If wage costs can only be subsidised in the case of *community work* or in the form of the above wage subsidy as of January 1, 2007 then the implementation of labour market programmes will be at risk. Community work concerns only a small segment of employment (with a limited number of employers, and the wage subsidy only supports the employment of disadvantaged workers for a maximum of 12 months and up to 50 or 60% of wages costs). There is no exemption from Community rules, therefore employment in the labour market programmes of enterprises are not eligible for funding for 3 years and in the case of non-disadvantaged workers. For this reason a new active measure (*wage-cost subsidy*) is being introduced, which can only be applied in the framework of labour market programmes and allows *funding of wage costs up to 100% for a maximum of 3 years*.

Considering that the successful implementation of the programmes is difficult without adequate programme management, the *new measure funds* not only *the wage costs* of the target group but also *of those involved in implementation*.²¹

With the introduction of the wage subsidy scheme:

- a) the following schemes would be merged into the new scheme
 - support for increasing employment including:
 - higher rates of wage subsidy for persons aged 45 years and over,
 - subsidy of the statutory contributions including:
 - higher rates of subsidy for job-seekers aged 50 years and over, and
 - for people released from prison or on probation,
 - support for part-time employment,
 - support for vocational rehabilitation, and
 - support for the work placement of unemployed young persons.
- b) the following schemes would be ended
 - employment aid of young persons,²²
 - employment aid of temporary agency workers;²³
- c) the protection of employment remains eligible for aid under the *de minimis* rules.

2.3.2. Support for the provision of employment services

Under the current provisions of the Employment Act this aid can be granted to organisations providing information or counselling services. This will change however, and private agencies will also become eligible for funding.

Changes in current support schemes

21 If the recipient of the aid is an enterprise, the relevant *de minimis* rules shall apply.

22 The ending of the support scheme to access work experience is justified by the new wage subsidy scheme and the universal contribution reductions available in the Start Programme launched in 2005 that adequately promote the employment of young persons.

23 The employment aid of temporary agency workers was introduced by the Ministry of Employment and Labour Regulation No. 31/2004. (December 21). But, due to the lack of interest (in 2005 there were no applications for this aid) it is not justified to keep it in its current form. Moreover, the labour market re-integration of disadvantaged persons can also be supported by the employment aid schemes.

This will create the possibility of outsourcing some of the job-brokerage activity of the Public Employment Service.

2.3.3. *Scheme to support the mobility of workers*

The purpose of this aid scheme is to reduce the extra costs arising from employing workers who commute from another place by partly or fully subsidising their travel costs payable by the employers. Currently the rules of the aid scheme are set out in a government regulation, but they will be incorporated into the Employment Act.

2.3.4. *Scheme to support business start-up*

Under the current legislation business start-up is supported by two measures: one provides assistance in the form of extended job-search benefit, entrepreneurship training, consultancy and a contribution towards the collateral costs only for the registered job-seekers who receive job-search benefit – except in the case of disabled job-seekers. The other, self-employment scheme, provides repayable, interest-free financial assistance of up to HUF 3 million.

The purpose of the scheme is to promote entrepreneurship and business start-up, and to encourage the self-employment of job-seekers. Following the changes, the two measures will be merged with a somewhat modified content. In the new scheme:

- aid of HUF 3 million can be granted *in the form of repayable and/or non-repayable financial assistance*, and
- unemployed job-seekers who are beneficiaries of the scheme are eligible for a monthly allowance up to *the amount of the minimum wage* for 6 months regardless of whether they receive job-search benefit.

*The beneficiaries of this scheme are job-seekers (persons) therefore it does not qualify as state aid.*²⁴

2.3.5. *Support for training*

To encourage participation in training the amount of the training allowance is increased. According to the legislative proposal, from the current 60% of the minimum wage it will be increased to 100%. The condition of eligibility is enrolment and participation in a training course of at *least 20 hours per week (intensive training)* offered or approved by the job centre.

Training is important not only for job-seekers, but *workers* should also possess the knowledge that is necessary to remain competitive on the labour market. Consequently, “employee-specific” training remains eligible for support under *de minimis* rules.

