

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

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INTRODUCTION

The previous issues of the Labour Market Review each year provided an overview of the main changes in the legal and institutional context of the labour market and the reasons for these changes. From this year instead of the changes the current regulations will be reviewed. For an easier understanding the conditions of benefits will be presented in *a standardised format* in the Appendix.

The legal foundation of the current labour market institutions was laid down by Act 4 of 1991 on the Promotion of Employment and Unemployment Compensation (Employment Act), which:

- created an insurance stream for unemployment benefits,
- established the institutions of organised social dialogue,
- established a single public employment service (PES),
- extended the range of active labour market policies.

The current legislative framework will be reviewed below.

1. THE SYSTEM OF UNEMPLOYMENT COMPENSATION

From November 1, 2005 the various types of unemployment provisions have been replaced by different jobseeker's support schemes that are available for individuals who want to return to work and are actively seeking employment.

1.1. Jobseeker's benefit

The eligibility conditions of the jobseeker's benefit have both contribution-based and social welfare elements, and were designed to encourage return to work, thus the amount of the benefit decreases based on the length of time spent out of work.

The jobseeker's benefit can be claimed by jobseekers who were employed or self-employed for a minimum of 365 days within a period of four years up to becoming unemployed and who paid contributions. Jobseekers are eligible for the benefit if they are not successful in finding work or the employment service cannot offer them any suitable jobs. As one day benefit entitlement requires five days in insured employment, the minimum period for which the benefit can be paid is 73 days and the maximum period is 270 days (*Table A1*). The *rate of the jobseeker's benefit* is 60% of the average earnings after which the contributions had been paid, the minimum and maximum amounts are linked to the statutory minimum wage (*Table A2*).

*Current types
of unemployment
compensation*

The benefit period consists of two phases:

– In the first phase which is *half of the eligibility period but up to 91 days*, the jobseeker's benefit equals to 60% of *the recipient's previous average earnings* with a fixed minimum and maximum amounts. *The minimum amount is 60% of the statutory minimum wage and the maximum is the double of this.*

– The second phase is *the number of days left from the eligibility period but up to 179 days*. *The benefit in this phase is paid at a flat rate of 60% of the statutory minimum wage.* (However if the previous earnings were less than the minimum benefit, its amount is equal to the average earnings in both phases.)

Active job-seeking is a key requirement in order to qualify for the benefit. This is *set out in an agreement between the jobseeker and the local job office*. In this document the two parties agree on a series of activities to assist the claimant in returning to work, including intensive and active job search. *If the jobseeker fails to comply with the provisions of the job-search agreement for reasons attributable to him/her, the payment of the benefit must be terminated.*

The bonus payment for successful jobseekers was introduced to encourage people to return to work as quickly as possible. *Jobseekers qualify for this bonus payment if they take up full-time, or part-time employment of at least four hours a day with a permanent contract before the end of their eligibility to the jobseeker's benefit and stay in employment. If they fulfil the requirements they can claim a part of their remaining benefit paid as a lump-sum.* This period should be regarded as if the individual had exhausted its entitlement to the benefit. To encourage an early return to work the amount of the lump-sum bonus differs: if the jobseeker takes up employment during the first phase of claiming the benefit the bonus is 80% of the remaining entitlement; if this happens in the second phase, it is only 30%.

*Bonus payment
for taking up
employment*

1.2. Jobseeker's allowance

At the reform of the system of unemployment compensation policy-makers aimed to ensure that no group of unemployed people are worse off in the new system; and any reduction in the average daily rate was compensated for by a longer entitlement period. Therefore a new form of assistance, the *jobseeker's allowance* was introduced for those who:

- are no longer eligible for jobseeker's benefit;
- are close to pensionable age;
- or who have worked for a relatively long period of time but due to changes in the eligibility conditions they do not qualify for the jobseeker's benefit.

The allowance is paid at a fixed rate of *40% of the statutory minimum wage*. It counts towards social insurance benefits, thus the allowance is subject to health insurance and pension contributions paid by the employment service and the individual. (The eligibility conditions and payment of the jobseeker's allowance are summarised *in Table A3.*)

*The multi-purpose
jobseeker's allowance*

Paid work is not permitted while claiming jobseeker's benefit except for seasonal or temporary work under the simplified employment rules. The same conditions apply for individuals receiving jobseeker's allowance who are also allowed temporary or seasonal work without affecting their allowance payment.

1.3. From Regular Social Assistance to Stand-by Allowance

Individuals who are receiving jobseeker's allowance and have a low income or have exhausted their entitlement can claim social assistance from municipal governments. *Regular Social Assistance can be paid to individuals of working age who are out of work and not getting any jobseeker's provision if they or their household have no other sources of income.*

On July 1, 2006 Regular Social Assistance was transformed into a family allowance. In the new system the number of dependent children is taken into account: both eligibility and the amount of the allowance depend on the household's monthly income per *consumption unit*.¹ According to the new eligibility criteria the income per consumption unit in the applicant's household must be less than 90% of the statutory old-age minimum pension. The allowance tops up the income to this level; 90% of the minimum pension. *Only one member of the household is eligible for Regular Social Assistance in a given period.* The benefit is paid to people who are out of work, actively seeking work and not eligible for jobseeker's provision. Another criteria is active job search and if a suitable job is offered they have to accept it. Claimants also have to take part in a *reintegration programme, that often includes regular contact with the local job office* and participation in *community service work organised by the municipal government.*

*A comprehensive set of measures*² was introduced on January 1, 2009 to help long-term unemployed people receiving Regular Social Assistance return to the labour market. This target group of approximately 200,000 people were divided into two groups (Table A4). The first group who – at least in the short run – are not ready to take up employment continues to receive Regular Social Assistance. However, the other group is made up of individuals who are able to work and therefore are expected to work. If there are no work opportunities in the jobs market, they can take part in any form of *community employment*. Out of this population of approximately 100,000 people the number of early school leavers is estimated at 7–8,000. They must finish school first and then they might continue into vocational training in areas sought after by employers. If people of working age cannot take part in any of these opportunities, they receive *Stand-by Allowance*. The amount of this is equal to the *statutory old-age minimum pension* regardless of the size and composition of the household.

Long-term unemployed people who are capable of work must register as jobseekers with the local office of the employment service and sign a jobseeker's agreement. If they are *under 35 years and have not finished lower secondary ed-*

Pathway to Work programme

1 The consumption unit is a measure of the household's consumption structure, where the ratios are as follows:

The first adult: 1.0, for single parents + 0.2

Spouse or partner: 0.9

First and second child: 0.8 per child

Third and any further children: 0.7 per child

Disabled child: 1.0

If the first adult or the spouse (partner) is receiving a disability benefit their ratio is increased by 0.2.

2 The Act 107 of 2008 on the amendment of certain social and employment regulations was adopted by the Parliament on the 15th of December 2008. Among others it amended Act 3 of 1993 on social administration and social assistance.

ucation, they must finish school first. If there is no opportunity to start school within 30 days then they must take part in community service work like others in the target group.

People receiving Regular Social Assistance – except those with disabilities or a long-term condition – must co-operate with *the service designated by the municipal government* – typically the family counselling service – if they want to keep their entitlement. The content of the co-operation is set out in the re-integration programme and can include skills development, lifestyle counselling or training.

2. ACTIVE LABOUR MARKET POLICIES, SERVICES AND PROGRAMMES IN THE EMPLOYMENT ACT

Section 1 of Article 5 of Act 4 of 1991 (Employment Act) declares that *employment services and employment promoting subsidies* should be the primary means of solving, managing and mitigating tensions in the labour market, as well as preventing, reducing and alleviating the negative effects of unemployment. Employment subsidies are usually referred to as active labour market policies because they aim to prevent unemployment or help people to return to work as quickly as possible. The administration of active labour market policies including accepting claims, making payments and monitoring is the responsibility of the local offices of job centres funded by the *Decentralised Employment Sub-Fund (DESF) of the Labour Market Fund (LMF)*.³ In general, *there is no guaranteed entitlement to active labour market policies – in contrast to passive LM schemes – neither for employers nor unemployed people even if they meet the eligibility criteria laid down in the Act.*

This chapter gives *an overview of active labour market policies in Hungary*. Their target groups, eligibility criteria and conditions of payment are presented in *Table A7*.

