

1.1 Number of employees and average wages in government and municipality owned businesses

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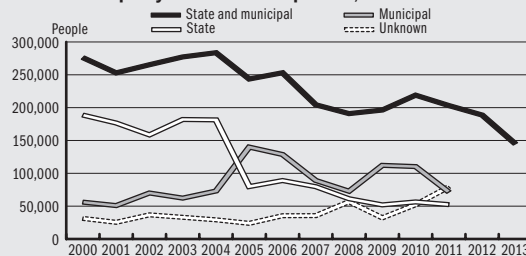
Given that the state-municipality owned business sector is, as a rule, classified as a part of the market sector – since the Labour Code is relevant also for employees of this sector –, this “hidden” public sector is virtually an unexplored area for statistical analysis. It is this shortfall that we have attempted to address by analysing data from the individual wage surveys conducted by the National Labour Office (Nemzeti Munkaügyi Hivatal, NMH) between 2000 and 2013. These data allow a breakdown of the market sector according to ownership structure into enterprises with a majority of state-local government ownership and to “genuine” private companies, where the state or the municipality has no, or only minority, ownership. Further fine-tuning of the analysis is possible if, within public assets, we separate state assets from municipal ones by relying on data from corporate tax returns, which are connected to the wage surveys of the KRTK data bank.

We are aware that for methodological reasons wage surveys are far from ideal for estimating the number of employees, nevertheless, for want of a better approach, we have to accept it as a first estimate. According to the data, the number of employees in the government and municipal business sector has decreased by 100,000 over the past decade, but still numbered 190,000 people in 2012 and 145,000 in 2013 (*Figure B1.1.1*). Taking this into consideration significantly enriches the well-known institutional statistical data on public sector employment (see Chapter 1).

Over the decade employment at companies owned by the central government decreased sharply and steadily, but grew at municipally owned enterprises. There was a radical change from 2004 to 2005, the explanation for which as yet remains unknown. On figure B1.1.1., up until 2011 (the last year when we were able to separate state and municipal ownership) we put “unknown” for the number of employees at companies where there was no

information on whether the owner was the government or a municipality. Such headcount figures differed each year (ranging between 11 and 39%) and the outstanding changes in 2008 and 2011 are, as it were, complements of municipal employment, therefore we can assume that the outlier data (more or less the part over 30,000) also represent municipal companies. With this correction it seems that since the 2006 austerity measures the employment level at municipality-owned companies has stabilized at around 100,000 employees. It can only be increasing because of expanding participation in the public works programme, although our estimate based on the wage survey suggests that until 2012 in this sector the increase of the full or part time workforce within the public works programme did not go beyond 5,000.

Figure B1.1.1: Number of employees at state and municipally owned enterprises, 2000–2013



Source: *Wage Tariff Survey* and the connected data on corporate tax returns from the *National Tax and Customs Administration of Hungary*.

The dynamics of earnings, non-adjusted for inflation, is almost unchanged in this sector, showing a steady increase (*Figure B1.1.2.a*). In the public sector (public servants and public service employees, without the public works programme) however, the increasing of wages ceased after 2008 and as a result of the crisis the dynamics of the genuine private sector was broken by 2010. Thus neither the government’s austerity measures, nor the impact of the crisis prevailed in the sector studied. The only marked change can be noted in connection with

the central state assets between 2006–2008, when the sector fell behind the municipal sector which was enjoying a steady increase in earnings, and also fell below the private sector. This disadvantage was overcome by an outstanding growth in 2009. (We do not know the exact reason behind the fluctuation but the assumption is that the Gyurcsány government had the state asset management organisations implement its austerity measures in the first two years, while the successor Bajnai government gave in to corporate efforts in this respect.)

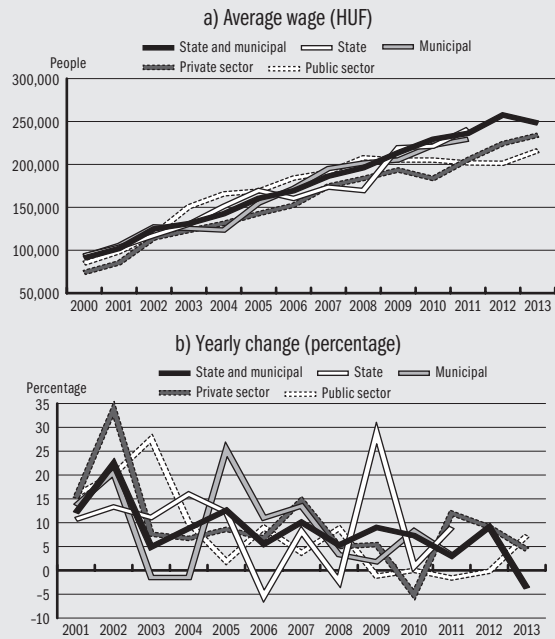
Differences between state- and municipality-owned companies are even more striking when we consider the fluctuation of yearly wage increases (*Figure B1.1.2.b*). The minimum wage hike in 2001–2002 can be perceived in every sector, as can also companies’ reactions to it: pay increases were withheld in the following years. This was a particularly powerful process, causing an explicit decline in wages and lasting two years in the sector of municipal enterprises, despite the statistics showing that the proportion of low wage earners is no higher here than in the private sector or among public servants and public service employees. Another noteworthy phenomenon is the central government’s “tightening-loosening” wage policy after 2006, which produced almost regular two-year cycles.

In order to define income disparity within sectors we used the inter-decile wage ratios of gross salaries (D9/D1, pertaining to the breakpoints of the first-second and ninth-tenth deciles) (*Figure B1.1.3*). As was expected, income disparities (the maximum being 5.1) are greatest in the real private sector, which decreased significantly in 2012 and remained low in the following year, probably due to the government’s “wage compensation” measure that impelled the mandatory increase of low wages. The entire governmental-municipal sector is closest to the aggregated public sector (excluding public works programmes).

The minimum wage hike in 2001–2002 squeezed the pay scale in the private and the municipal sector but its impact was hardly visible at companies owned by the central government. In 2013 the smallest income disparity (3.0) was detected in the public sector, which can be explained by the squeeze-

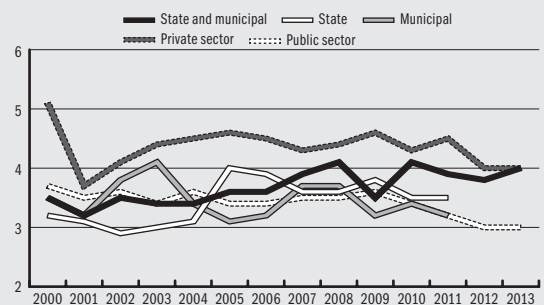
ing of the pay scale, which on this occasion was due to the minimum wage arriving at a level which exceeded frozen wages in pay scales. (See sub-chapter 3.2 of the present volume). Although the indicator of enterprises owned by municipalities and the central government has shown great swings over the decades – not independently from the annual wage increases –, it has nevertheless remained in the range between 3.0 and 4.0.

Figure B1.1.2: Average wage and its yearly change at state- and municipally-owned companies, 2000–2013



Source: See: Figure B1.1.1.

Figure B1.1.3: Wage differentials (D9/D1) in different sectors



Source: See: Figure B1.1.1.