The training aid will incorporate the following schemes and therefore they will cease to exist as separate measures:

- the universal training scheme of unemployed young persons,

²⁴ The following schemes cease to exist separately because they are merged into the aid scheme supporting the setting-up of enterprise:

- support for the self-employment of job-seekers
- higher rate support for the business start-up of disabled job-seekers.

The entrepreneurship training scheme is integrated into the training aid schemes.

The support of collateral costs will be ended.

- the training scheme of disabled job-seekers, and
- the entrepreneurship training of job-seekers.

* * *

The proposal for the amendment of the Employment Act, including employment aid will be debated by Parliament during the autumn of 2006 and in the event of its adoption; the new rules enter into force on January 1, 2007.

APPENDIX

Table M1: Employment promotion and support for training financed from the Labour Market Fund

Name of the measure	Scope	Conditions	Level/Amount	Length	Legal basis
Subsidy of wage costs					
Support for increasing employment	Employment of persons in unemployment for at least 6 months (in case of young persons or people aged 45 years and over: 3 months)	Continue employment after the end of the subsidy for at least the duration of its payment; the employer has not made redundant any workers in similar jobs in the 6 months before the subsidised employment and will not do so during the payment of the subsidy; has not been fined in the previous two years due to the infringement of labour regulations with fines reaching the amount of HUF 100,000 to HUF 500,000; and cooperates with the Public Employment Service.	50-100% of the wage; 70-100% for people aged 45 years and over	maximum 1 year, 2 years for people aged 45 and over	Act IV of 1991. Article 16 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 11
Support for community work	Regular employment of unemployed persons referred to the employer by the job centre.	Represents a net increase in the number of employees from the previous month (except in the case of people aged 45 years and over); The employer does not receive payment for the same service or subsidy for the same person from other sources (e.g. from the local authority), funding can be granted to employment related expenditure of non-business activities. The employer has not made redundant any workers in similar jobs and no fines were imposed because of infringement of labour regulations.	Up to 70% of the direct expenditure of employment, up to 90% in the case of people aged 45 years and over or employment by the local Roma government. The Steering Committee of the Labour Market Fund or the county labour council might extend it to 90% and 2 years for other target groups as well.	Up to 1 year; 1.5 year for people aged 45 and over; 2 years for local Roma governments	Act IV of 1991. Article 16/A Ministry of Labour Regulation No. 6/1996 (VII.16.) Articles 12-15.
Support for part-time employment	The part-time employment of persons in registered unemployment for at least 3 months, persons living as single adults looking after a child or children under 14 years or receiving carer's allowance	Part-time employment equivalent to 50-75% of full time employment, continue employment after the end of the subsidy for at least the duration of its payment. The employer has not made redundant any workers in similar jobs, and has not been fined due to the infringement of labour regulations.	75% of wage costs and/or up to 100% of the costs of commuting that are borne by the employer.	Up to 1 year	Act IV of 1991. Article 19/C Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 11/A
Support for the temporary agency work of job-seekers	Public interest company that employs 50 persons who have been registered unemployed for at least 3 months, young unemployed or unemployed persons aged 50 years and over	A fixed-term work contract for at least 200 days; temping the workers for third parties; the temping fee reaches at least the total wage costs of the minimum wage. One unemployed person is eligible for the subsidy once in any 2 year period. The temporary work agency has not been fined due to the breach of labour regulations with fines reaching the amount of HUF 100,000 or HUF 500,000 in the previous 2 years.	Up to 50% of the wage costs of the monthly wage agreed in the fixed-term work contract, but up to 150% of the minimum wage at the time of the claim.	For up to 200 days for the temporary work agency	Act IV of 1991. Article 16/B Ministry of Labour Regulation No. 6/1996 (VII.16.) Articles 16-17.
Scheme to promote access to work experience of young persons	Regular employment of young persons	Fixed-term employment for at least 360 days, giving access to adequate work experience. If the cumulated sum of the subsidy exceeds the <i>de minimis</i> threshold then the employment should be continued for at least the duration of the payment.	50-100% of the wage, the fixed-sum insurance contribution (in case the subsidy reached 100%, for people with no qualifications up to 150%, secondary education up to 200% and higher education 250% of the minimum wage)	For the period of employment but up to 360 days	Government regulation No. 68/1996. (V.15.) Article 7
Support for employment	The employment of young persons leaving vocational training school, training school, special training school by the employer where they spent at least 1 year of apprenticeship.	Employment in a job corresponding to the qualification of the young person, for at least 6 hours/day, starting within 90 days from receiving the qualification. The claimant is the employer. Employment shall be maintained for at least 90 days after the end of the subsidy.		270 days	Government regulation No. 68/1996. (V.15.) Article 9