Active labour market policies regulated by the Employment Act and accessible through the public employment service

2.1. Labour market training

Labour market training aims to provide jobseekers and people at risk of unemployment with sought-after skills and knowledge to help them return to work or keep their job. The training can lead to a formal vocational qualification, provide the necessary skills for a specific job or strengthen skills to improve performance in their current job. In accordance with the Act on Adult Education *only adults studying in accredited adult education institutions can be subsidised from the Labour Market Fund.*

Regional job centres support the labour market training of:

- jobseekers;
- young persons aged under 25 years – graduates under 30 years – who do not qualify for jobseeker's benefit or allowance after leaving school;
- people receiving different types of parental benefits or carer's support;

³ The detailed eligibility conditions for active labour market policies are set out in the Ministry of Labour Regulation no. 6/1996 (16.07) on employment aid and aid to mitigate the effects of employment crises.

- people claiming rehabilitation allowance;
- workers who will become redundant within a year and where the employer has given written notice of this to the employee and the employment service;
- people who take part in community employment scheme; or
- people who are employed but are likely to become unemployed without training.

The latter group of employees only qualify for the subsidy if their employer contributes to the cost of training and agrees to continue their employment for at least the duration of the training after it has finished. Employers are not required to contribute to the cost of the training if the employee is 45 years or older at the time of application.

The Labour Market Fund can support training in the following categories:

- vocational training as defined by the Vocational Education and Training Act;
- training in basic skills necessary in order to start vocational education or training;
- job search skills and career advice;
- language training for people who already have vocational qualifications;
- driver training for road vehicles.

Unemployed people have two options as regards starting training or education once they have obtained the approval of the job centre: they can either enrol in one of the training courses offered by the job centre, or 2) find an accredited training course offered by an accredited training institution. There are two types of financial assistance for training participants: *income supplement and income replacement allowance*, furthermore training-related expenses can also be reimbursed. *The income replacement allowance is paid at the rate of 60 to 100 per cent of the statutory minimum wage (Table A2)*. A higher rate must be paid to those who are studying towards their first qualification or for a qualification in areas of employment where there is a shortage of candidates. *Single parents with one or more children* are also entitled to the higher payment. Income replacement can only be paid to those who are no longer eligible for jobseeker's allowance. Those who are not eligible for jobseeker's allowance might be paid income replacement allowance.

People claiming parental benefits and carer's support can only receive assistance towards their training-related expenses. *They are permitted to participate only in courses that are less than 20 hours per week.*

The training of workers is usually initiated by the employer. In this case, assistance might be given on a discretionary basis towards training expenses and participants can qualify for an *income supplement* to compensate for any loss of earnings during the course. The amount of this is up to the difference between average earnings and the earnings while in training.

The other component of training-related expenses is the *course fee*. For *recommended* (collective) training courses the full fee is reimbursed, for *approved*

(individual) training the rate is typically 70–100 per cent. In addition, training participants can qualify for the full or partial reimbursement of travel, accommodation and food expenses.

2.2. Wage subsidy to employers hiring the disadvantaged

Wage subsidy can be paid from the de-centralised employment fund of regional job centres to employers that employ disadvantaged people. Wage subsidy can also be paid to those employers who continue to employ disadvantaged workers who are at risk of redundancy. The subsidy is paid at a rate of up to 50% of the wage and contributions, 60% for people with disabilities, with the following conditions:

- employment will be maintained for at least the duration of the subsidy, and
- workers in similar jobs have not been made redundant within the 12-month period up to claiming the subsidy, and
- will not be made redundant while receiving the subsidy.

As a general rule wage subsidy can be paid for up to 12 months, and 24 months for people who have been registered as jobseekers for at least 24 months.

2.3. Support for employing people claiming Stand-by Allowance

From 2010 businesses that employ people receiving Stand-by Allowance can qualify for a wage subsidy equal to the amount of the Allowance paid by the job centres. In order to qualify for this subsidy employers must increase the net headcount of the business by hiring the person receiving Stand-by Allowance compared to the average of the previous 12 months. No other subsidies can be claimed simultaneously besides the contribution relief attached to Start Cards and travel-to-work subsidies. The aid intensity of employment subsidies for people receiving Stand-by Allowance must be lower than 50% of the average wage cost during the 12-month period after hiring them. Employers must apply for the subsidy that is paid in arrears by the job centre each month.

2.4. Subsidies for community employment

From the point of view of employment policy, community employment serves the following purposes:

- increasing the number of job vacancies offered by the job centres;
- testing the work-readiness of jobless people;
- providing income to those who are no longer eligible for unemployment assistance;
- in the absence of other opportunities, providing a possibility to earn entitlement to unemployment assistance and pension;
- providing a job opportunity for those who have no chance of finding a regular (non-subsidised) job; and
- giving the opportunity to gain work experience and improving the job prospects of the individual.

Employers who hire unemployed people to carry out jobs in the community can claim back 70% of the direct labour-related expenses if they do not get paid for the work carried out. In community employment schemes two types of projects can be supported: projects that undertake mandatory tasks of municipal governments, and projects that carry out non-mandatory tasks that directly benefit the local community. More deprived municipal governments can find it difficult to contribute even 30% of the costs, therefore the rate of funding from the decentralised Employment Sub-Fund can be increased up to 90% of the cost for areas where this is justified according to the employment service. If the source of funding is the central budget of the Labour Market Fund, the Management Committee of the Labour Market Fund can also increase this rate to 90% for a period of up to two years.

In community employment only *registered jobseekers placed by the Public Employment Service (PES)* can be employed. Employment should be *additional*, meaning that the headcount should increase in comparison to the previous month. *The maximum duration of employment in community employment for a jobless person is one year.* This can be repeated within two years if the person at the time of placement is not eligible for jobseeker's benefit.

The community employment of jobseekers aged 45 or over can be subsidised for up to 18 months and jobseekers aged 50 or over for up to 24 months in the field of health and social care, culture, education or the protection of the environment. If Roma people are employed it is not required to increase the headcount. The rate of the subsidy in this case can be up to 90% of the direct labour-related costs for a period of up to two years.

The costs eligible for subsidy in community employment are: wage and contributions, work wear and protective clothing, tools and equipment, transportation of workers and the costs of additional management tasks.

2.5. Business start-up subsidies for jobseekers

Business start-up subsidies can be paid for jobseekers who have been registered with the job centre for at least three months and who will become self-employed. There are different types of business start-up subsidies:

- a subsidy of up to 3 million forints either as an interest-free *credit or non-repayable grant*, and
- a monthly allowance of up to the statutory minimum wage for up to six months regardless of whether the individual qualifies for jobseeker's benefit.

The subsidies can be paid together or separately. To qualify for the interest-free credit jobseekers must have at least 20% of the start-up costs and adequate collateral (for example assets, property, bank guarantee etc.). The Employment Act was amended to allow persons receiving rehabilitation allowance to claim business start-up subsidy if they become self-employed from January 1, 2008.

2.6. Incentives for the employment of people with disabilities

According to Article 41/A of the Employment Act, in businesses with more than 20 workers, no less than 5% of the workforce must be people with disabilities (quota). If they fail to meet the quota they must pay a rehabilitation contribution for the missing headcount (in 2010 this was 964,500 forints/person/year). The contribution must be paid quarterly and in advance, based on quarterly workforce statistics.

2.6.1. Main elements of the system promoting the employment of disabled workers

The *accreditation* of companies employing workers with disabilities has been in place since November 2006.⁴ This consists of the job-focused assessment of the company. The accreditation certificate can be issued for a different period at any of the three assessment levels:

- the basic certificate is valid for five years,
- the rehabilitation certificate is valid for three years,
- the higher certificate is valid for 2 years.