Name of the measure	Scope	Conditions	Level/Amount	Length	Legal basis
Support for employment for vocational rehabilitation	Employment of disabled people who have been unemployed in the previous 12 months and lost at least 40% of their working capacity.	The unemployed person is not entitled to old-age, accident-related pensions, regular social benefit, transitional benefit, miners' impairment benefit. The employer has not made redundant any workers in similar jobs in the previous 6 months. Continue employment after the end of the subsidy for at least the duration of its payment. The employer is not required to pay rehabilitation contribution (i.e. fills the statutory quotas of disabled workers)	In the first third of the payment the wage, the fixed-sum health insurance contribution, health care and employers' contribution. In the second third the wage, and in the third health care and employers' contribution and the fixed-sum health insurance contribution.	Up to 18 month in the case of full-time employment, in the case of part-time employment proportionately	Ministry of Labour regulation No. 11/1998. (IV.29.) Article 4
Reimbursement of the statutory social insurance contributions	Employment of job-seekers		Up to 100% of health care and pension contributions, employers' contribution, fixed-sum health insurance contribution. For people on probation the level should reach at least 70%, for people aged 50 years and over at least 50%.	Up to 200 days. Up to 1 year for unemployed people aged 50 years and over, people on probation or released from prison during the previous 6 months.	Act IV of 1991. Article 18/A Ministry of Labour Regulation No. 6/1996 (VII.16.) Articles 18/B-18/E
Support for the employment of young persons	Persons under 25 years	Full time or part-time employment of at least 4 hours/day for at least 9 months, continue employment for a further 3 months after the subsidised period.	50% of the contributions (for a gross monthly wage of up to HUF 90,000)	9 months	Act CXXIII. of 2004, article 2-3
Support for the employment of persons entering work after child-care or caring for a next of kin	Employment of persons returning to work following child care or caring for a next of kin.	Full time or part-time employment of at least 4 hours/day and 9 months, continue employment for a further 3 months after the subsidised period. Eligible persons are not employed and they take up their first regular employment after the end of their eligibility for child care or carers' allowance.	50% of the contributions (for a gross monthly wage of up to HUF 90,000)	9 months	Act CXXIII. of 2004, article 4
Paid internship	Young persons with higher education with no formal work experience.	The monthly grant equals the minimum wage or higher. The employer and the intern sign a contract. After graduation, for a single period.	50% of the contributions (for a gross monthly wage of up to HUF 90,000), in the public sector the subsidy can be 50% of the grant.	9-12 months	Act CXXIII. of 2004, articles 9-16 Government regulation no. 20/2005. (II.11.)
Support for the employment of unemployed persons aged 50 years and over	Unemployed persons aged 50 years and over		Between 50-100% of the health care and pension contributions, employers' contributions and fixed-sum health insurance contributions payable by the employer.	up to 12 months	Act IV of 1991, article 18/A
Support for training					
Support for training	Unemployed, under 25/30 years and not eligible for unemployment benefit, employees whose employment cannot be continued without training, people receiving child-care benefits or carers' allowance, participants of community work programmes (the Steering Committee of the Labour Market Fund can add further target groups)		Income top-up or income replacement assistance and up to 100% of the costs of training	During the training	Act IV of 1991. Article 14 Ministry of Labour Regulation No. 6/1996 (VII.16.) Articles 1-9
Support for training aid for unemployed persons with disability	The costs of training placements of unemployed persons with disabilities in the training courses subsidised by the Labour Market Fund.		Justified extra expenditure	The duration of training placement	Ministry of Labour regulation No. 11/1998. (IV.29.) Article 5

Name of the measure	Scope	Conditions	Level/Amount	Length	Legal basis
Subsidy to the creation of new employment opportunities					
Subsidy for job creation	Creation of new jobs, expansion of existing jobs, and investment in tangible and non-tangible assets or the personnel costs of job creation.	Recruitment and long-term employment of unemployed persons; for investment projects; aid distributed through competition, at least 25% own contribution (non-repayable grant)	Applicable aid intensity		Act IV of 1991. Article 18 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 18 Government regulation no. 85/2004. (IV.19.)
Support for the employment of disabled persons	Employment of disabled persons (at least 50% loss of working capacity or demonstrated difficulties in finding or maintaining work as a result of physical or mental impairment), creation of jobs, adaptation of workplace, purchase of special aids, purchase or adaptation of equipment, refurbishment of workplace or equipment, and <i>the above together with investment</i>	The employer shall submit an application and meet the following criteria: the company has been operating for not less than 12 months; at least 20% own contribution; provide adequate financial guarantees; regular employment of disabled workers for 2 years; has not been fined due to the breach of labour regulations with fines reaching the amount of HUF 100,000 or HUF 500,000 in the previous 2 years; if received funding from the Labour Market Fund in the previous 2 years, fulfilled all requirements by the deadline; there was no collective redundancy in the previous 6 months; employs disabled workers above the statutory quota for at least 1 year; had at least 50 employees in the previous month, 50% of which are disabled; starts the investment by the end of the calendar year following the receipt of the full sum; maintains the capacities for at least 5 years; provides continuous employment for at least 3 years.	According to the call for proposals (the maximum aid intensity is 80%)	According to the call for proposals	Act IV of 1991. Article 19 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 19 Government regulation no. 85/2004. (IV.19.)
Assistance for business start-up of job-seekers	Persons receiving job-search benefit who are not offered adequate jobs by the job centre	Proven entrepreneurial activity	Assistance equals to the amount of the job-search benefit, up to 50% contribution to the costs of professional consultancy, up to 50% contribution to the collateral costs.	Assistance: for up to 6 months after exhausting the job-search benefit Collateral: up to 1 year	Act IV of 1991. Article 15 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 10
Assistance for business start-up of disabled job-seekers	At least 40% loss of working capacity	The unemployed person is not entitled to old-age, accident-related pensions, regular social benefit, transitional benefit, miners' impairment benefit. Eligibility for job-search benefit is not a condition.	Assistance equals to the amount of the job-search benefit (if the person is not eligible for job-search benefit, then the minimum amount of the benefit), up to 50% contribution to the costs of business consultancy, up to 100% contribution to the costs of necessary training, up to 50% contribution to the collateral costs.	Assistance: for up to 1 year after exhausting the job-search benefit Collateral: up to 1 year	Act IV of 1991. Article 15 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 10 Ministry of Labour Regulation No. 11/1998 (IV.29.) article 6
Assistance for self-employment	Persons who have been unemployed for at least 3 months and would like to become self-employed.	Eligible persons should submit a business plan, they should contribute at least 20% own resources to the investment and have adequate financial guarantees to repay the loan.	Up to HUF 3 million repayable, interest-free capital loan, cost of business consultancy	The grant should be repaid starting from the 13 th month after the receipt of the full sum in not more than 60 equal instalments indicated by the job centre.	Act IV of 1991. Article 17 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 17/A