The latter entitles the company to use the title of *sheltered organisation*.

Accreditation is available to all employers with two specific, headcount-related conditions:

- If the number of disabled employees is no less than 20 and they make up 40% of the workforce the basic certificate cannot be awarded, only the rehabilitation and higher certificates if the appropriate conditions are met.
- *The higher (and temporary)* certificate can only be awarded to employers with at least 50 workers and where at least 50% of them have less than 50% partial work capacity.

Accreditation is carried out for each division and the process is managed by the Employment and Social Office. *Accreditation has been a general requirement to access public subsidies since July 1, 2007.*

2.6.2. Support to employers

4 Regulations: 176/2005. (IX. 2.) Government Regulation; 14/2005. (IX. 2.) Ministry of Employment and Labour Regulation; 26/2005. (XII. 27.) Ministry of Employment and Labour Regulation; for detailed information see: www.afsz.hu.
5 Workplace personal assistants are individuals who are employed by the employer of the disabled worker to provide direct job-related assistance or coaching to the individual (but this does not include performing the job itself).

1. *Support to the long-term employment of disabled workers. The current system has both statutory and discretionary components.* The first includes the *wage subsidy to the employment of disabled people* that has been presented in section 2.2. It is possible to reimburse the wage of *personal assistants at the workplace*⁵ pro-rata based on the time spent in assisting the individual in work, up to 100% depending on the support needs of the individual (people who provide social, mental health or health care support are not eligible for the subsidy).

2. *Wage subsidies for the employment of disadvantaged jobseekers* that are available for employers of people in certain life situations (such as young entrants, people caring for children or immediate family members, people aged over 50 years or people with a low level of education) *can also be claimed for the em-*

ployment of jobseekers with partial work capacity in these groups, regardless of the level of their work capacity.⁶ The subsidies can be claimed with the Start Cards that will be discussed later.

3. *Capital investment aid for the employment of people with partial work capacity*: this scheme is part of the system of employment aids and promotes the employment of people with disabilities by contributing to capital investment.⁷

Funding is allocated through open competition from the Rehabilitation Sub-Fund of the Labour Market Fund for the employment of people with disabilities:

- a) for the adaptation of existing production and service facilities to the needs of disabled workers,
- b) for the purchase or adaptation of equipment and tools to the needs of disabled workers,
- c) for the renovation or refurbishment of the workplace and equipment to accommodate the needs of disabled workers,
- d) for investment that creates, upgrades or develops jobs for people with disabilities, contributes towards the building of new facilities, renovation or the refurbishment of existing buildings in order to expand them or make them safer, or contributes towards the purchase and transformation, or increases the safety of equipment.

Employers who meet the criteria receive the assistance for *workplace inclusion* [points a-c)] according to the rules of *de minimis* state aid. Aid for vocational rehabilitation [point d)] is awarded according to the relevant EU rules on employment aid for sheltered companies. Aid for the creation of new jobs within both schemes can only be given for workers with less than 50% work capacity. Aid can be *repayable* and *non-repayable* or a *combination of both*.

4. *The possibility of preferential treatment of businesses employing workers with disabilities in public procurement*⁸ Under certain conditions set out by the law there is a possibility or an obligation to limit the scope of potential suppliers, contractors or service providers to sheltered companies where more than 50 per cent of the workforce has a partial work capacity, or companies that provide vocational rehabilitation for people living in social care institutions and where more than 50 per cent of the employees have a disability.

5. *Subsidies for collective vocational rehabilitation*. This grant scheme gives compensation to sheltered companies for their expenses and to non-profit companies employing people who cannot participate in the open labour market for rehabilitation-related expenses.⁹

Service users of social care institutions can be involved in two new forms of employment: *vocational therapy*, and *vocational rehabilitation* (under a fixed-term contract of employment) – jointly referred to as institutional employment. Institutions can use external companies in the vocational rehabilitation of service users.

6 – Act 123 of 2004 on promoting the employment of young entrants, unemployed persons aged over 50, people returning to work after caring for a child or a family member and on graduate work placements; 31/2005. (29. 09) Ministry of Finance Regulation on the conditions of use of the Start Card, claiming the reduced contribution rates and the detailed rules of financial reporting.

7 – Ministry of Labour Regulation no. 6/1996 (16. 07) on employment aid and aid to mitigate the effects of employment crises

8 – Act 129 of 2003 on public procurement, article 17/A; 302/2006. (23. 12) Government Regulation on the conditions of preferential treatment of sheltered companies in public procurement.

9 – 177/2005. (02. 09) Government Regulation and 15/2005. (02. 09) MoEL Regulation.

2.6.3. *Incentives for employees*

There have been two types of assistance in the rehabilitation system since January 1, 2008. People with disabilities who are capable of working and who meet the criteria set out by the law are paid a *Rehabilitation Allowance*, while those who are not capable of working receive disability pension.

The Rehabilitation Allowance can be paid to persons who:

- have reduced work capacity of 50–79% and due to their long term condition cannot be employed in their previous job or in a similar job without vocational rehabilitation,
- they are out of work, or
- their earnings are no less than 30% lower than the average earnings in the four months up to the loss of work capacity, and
- they are, or can be made, capable of working, and
- have accumulated enough years of service based on their age to qualify for a disability pension.

People receiving Rehabilitation Allowance must co-operate with the job centre and sign an agreement. The rehabilitation plan forms part of this agreement, it sets out the direction of vocational rehabilitation and identifies rehabilitation services and supports based on medical, social and vocational need. The implementation of the plan means that rehabilitation is successful.

2.7. Support for job creation

Aid for job creation can be paid in two main forms:

- a) *as regional support* for one or more of the following: cost of investment in material and non-material assets, building and labour costs of the jobs directly created by the investment project, or
- b) *as employment support* for labour costs of the jobs directly created by the investment project.

Support for job creation is allocated through open competition, not only for job creation but the safeguarding of jobs as well. On top of this sum additional support is available – from the regional job centres – for any or all of the following criteria:

- if the investment takes place in an area classified as disadvantaged in any of the following categories: regional development, socio-economic and infrastructural development, and employment, or in regions with labour market disadvantages an additional HUF 200,000 can be granted for each new job;
- if the vacancies created as a result of the investment are filled with jobseekers registered with the public employment service, an additional HUF 200,000 can be awarded;
- if the vacancies are filled with Roma workers an extra HUF 100,000 can be granted.

Investment aid for the creation of high-value-added jobs. This state programme supports projects involving relatively low levels of capital expenditure and a high volume of new jobs that are filled by qualified staff with higher education, mostly recent graduates. Businesses can receive a contribution towards their personnel expenditure associated with the expansion of their workforce. Small- and medium-sized enterprises are required to safeguard jobs created for young entrants, registered jobseekers or workers threatened by redundancy for two years, other businesses for three years.

Job creation aid for large investment projects. The following eligibility criteria apply:

- it is awarded on a case-by-case basis by the Government from the Budget for Investment Promotion;
- the project must take place in a disadvantaged or most disadvantaged area listed in the relevant legislation;
- must create a minimum of 500 new jobs – or 200 in the most disadvantaged areas;
- no less than 50% of the newly created jobs – 30% in the most disadvantaged areas – must be filled by registered jobseekers.

Aid for the creation of teleworking jobs. Teleworking programmes continue to promote the spread of on-line working. They provide a wage subsidy and funding for the purchase of equipment and training for businesses and public authorities creating teleworking opportunities.

2.8. Support for job-protection

Employers can qualify for assistance if they are planning to make redundancies due to business difficulties and they have given written notice to the job centre 30 days before the redundancy together with their claim. To be eligible for the subsidy they must agree to retain workers who have been employed for at least six months and are affected by the redundancy for twice the duration of the subsidy. During this period the average headcount must not decrease and they cannot make any redundancies. The duration of the subsidy can be up to one year. The grant is generally paid at a rate of 25 to 75 per cent of the wage and contributions. Wage costs can be reimbursed at a rate of 50 to 90 percent, if 1. the worker's fixed monthly pay or the guaranteed part of the piece-rate pay is equal to the statutory minimum wage; or 2. he or she has a disability; 3. already works reduced hours, more than four but less than six hours per day, to prevent redundancy.

2.9. Mitigating the negative impact of group redundancies

Employers can qualify for assistance to alleviate the negative impact of a planned mass redundancy on the employees. The assistance is conditional upon the completion of the statutory consultation procedure and the setting up of

an outplacement committee in the divisions affected by loss of jobs. The grant contributes to the operation of this committee with up to 1,000,000 forints that must be used within 12 months.

2.10. Travel-to-work subsidies

Travel-to-work subsidies can be claimed by both the employer and the employee. To qualify for this subsidy the employer must hire a jobseeker who has been registered with the job centre for at least six months, in the case of young entrants and people with disabilities for three months, and has not made any workers redundant holding a similar position in the previous six months. The subsidy can be paid for up to a year and can cover the full or a part of the travel expenses to work. If the employee also claims the subsidy for his or her share of the travel expenses, the claim must be made jointly with the employer before signing the employment contract.

The subsidy can also be paid for shared transportation, own or hired, if at least four workers are travelling together. To be eligible for this subsidy the time spent travelling to work must be more than two hours per day. The maximum rate of the subsidy is equal to the employer's statutory contribution rate towards the cost of the bus pass between the home of the worker and the workplace.

2.11. Employment services

According to the Employment Act employment services include:

- the provision of information on vacancies and jobs;
- job, career, job-search, vocational rehabilitation and local (area) employment guidance;
- job brokerage.

The contents of these are defined by the regulation on employment services¹⁰ which also defines provision requirements. The regulation lists those services that are delivered to customers primarily by the regional job centres and the local job offices. In addition, the regulation also allows the purchase of certain services from external providers to increase availability. A novelty is that regional training centres and the Employment and Social Office can also directly deliver services. The employment services are available *free of charge* to unemployed people, employers and employees.

2.12. Labour market programmes

Four fifths of the registered jobseekers are not new but returning customers of the employment service. Their problems are unlikely to be solved by a single active labour market policy. A *combination of labour-market measures* or especially *participation in a labour market programme* is necessary to address their complex problems. Labour market programmes were introduced in the *Employment Act on February 1, 2000*; which defines them as follows: “The La-

10 – 30/2000. (IX. 15.) Ministry of Economy Regulation on employment services and their financing. This regulation was amended by 6/2008. (IV. 23.) Ministry of Social Affairs and Labour Regulation on the amendment on certain employment-related ministerial regulations that entered into force on April 26, 2008. The most important changes were the following::

- mentoring was included among the services;
- new rates of assistance for the providers of employment services,
- new rate of income replacement for people using employment services.

bour Market Fund can support the implementation of programmes that aim to achieve local employment objectives, influence the local employment situation and promote the employment of people disadvantaged in the labour market. *These programmes can combine employment services and financial assistance.*"

With regard to subsidies provided within the programmes, certain conditions specified in the Employment Act and its implementing regulations can be left out of consideration. For example in that case:

- the target group of the programme can be involved in all programme components regardless of their individual eligibility,
- subsidies can be paid during the whole programme period,
- with regard to subsidies for community employment, the duration of the programme is unlimited.

Labour market programmes can be countrywide or regional. The decision about countrywide labour market programmes is made by the Minister following a consultation with the Management Committee of the Labour Market Fund. Regional labour market programmes are based on the decision of the directors general of job centres following a consultation with employment councils. The employment service tenders out the design and implementation of labour market programmes. Bids must present the planned structure, implementation and monitoring of the programme and define eligibility for each programme component. Ten per cent of the programme's cost is retained and paid only after the successful closure and approval of programme outcomes.

A new active measure was introduced in 2007, *the wage cost subsidy* that is only available as part of a labour market programme and allows a reimbursement of up to 100% of wage costs including contributions for up to three years. Taking into consideration the fact that the implementation of the programmes would be very difficult without professional management, the *new measures* – besides contributing to the labour cost of participants – *can also pay the labour cost of the programme management staff.*¹¹

3. ACTIVE LABOUR MARKET POLICIES OUTSIDE THE SCOPE OF THE EMPLOYMENT ACT

In addition to the active labour market policies discussed in the previous chapter there are a range of other subsidies that are governed by regulations other than the Employment Act but are provided by the public employment service.

3.1. Promoting the employment of jobseekers by micro, small- and medium-sized enterprises

In the SME+ programme micro, small- and medium-sized enterprises as well as voluntary organisations that employ at least 250 staff and have been established for at least six months are eligible for a subsidy if they hire people who are not claiming any assistance and:

Active labour market policies outside the scope of the Employment Act but managed by the PES

¹¹ If the recipient of the subsidy is a business *de minimis* rules should be applied.

- have been registered as a jobseeker with the PES for a minimum of three months; or
- have been out of work for a year or more; or
- have been made redundant in a group redundancy within the previous three months.

The subsidised employment should increase the average yearly headcount and should be maintained for at least the duration of the subsidy. If they hire anyone from the above groups they are exempt from social security contributions and employer's contribution for up to a year. The subsidy can be paid after wages up to 130% of the statutory minimum wage in the case of full-time employment.

3.2. Supporting the re-employment of people made redundant as a result of the crisis

This aims to support the re-employment of people who have been made redundant due to the economic downturn by using their jobseeker's benefit as a wage subsidy for the rest of their eligibility period. The subsidy is paid to employers that hire people claiming jobseeker's benefit for *full-time employment*. A further condition is that the individual is eligible for at least 180 days of jobseeker's benefit when commencing the employment.

The subsidy is paid at a rate of up to 60% of the statutory minimum wage and contributions. If the jobseeker's earnings prior to becoming eligible for the benefit have been lower than the minimum wage, this sum should be adjusted accordingly. If the employee has a Start card then the reduced rate contribution can also be used at the same time as the subsidy. The duration of the subsidy is equal to the number of entitlement days remaining from the jobseeker's benefit when starting employment. The subsidy is paid in arrears to the employer by the job centre.

3.3. Supporting part-time work to prevent redundancies¹²

The aim of the measure is to support the retention of workers threatened by redundancy in part-time employment. Employers are eligible for support if instead of laying-off redundant workers they continue to employ them part-time, at least four hours per day. As a condition of the subsidy the employer is required to give prior notification of planned mass dismissal to the local labour centre. The rate of the subsidy is up to 80% of the difference between the full-time and the part-time wage and contributions. The maximum wage eligible for subsidy is capped at 150% of the statutory minimum wage. The subsidy can be paid for up to 12 months. Further conditions are that the subsidy is paid to workers monthly, in advance; the employer must not implement a mass layoff; must maintain the initial headcount and retain the workers for at least the same duration as the subsidy has been paid. Employers need to apply for the subsidy for the workforce affected by redundancy at the job centre.

12 – 70/2009. (02. 04) Government regulation on support to the work experience of young entrants with a vocational qualification and part-time employment to prevent mass layoff. It entered into force on April 5, 2009.

3.4. Supporting the work experience of young entrants with a vocational qualification¹³

The scheme supports the work experience of young people with sought-after qualifications who have not been able to find a job after 90 days of job search either independently or with assistance from the employment service. Employers are eligible for the subsidy if they hire school leavers with certain vocational qualifications – defined by the regional labour centre together with the regional labour council and regional development and training committee – in jobs that will provide them with relevant work experience. The subsidy is paid for the period of employment but up to 365 days. The rate of the subsidy is 50–100% of the wage costs; if it is paid at the 100%-rate, then it cannot be higher than:

- the statutory minimum wage for school leavers with basic level vocational qualifications;
- 150% of the minimum wage for school leavers with medium-level vocational qualifications;
- 200% of the minimum wage for school leavers with high-level vocational qualifications or higher education.