Name of the measure	Scope	Conditions	Level/Amount	Length	Legal basis
Scheme for the protection of employment and managing collective redundancy					
Scheme for the protection of employment	Employee to be dismissed as redundant due to operational reasons of the company	Notification of the planned dismissal to the local job centre at least 30 days in advance, written confirmation that attempts to retain the employee were not successful, the company is not bankrupt or under liquidation, the employee concerned has been working for the company for at least 6 months, continue employment after the end of the subsidy for at least the duration of its payment, with no decrease of the total number of employees, and the employer has not been fined due to the infringement of labour regulations with fines reaching the amount of HUF 100,000 or HUF 500,000 in the previous 2 years.	25–75% of wage costs, 50–90% for disabled workers or workers earning the minimum wage or in the case of voluntary reduction of working time (to 4–6 hours/day) but up to 150% of the minimum wage	Up to 1 year	Act IV of 1991. Article 18 Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 18/A
Aid to mitigate the negative effects of collective redundancies	Employers making collective redundancies	The employer has initiated consultations on the collective redundancy, agrees to set up and support the activity of outplacement committees in the affected branches, and agrees to submit a written financial report and evaluation on the use of the grant. The application should be submitted prior to the notification of the employees on their dismissal.	Up to HUF 1 million/committee, non-repayable (the actual amount depends on the employment situation of the area, the number of employees affected by the collective redundancy and the amount of available funding). The grant can be used for the operational costs of the Outplacement Committee.	Grant to be used within 12 months	Ministry of Labour Regulation No. 6/1996 (VII.16.) Articles 21/A-21/B
Support for the mobility of workers					
Contribution to the costs of commuting between towns	Persons who have been in unemployment for at least 6 months, or 3 months in the case of young persons or disabled persons.	The employer has not made redundant any workers in similar jobs in the previous 6 months.	Up to 100% of the part of cost of commuting to be borne by the employer (on the basis of Government regulation No. 78/1993. [V.13.])	Up to 1 year	Government regulation no. 39/1998 (III.4.) article 2
Aid for the collective transportation of workers	Employers that arrange collective transportation for their workers between the company and their place residence (because the use of public transportation would put an unreasonable burden on the employees, i.e. would exceed 2 hours/day)	Arranges the transportation of not less than 4 workers. Employers that arrange the transportation of a larger number of disabled or previously unemployed workers enjoy priority.	The subsidy is equal to the amount the employer would be required to contribute to the price of the bus pass between the company and the place of residence of the workers.	Up to 1 year	Government regulation no. 39/1998 (III.4.) article 3
Contribution to the accommodation costs of workers	Employers that hire registered unemployed persons	The employer contributes to the monthly rent or other accommodation costs (e.g. B&B) of the worker or arranges accommodation in a workers' hostel	Up to the minimum amount of the unemployment benefit for each worker	Up to 1 year	Government regulation no. 39/1998 (III.4.) article 4
Aid for the recruitment costs of workers	Employers that organise recruitments in areas where the unemployment rate is above the national average.	Demonstrates a genuine and real need for the recruitment of new workers.	Contribution to the costs of recruitment. The budget must be approved in advance by the job centre. Up to HUF 500,000 per recruitment round.	Per recruitment round	Government regulation no. 39/1998 (III.4.) article 5
Other (support to services and programmes)					
Full or partial funding of the design and implementation of labour market programmes	Companies with or without legal entity, private entrepreneurs	Granted on the basis of competition. The job centre signs a contract with the beneficiary. (program: Pursuant to the Employment Act and its implementing regulations programmes are labour market services and employment aid funded by the Employment and Rehabilitation sub-funds of the Labour Market Fund)	Amount and level set out in the agreement	Length set out in the agreement	Ministry of Labour Regulation No. 6/1996 (VII.16.) Articles 26/G
Funding of labour market programmes	A combination of employment aid and services for employers, employees and the target group of the programme.	The Steering Committee of the Labour Market Fund and the minister responsible for employment can initiate labour market programmes	Defined in the programme	As defined in the programme, up to 3 years	Act IV of 1991. Article 19/B Ministry of Labour Regulation No. 6/1996 (VII.16.) Article 26

Name of the measure	Scope	Conditions	Level/Amount	Length	Legal basis
Aid for the providers of employment services	Non-profit companies if they provide labour market and job information free of charge in disadvantaged geographical areas or for disadvantaged people; companies that provide advice about work and jobs, career orientation, vocational rehabilitation and psychological support for jobseekers on a local/regional basis or for jobseekers upon recommendation of the personal advisers.	Service providers can apply for funding. Providers are eligible if they have been providing the continuous service for at least 1 year; agree to maintain the physical and human conditions and level of service provision; ensures adequate and lawful management of information and personal data.	Non-repayable grant, the exact amount is set out in the official decision.	Up to 3 years, as set out in the official decision.	Act IV of 1991. Article 13 (3) Ministry of Economy regulation no. 30/2000. (IX.15.) articles 21-25
Income replacement assistance for participants of labour market services	Unemployed persons who participate in collective job-search activities offered by the local office of the job centre (i.e. jobseekers' club) or are in intensive job-search.	The length of the activity is at least 15 days in the case of jobseekers' club and 5 days in the case of intensive job-search	The minimum amount of the unemployment benefit at the time of claiming the assistance.	Up to 90 days in any calendar year	Ministry of Economy regulation no. 30/2000. (IX.15.) article 26