The scheme is implemented by the employment service. The source of the subsidy is the decentralised budget of the Labour Market Fund's Employment Sub-Fund. Young entrants who hold a Start Card are also eligible to take part in the work experience scheme if they have a sought-after vocational qualification and have been searching for a job for at least 90 days with assistance from the employment service. In this case the subsidy is paid on the wage costs reduced according to the Start relief.

4. ACTIVE LABOUR MARKET MEASURES AND POLICIES OUTSIDE THE SCOPE OF THE PUBLIC EMPLOYMENT SERVICE

This chapter presents active labour market policies that are not only outside the scope of the Employment Act but also administered outside the public employment service.

*Active measures
outside the scope of the
Employment Act
and the PES*

4.1. There are two other forms of community employment: community service work and public work

The stated aim of public work¹⁴ is to support development and renovation projects, especially in the fields of infrastructure-development, protection of the environment and the provision of public services in regions lagging behind that are suitable for reducing territorial disparities and unemployment by offering job opportunities for the unemployed and those who are no longer eligible for assistance. Funding is available upon submission of a proposal, typically from the state budget.

13 – 70/2009. (02.04) Government regulation on support to the work experience of young entrants with a vocational qualification and part-time employment to prevent mass layoff. It entered into force on April 5, 2009.

14 – 199/2008. (04.08) Government Regulation on support for public works programmes

From the perspective of employment policy employment in public work has the following roles:

- involving people who have adequate experience or qualifications and are ready for work in on-the-job training;
- offering a “larger-scale” solution in local areas where municipal governments are the only employers;
- promoting corporate social responsibility towards the problem of unemployment (cooperation, financial contribution);
- promoting coordination and cooperation of municipal governments in tackling unemployment at the level of micro regions.

*In public work projects at least 40% of the workforce has to be claiming Regular Social Allowance or Stand-by Allowance since 2008.*¹⁵

Community service work is regulated by the Social Act, which stipulates that municipal governments *organise employment* to improve the labour market situation of jobless people. This can be either community employment, public work, or community service work.

The *Pathway to Work* programme introduced in 2009 offers participation in public employment programmes to people claiming social assistance who are capable and ready for work. The main form of employment is community service work projects organised by municipal governments. Municipal governments together with the public employment service are required to prepare a public employment strategy. Participants in the programme get a fixed-term employment contract for a minimum of 90 days and the working time is at least six hours per day. Ninety-five per cent of the expenses (wage and contributions) arising in relation to community service work for municipal governments are reimbursed by the state budget and the remaining five per cent is paid together with the statutory state contribution to social assistance.

Start Cards to reduce the costs of employing disadvantaged people

15 – 199/2008. (04.08) Government Regulation amending the 49/1999 (26.03) Government Regulation on support for public works programmes

16 – Act 123 of 2004 on promoting the employment of young entrants, unemployed persons aged over 50, people returning to work after caring for a child or a family member and on graduate work placements; 31/2005. (29.09) Ministry of Finance Regulation on the conditions of use of the Start Card, claiming the reduced contribution rates and the detailed rules of financial reporting.

4.2. Start Card¹⁶

Contribution reliefs for employing disadvantaged workers are an important tool in improving their labour market chances. They are available to employers hiring school leavers, people returning from parental leave and the long-term unemployed (particularly those aged 50 or over and the low-skilled). The targeted reduction increases the chances of disadvantaged jobseekers when applying for a job.

a) The Start Programme aims to support the labour market entry of young persons by reducing the costs associated with their employment. The programme offers two years of work experience to young entrants while their employers are paying reduced rate contributions. Employers who hire young entrants with the Start Card are eligible for a subsidy up to twenty-four months. The subsidy is a universal discount on the contributions paid by employers as follows:

- Ten per cent of the gross wage in the first twelve months;
- Twenty per cent of the gross wage in the second twelve months.

As of January 1, 2010 the employers of graduates with a Start Card can only claim the contribution relief for 12 months: for nine months they pay ten per cent and for three months they pay 20% as a contribution. To take part in the scheme and claim the discounted rate, the individual must hold a Start Card which is issued by the tax authorities. The young person must have the Card or a proof of application before starting employment in order to receive the discount.

b) *The Start Plus scheme* aims at supporting long-term unemployed, parents with young children and people caring for family members to return to work. They are entitled to a reduction of the contributions paid by their employers for up to twenty-four months. To be eligible for the discount, they must be employed for at least 30 days and the working time must be no less than four hours per day. (*Therefore the discount can also be used for part-time employment.*) The employer pays a reduced contribution each month as follows:

- Ten per cent of the gross wage in the first twelve months;
- Twenty per cent of the gross wage in the second twelve months.

To receive the discount, the individual must hold a Start Plus Card which is issued by the tax authorities upon request by the individual. The employee must have the Start Plus Card or a proof of application before starting employment in order to receive the discount.

c) *The Start Extra Card* aims to support the employment of groups most disadvantaged in the labour market: people aged over 50 years, people with low education and as of January 1, 2009 people claiming Stand-by Allowance. They are entitled to a reduction of the contributions paid by their employers for up to twenty-four months. The employer pays a reduced contribution each month as follows:

- No contributions paid in the first twelve months.
- Ten per cent of the gross wage in the second twelve months.

d) *The Start Region scheme* was introduced on January 1, 2009 linked to the *Pathway to Work* programme. It aims to promote the employment of people claiming Stand-by Allowance. Employers that hire an eligible person are exempt from paying contributions for three years if they meet the following conditions:

- the employee holds a valid Start-Extra Card and he lives in a socio-economically and infrastructurally most disadvantaged small region or community with high unemployment;
- by hiring a new worker, the average yearly headcount increases; and
- this is maintained during the three years of exemption;
- the employer signs an agreement with the job centre to receive the relief.

The eligible groups and criteria are presented in tables *A5 and A6*.

4.3. Simplified employment

Simplified employment has replaced the temporary employment with the work log book. Its main rules are set out in Act 75 of 2010 on simplified employment that entered into force on August 1, 2010. The Act covers two types of employment:

- seasonal employment in agriculture and tourism, and
- temporary work.

In the case of seasonal work there is no limitation on the number of workers employed under the simplified rules. Nevertheless, for temporary work certain limits apply depending on the size of the business. These are as follows:

- businesses with no permanent employees: one temporary worker;
- businesses with one to five permanent employees: two temporary workers;
- businesses with six to twenty permanent employees: four temporary workers;
- businesses with more than 20 permanent employees: up to 20% of the headcount.

The same person can be employed in a seasonal job for up to 120 days and 90 days in a temporary job each year. However, the combined number of days in seasonal and temporary employment must be no more than 120 days. In seasonal employment work can be continuous for up to 120 days, however in temporary jobs it can be:

- up to five days in a row,
- no more than 15 days in a month,
- up to 90 days in 12 months.

There is no need for a written employment contract, however the employer must register the simplified employment. Employees do not have to pay contributions, employers pay a flat-rate of 500 forints/day for seasonal workers in agriculture and tourism and 1,000 forints/day for temporary workers regardless of the working hours and wage. This creates entitlement for:

- pension,
- emergency healthcare, and
- jobseeker's assistance.

SUMMARY

This year the legal and the institutional environment of the labour market has been presented in a new format. Instead of presenting *the changes* together with the reasons and motivations behind them and their consequences as in previous years, the review this year has focussed on the current rules. They have been presented in a concise manner with standardised tables for an easier understanding. These can be found in the Annex.

The review of the legal and institutional environment of the labour market has been divided into four parts. The first chapter has presented the income

replacement assistance for jobseekers, the second chapter has looked at the active labour market policies, services and programmes that are regulated by the Employment Act and can be accessed through the employment service. The third chapter has discussed the active labour market policies outside the scope of the Employment Act that are provided by the PES. Finally, the fourth chapter has reviewed policies outside the scope of the Employment Act and the PES.

The main features of passive and active assistance are presented in a standardised format *in the Annex*. *Tables A1-A4* give an overview of the conditions of financial assistance for jobseekers. *Table A5* presents the groups who can qualify for different Start Cards and *Table A6* presents the rate and the duration of contribution reliefs. *Table A7* is an important part of the Annex; it gives a summary of the employment and training subsidies regulated by the Employment Act as well as other legislation. The different subsidies have been categorised according to their purposes as follows:

- wage and contribution subsidies,
- different forms of community employment,
- training subsidies,
- job creation subsidies,
- job protection subsidies, managing group redundancies,
- travel-to-work subsidies,
- other (support to services and programmes),
- main SROP (Social Renewal Operation Programme) programmes.

All subsidies have been described according to the same criteria: first, the target group was identified, then the eligibility conditions, then the rate and the duration of the subsidy and finally the legal source.

ANNEX

Table A1: Eligibility criteria for jobseeker's benefit

| Introduction of jobseeker's benefit | Employment history | Duration | | Waiting days | |
|-------------------------------------|---|----------|----------|-------------------------------------|-------------------------------|
| | | minimum | maximum | In the case of voluntary redundancy | When receiving redundancy pay |
| November 1, 2005 | At least 365 days within the four years prior to unemployment | 73 days | 270 days | 3 months | n/a |

Table A2: Assistance for jobseekers, Income Replacement Allowance, Stand-by Allowance Statutory minimum wage in 2010: 73,500 forints/month (EUR275)

| Assistance | Minimum | Maximum |
|---|---|---|
| <i>Jobseeker's Benefit</i> First phase (half of the eligibility period, up to 91 days) Article 26, section 5, Act 4 of 1991 | 60% of eligible previous earnings, at least 60% of the statutory minimum wage applicable on the first day of eligibility: 44,100 forints/month (EUR165) | 60% of eligible previous earnings, up to 120% of the statutory minimum wage applicable on the first day of eligibility: 88,200 forints/month (EUR330) |
| <i>Jobseeker's Benefit</i> Second phase (remaining days, up to 179 days) | 60% of the statutory minimum wage applicable on the first day of eligibility: 44,100 forints/month | |
| <i>Jobseeker's Allowance</i> | 40% of the minimum wage: 29,400 forints/month (EUR110) | |
| <i>Income Replacement Allowance</i> Article 14, section 6, Act 4 of 1991 Between 60-100% based on individual decision | 44,100-73,500 forints/month paid to those who are attending a recommended or approved training course by the job centre at least 20 hours/week | |
| <i>Stand-by Allowance</i> Act 3 of 1993 | Statutory old-age minimum pension: 28,500 forints/month (EUR106) | |

Table A3: Main features of the Jobseeker's Allowance

| Eligibility | Duration |
|--|--|
| 1. Individuals who have been eligible for Jobseeker's Benefit for at least 180 days but exhausted their eligibility and have not found a job. | 90 days Aged 50 or over: 180 days |
| 2. Jobseekers who have been employed for 200-365 days within the four years prior to becoming unemployed | 90 days |
| 3. Individuals who are within five years of reaching the pension qualifying age and have been paid Jobseeker's Benefit for up to 140 days and exhausted their eligibility. | Until reaching the qualifying age for old age pension, but up to five years. |

Table A4: Eligibility conditions for social assistance of working age adults

| Regular Social Allowance (RSA) | Stand-by Allowance (RA) |
|--|---|
| Not capable for work due to disability or long term condition | No possibility of paid work including community employment due to a shortage of jobs. |
| Aged 55 or over | Taking part in a training course not eligible for income replacement. |
| No access to childcare for a dependent child aged under 14 (if the partner is not claiming assistance) | |

Table A5: The target groups of Start Cards (groups eligible for different types of Start Card according to Act 123 of 2004)

| | |
|--------------|--|
| Start | Young entrants eligible for Start Card Aged 25 or under – for graduates 30 or under – who have finished (or interrupted) their studies and who take up employment, including self-employment. |
| Start Plus | <i>The following groups qualify for a Start Plus card:</i> – persons returning to work within one year of claiming parental benefits or carer's allowance, or persons claiming child care allowance taking up work after the first birthday of the child, provided they are not employed – long-term jobseekers who have been registered with the PES for 12 of the previous 16 months, or six of the previous eight months in the case of persons aged under 25 |
| Start Extra | <i>Groups eligible for a Start Extra card:</i> a) long-term jobseekers aged 50 or over, or with low education and no age limit, b) jobseekers claiming Stand-by Allowance |
| Start Region | Employers can qualify for <i>additional relief</i> on top of the Start Extra card if: a) they hire an individual claiming Stand-by Allowance who has a valid Start-Extra Card and lives in a socio-economically and infrastructurally most disadvantaged small region or community with high unemployment; b) hiring this person increases the average yearly headcount; and this is maintained during the three years of exemption or twice the duration of the discount; and c) will not make this person redundant or dismissed by mutual agreement or will not go into liquidation while receiving the discount. |

Source: *Sándor Ádám*, 2010: SROP Measure 1.2.1 – The Evaluation of Contribution Reliefs on the Employment of Disadvantaged Persons: Start Plus and Start Extra Programmes, manuscript.

Start Plus and Start Extra Programmes are part of SROP Measure 1.2.1 and co-financed by the ESF Service Provider Non-Profit Ltd.

Table A6: Contribution reliefs attached to Start Cards*

| Period (after start of employment) | Start | Start Plus | Start Extra | Start Region |
|------------------------------------|--|---|---|--|
| First year | 17% in total** Source: national (LMF) | 17% in total Source: ESF co-financed | Full exemption (100% relief) Source: ESF co-financed | Full exemption (100% relief) source: ESF co-financed on the basis of Start Extra |
| Second year | 7% in total** Source: national (LMF) | 7% in total Source: ESF co-financed | 17% in total Source: ESF co-financed | Full exemption (100% relief) source: 17% on the basis of ESF co-financing and Start Extra; 10% national (LMF) |
| Third year | Full contribution paid, no relief | Full contribution paid, no relief | Full contribution paid, no relief | Full exemption (100% relief) source: fully national (LMF) |

* Contributions paid after the gross earnings of the employee: 27% social security contribution made up of 24% pension contribution, 1.5% health care services contribution, 0.5% health care benefits contribution, 1% labour market contribution.

** In the case of young graduates the 17% relief is only applicable for the first nine months of employment and the 7% relief from the second year applies for the following three months. The contribution relief can be claimed for a total of 12 months.

Source: *Sándor Ádám*, 2010: SROP Measure 1.2.1 – The Evaluation of Contribution Reliefs on the Employment of Disadvantaged Persons: Start Plus and Start Extra Programmes, manuscript

Start Plus and Start Extra Programmes are part of SROP Measure 1.2.1 and co-financed by the ESF Service Provider Non-Profit Ltd.

Table A7: Employment and training subsidies regulated by the Employment Act and other regulations

| Subsidy | Eligibility | Conditions | Rate | Duration | Legal base |
|--|--|---|--|--|--|
| Wage and contribution subsidies | | | | | |
| Job creation subsidy | Employment of disadvantaged jobseekers or persons with disabilities or workers at risk of redundancy | Workers in similar jobs have not been made redundant within the 12-month period before claiming the subsidy and will not be made redundant while receiving the subsidy. | Typically 50% of the wage and contributions, 60% for persons with disabilities | The duration of the subsidy but up to one year; two years in the case of jobseekers registered for two years of more | Art. 16, Act 4 of 1991 Art. 11, Ministry of Labour Regulation 6/1996. (16. 06) |
| Supporting part-time work to prevent redundancy | Part-time employment of workers at risk of redundancy | Decision not to implement a planned mass layoff; converting full-time employment to at least half-time employment; maintain original headcount and retaining workers receiving the subsidy for at least the duration of the subsidy after it has ended. | Up to 80% of the difference between the full-time and the part-time wage and contributions. The maximum wage eligible for subsidy is capped at 150% of the statutory minimum wage. | Up to one year | Government regulation 70/2009 (02. 04) |
| Supporting the re-employment of people made redundant as a result of the crisis | Supporting the re-employment of people receiving jobseeker's benefit by converting the benefit into a wage subsidy for the rest of their eligibility period. | Full-time employment of persons receiving jobseeker's benefit; they are eligible for at least 180 days of jobseeker's benefit when starting the employment | Up to 60% of the minimum wage and contributions (73,500 forints in 2010) | Number of entitlement days left from the Jobseeker's Benefit | Government Regulation 356/2009 (30. 12) |
| Supporting the work experience of young entrants with a vocational qualification | Young persons with a vocational qualification who have been cooperating with the job centre for at least 90 days but have not found employment | Regular employment of at least four hours/day; recipients of the subsidy cannot be made redundant | Between 50–100% of the wage (if it is paid at the 100% it cannot be higher than the statutory minimum wage for school leavers with basic level vocational qualification, 150% for medium-level and 200% for high-level vocational qualifications or higher education.); the subsidy is paid on the wage cost reduced according to the Start relief | For the duration of employment but up to 365 days | Government Regulation 70/2009. (02. 04) |
| Support to employing people claiming Stand-by Allowance | Incentives to hire persons who are receiving Stand-by Allowance | Full-time employment for at least the duration of the subsidy; no workers have been made redundant in similar jobs within the previous 12 months and will not be made redundant while receiving the subsidy; new workers increase the average headcount | Sum equal to the Stand-by Allowance (28,500 forints in 2010); can be used together with the contribution relief of the Start Extra card | Up to one year | Art. 16/B, Act 4 of 1991 (Employment Act) |

| Subsidy | Eligibility | Conditions | Rate | Duration | Legal base |
|--|---|--|--|--|---|
| Promoting the employment of jobseekers by micro, small- and medium-sized enterprises | Person registered as a jobseeker for at least three months, person out of work for at least one year, or has lost his job in a mass layoff within the previous three months | Micro, small- and medium-sized enterprises as well as voluntary organisations that employ at least 250 staff and have been established for at least six months and increase their headcount | Exempt from health insurance and labour market contribution and pension contribution for up to 130% of the statutory minimum wage | One year | Act 180 of 2005 |
| Types of community employment | | | | | |
| Community work | Unemployed person placed by the job centre in community employment | Headcount from previous month must increase (except in the case of people aged 45 or over); the employer is not getting paid for the service from elsewhere or non-profit activities; cannot be paid for those days when the municipal government is receiving subsidy for community service work; no worker has been or will be made redundant in similar jobs. | Direct labour costs up to 70%; for persons aged 45 or over or employed by Romani Minority Government up to 90%, LMF Management Committee or the labour council might award up to 90% for up to 24 months from LMF decentralised budget. | Up to 12 months; for people aged 45 or over 18 months; for people aged 50 or over or employment organised by Romani Minority Governments up to 24 months | Article 16/A, Act 4 of 1991; Articles 12-15, 6/1996 (16. 07) MoL Regulation |
| Community service work | Persons claiming Stand-by Allowance | Organised by the municipal government or an organisation designated by it on the basis of a community employment strategy; to provide community municipal services | Up to 95% of direct wage costs at municipal governments; 50% relief on social security contributions for earnings up to 130% of the minimum wage | At least 6 hours/day working time, at least 90 working days/year | Act 107 of 2008; Art. 36 of Act 3 of 1993 |
| Public work for the employment of jobseekers and the provision of community services | Jobseekers and people claiming Stand-by Allowance employed as employees or public servants. | The following organisations can qualify for subsidy: organisations financed from the central state budget, ethnic minority organisations, local development councils, municipal governments and their associations, companies managing public assets, non-profit organisations if they commit to employ a minimum of 100 people and their headcount increases as a result; a minimum of 10% own contribution to the costs of the programme; at least 80% of the subsidy is spent on wages and contributions; the employment service certifies that the positions can be filled with eligible jobseekers and at least 40% of the positions are filled with people qualifying for Stand-by Allowance | Funding allocated through competition. Grant contributes to the following costs: pay and contributions, travel-to-work expenses, tests to assess the suitability of candidates, purchase of workwear and protective equipment, and purchase of equipment up to 10% of direct employment-related costs, management and training expenses. | As set out by the agreement on the public work programme | 49/1999 (26. 03) Government Regulation |

| Subsidy | Eligibility | Conditions | Rate | Duration | Legal base |
|---|---|--|---|---|--|
| Support for training | | | | | |
| Training subsidy | Jobseeker; aged 25/30 or under who has not become eligible for jobseeker's benefit after leaving school; people on parental leave or carer's allowance; claimants of rehabilitation allowance; people in community service work; early school leavers aged 35 or under claiming Stand-by Allowance; people at risk of redundancy within a year or likely to become redundant without training (LMF Management Committee can define further target groups) | In the case of people claiming jobseeker's benefit training must be of at least 20 hours/week; for people aged 35 or under and receiving Stand-by Allowance are supported to finish primary school or strengthen basic competences necessary to start vocational training | Jobseekers and young entrants can be paid income replacement allowance up to 60–100% of the statutory minimum wage (44,100–73,500 forints); for people receiving social assistance are eligible for the reimbursement of training-related expenses; this is also fully or partly reimbursed for workers who can also be paid an income supplement | Typically for the duration of training, but claimants of jobseeker's benefit can only get this after they have exhausted their eligibility for the rest of the training | Art. 14. Act 4 of 1991Art. 1–9. 6/1996 (16. 07) MoL Regulation |
| Support for the creation of new employment opportunities | | | | | |
| Aid for job creation | Creation of new jobs, expansion of existing jobs, purchase of equipment and non-material goods for the introduction of new technologies or work-related costs in relation to job creation | Creation of long-term jobs for unemployed persons; job creation linked to investment projects; grant allocated through competition; a minimum of 25% own contribution | According to permitted aid intensity | Funding allocated through competition | Art. 18, Act 4 of 1991Art 18, 6/1996. (16. 07) MoL Regulation; 85/2004. (19. 04) Government Regulation |
| Support for the employment of persons with disabilities | Employment of persons with disabilities (50% reduction of work capacity or higher risk of being unemployed or less able to keep a job because of physical or mental impairment; job creation, conversion of facilities, purchase or transformation of special tools or equipment, modernisation of equipment and workplace and all the above linked to capital investment | Funding allocated through competition; employer has been operating for at least a year and a minimum of 20% own contribution; proof of adequate collateral, employment of persons with disabilities for up to two years, has not been fined 100,000 to 500,000 forints by the labour inspectorate within the previous two years; has fulfilled the conditions of any grant or subsidy paid from the LMF within the past two years, has not implemented a mass layoff within the previous six months; <i>has exceeded the statutory quota for the employment of persons with disabilities for the past 12 months, the average headcount in the previous six months was not less than 50 employees and at least half of them have a disability, will start the investment before the end of the next calendar year and the new capacities will be maintained for at least five years, will safeguard the subsidised jobs for at least three years.</i> | Funding allocated through competition (<i>maximum aid intensity up to 80%</i>) | Funding allocated through competition | Art. 19, Act 4 of 1991Art 19, 6/1996. (16. 07) MoL Regulation; 85/2004. (19. 04) Government Regulation |

| Subsidy | Eligibility | Conditions | Rate | Duration | Legal base |
|--|---|---|--|--|---|
| Supporting the self-employment of jobseekers | Jobseekers registered for at least three months or persons claiming rehabilitation allowance becoming self-employed | Proof of business activity; funding allocated through competition; at least 20% own contribution to the cost of business start-up and adequate collateral. | Monthly payment equal to the statutory minimum wage (73,500 forints in 2010); interest-free loan for up to three million forints, cost of business advice | For up to six months | Art. 17, Act 4 of 1991; Art 10, 6/1996. (16. 07) MoL Regulation. |
| Supporting the self-employment of people with disabilities | Unemployed and work capacity reduced by no less than 40% | Does not qualify for old age pension, not getting disability or accident-related disability pension, not claiming regular social allowance, transitional allowance, or miner's health impairment benefit. No need to qualify for jobseeker's benefit. | A monthly assistance equal to the amount of jobseeker's benefit (for people who are not eligible for jobseeker's benefit this is paid at the minimum rate) reimbursement of up to 50% of business advice and up to 100% of necessary training cost, and up to 50% of the collateral value insurance. | Monthly assistance: up to a further 12 months collateral value insurance: up to 12 months. | Art. 15, Act 4 of 1991; Art. 10, 6/1996. (16. 07) MoL Regulation; Art. 6, 11/1998 (08. 04) MoL Regulation |
| Safeguarding jobs and managing redundancies | | | | | |
| Support for safeguarding jobs | Can be paid to employers who plan to implement redundancies due to business difficulties | Notifying the job centre 30 days before implementing the redundancy and a written statement on why the efforts to avoid the redundancy and retain workforce were not successful; not under administration or liquidation; the affected worker has been employed by the same employer for at least six months; will retain the worker for at least the duration of the subsidy after it has stopped, maintains the average headcount during this period, and has not been fined 100,000 to 500,000 forints by the labour inspectorate within the previous two years. | Between 25–75% of the wage and contributions; 50–90% for persons with disabilities or if the pay equals the statutory minimum wage or reduced working hours (4–6 hours per day); up to 150% of the statutory minimum wage | Up to 12 months | Art. 18, Act 4 of 1991; Art 18/A, 6/1996. (16. 07) MoL Regulation; |
| Support to mitigate the impact of group redundancies | An employer planning to implement a group redundancy | The employer has initiated the statutory consultation for the group redundancy, agrees to set up an outplacement committee in the affected divisions and states what support including financial contribution these committees will receive, agrees to submit a report on the expenses and activities of the committee and has applied for the subsidy before starting to implement the redundancies. | Grant of up to one million forints per committee (the actual amount depends on the labour market situation of the area, the number of workers affected by the redundancy, and the amount of available funding) that can be used for operating expenses of the outplacement committee. | To be used within 12 months | Art 21A-B, 6/1996. (16. 07) MoL Regulation; |

| Subsidy | Eligibility | Conditions | Rate | Duration | Legal base |
|--|--|---|---|--|---|
| Support for commuting | | | | | |
| Travel-to-work subsidy | Hiring a jobseeker who has been registered for six months, three months in the case of persons with disabilities and young entrants | Has not made any workers redundant in a similar position in the six months before applying for the subsidy | Employer's statutory contribution towards commuting expenses (as set out in 78/1993.(13. 05) Government Regulation) fully or partly | Up to one year | Art. 2, 39/1998 (4. 03) Government Regulation |
| Subsidy for shared transportation | Employers who arrange shared transportation for workers between their home and the workplace (no public transport or where using it would be an unreasonable burden for the worker, i.e. time spent commuting would be two hours or more per day) | A minimum of four workers; preferential treatment of employers who arrange transport for workers with disabilities or former job-seekers. | Up to the employee's statutory contribution towards a bus pass between the worker's home and the workplace | Up to one year | Art. 3, 39/1998 (4. 03) Government Regulation |
| Other (support to services and programmes) | | | | | |
| Support for the elaboration and full or partial implementation of labour market programmes | Art. 18, Act 4 of 1991 Art 18/A, 6/1996. (16. 07) MoL Regulation; | Funding allocated through competition, recipient signs an agreement with the job centre (labour market services listed in the Employment Act and its implementing regulations, employment promotion subsidies from the Employment and Rehabilitation sub-funds of the LMF) | As set out in the agreement | As set out in the agreement | Art. 26/G, 6/1996. (16. 07) MoL Regulation; |
| Support for labour market programmes | A combination of services and subsidies provided to employers and workers, target group of the programme | Labour market programmes can be launched by the Management Committee of the LMF or the minister responsible for employment | As per programme | As per programme, up to three years | Art. 19/B, Act 4 of 1991 Art 26, 6/1996. (16. 07) MoL Regulation; |
| Wage subsidy for labour market programmes | Programme participants and those involved in the implementation | The elaboration and full or partial implementation of labour market programmes by legal entities, businesses without a legal entity, or private entrepreneurs | Up to 100% of wage and contributions | For the duration of the programme, up to three years | Art. 19/B (section 3), Act 4 of 1991 Art 11/A, 6/1996. (16. 07) MoL Regulation; |
| Support for employment services | Legal entities, businesses without a legal entity, or private entrepreneurs who provide free of charge information on jobs and vacancies in disadvantaged areas or for disadvantaged people, furthermore job, career, job-search, vocational rehabilitation guidance and counselling for jobseekers who have been offered these services by the job centre, local (area) employment guidance | Funding allocated through competition; have been providing the same service for a minimum of one year before the submission of the proposal, ensure adequate material and human resources, confidentiality of personal data and information, registration of service users. | A grant, its rate is set out in the administrative decision on funding | Up to three years, as per administrative decision on funding | Art. 13/A (section 3), Act 4 of 1991 Art. 21-25, 30/2000. (15. 09) MoE |
| Income replacement for participants of employment services | Jobseekers participating in group activities (job club) offered by the job centre | A minimum of 15 days | Equal to the income replacement allowance provided to training participants | Up to 90 days in any calendar year | Art. 26, 30/2000. (15. 09) MoE |

Main SROP Measures

| Measure | Target groups | Aims of the project | Components |
|---|--|---|--|
| SROP 1.1.1 Supporting the vocational rehabilitation of people with disabilities | People who qualify for rehabilitation allowance; jobseekers whose work capacity is reduced by 40-49%, 50-66% or 50-79% | The provision of vocational rehabilitation services for persons with partially reduced work capacity or persons with a disability to enable them to return to their previous job or find new employment. | Training, work experience through supported employment, job trials, self-employment and related services |
| SROP 1.1.2. Decentralised programmes for the employment of disadvantaged people | People with lower secondary education, young entrants, people aged 50 or over; people who have been receiving parental benefits or carer's allowance in the 12 months before joining the programme; disadvantaged groups defined by regional job centres; workers who have been made redundant | Supporting the labour market integration of disadvantaged people with individualised services and subsidies that also take into account the local employment situation and opportunities; taking into account the impact of the economic downturn on jobs, market people who have been made redundant have also been included in the target group; another priority target group are parents with young children returning to work as a result of the reform of parental leave; eligible in the programme: the cost of child care or care for dependent family members. | Training, wage subsidies, job trials, work experience, support for commuting and shared transportation, self-employment, employment services |
| SROP 1.1.3 Pathway to the world of work | People who qualify for Stand-by Allowance on the basis of the Social Act when joining the programme | Supporting the labour market entry of jobseekers who are registered by the PES and qualify for Stand-by Allowance; the programme should be coordinated with the Pathway to Work programme. | Complex and individualised services and subsidies that also take into account the local employment situation and opportunities. |
| SROP 2.1.1 Take a step ahead! | People with lower secondary education and no vocational qualification, or secondary education and no vocational qualification; people with a vocational qualification who can get a higher level qualification in the same area; people with an obsolete qualification | Training of people with no, low or obsolete qualification who are not reached by traditional training programmes; a component has been added to the programme which aims to promote the training of people claiming carer's allowance; this allows them to update their knowledge and develop their skills after a period away from the labour market and thus improve their chances of finding a job | Reimbursement of training expenses, financial assistance during training or a bonus after the successful completion of the course; contribution towards training material |
| SROP 2.3.3 Support for the safeguarding of jobs combined with reduced working time and training | Workers at risk of redundancy as a result of the economic downturn | Supporting the training of workers to prevent unemployment and safeguard jobs, and by re-organising working time and reducing working hours maintaining the employment potential of businesses. | Component A) micro, small and medium-sized enterprises; Component B) businesses with no less than 250 workers; Component C) micro enterprises from Central-Hungary Region. |