IN FOCUS

PUBLIC WORKS

Edited by
JÚLIA VARGA

INTRODUCTION

JÚLIA VARGA

This year, *In Focus* addresses the issue of public works. The scale of Hungarian public works is unique in Europe both in terms of the number of participants and expenditure. By 2015, the government has envisaged the employment of some 200 thousands participants from a 270 billion forints budgetary support. The public works programme has been the most important employment policy of the period since 2010, and therefore analysing its short- and long-term effects is an important task. This part consists of two chapters: the first summarises international experiences, the second presents the facts and available research findings pertaining to the Hungarian public works. In *Chapter 1 Judit Kálmán* gives an overview about the international experiences of public works. She presents the motives, goals and theoretical background of public works, and reviews the design and results of evaluations of some concrete public works programmes in terms of their efficiency and effectiveness.

The chapter is supplemented by three *Boxes* which present in detail the programmes of countries or group of countries that run notable public works programmes. These texts also summarise the results of evaluations of these programmes.

In *Box* K.1.1 *Ágota Scharle* presents the most important characteristics of Slovak public works programmes, in *Box* K.1.2 *Judit Kálmán* does the same for the Argentinian ones, and in *Box* K.1.3 Tamás Bakó for the Scandinavian ones. The authors also summarise the most important evaluation results of respective programmes provided they are available.

Chapter 2 of *In Focus* deals with the Hungarian public works programme. In *Section* 2.1. *Katalin Bördős* sums up the *regulations* and amendments of certain forms of public works that have been in place in different periods since the regime change. The section deals separately with the system before 2011, and the one after 2011 that has involved uniform public works. It covers the regulations and institutional changes of certain forms of public works as well as their respective implementations.

In *Section 2.2 Irén Busch and Katalin Bördős* takes account of the most important data sources on public works with regard to participation and cost figures. The section provides an overview of the types of territorial (national, local) or individual level data available in each period, evaluates each data source in terms of their reliability, and briefly addresses the possibilities of data analysis. In *Section 2.3 Zsombor Cseres-Gergely and György Molnár* review the *basic facts* with regards to public employment. The authors assess

public works participation as an episode of the customer journey in public employment services leading, possibly, to employment on the open job market. They analyse participation rates in the public employment service for each programme, including public works, and track the typical journey of the unemployed belonging to different groups and having different observable characteristics.

In *Section 2.4 Luca Koltai* analyses the *values of public works employers*. It gives an account of the staff of organisations operating public works programmes by rendering their opinions, expectations, identified goals and perceived effects of the public works programmes. In *Section 2.5*, based on a particularly large national administration panel data base, *János Köllő* provides an analysis on the rate of public workers in the end of 2011, and assesses to what extent these individuals worked prior to 2011 in "real", that is, non-public works related positions. The *Section* examines the *extent real and public works contributed to the employment* of public workers, then analyses the frequency and length of real employment relationships.

In *Section 2.6* the study of *Zsombor Cseres-Gergely* describes who participates in public works programmes, and analyses the extent these programmes are implemented in line with their declared aims, whether they really reach out to the long-term unemployed and improve the employability of participants by temporary work opportunities.

In *Section 2.7 Márton Czirfusz* addresses the territorial inequalities of public works, and seeks to answer the question of whether the transformed and extended system of public works after 2008 has reproduced spatial inequalities.

In *Section 2.8 Irén Busch* reviews the most important data of winter public works that is aimed at decreasing the seasonality of public works. In *Section 2.9 Zsombor Cseres-Gergely and György Molnár* examine the individual and environmental factors related to exit from public works. The authors take into account which factors are related to exit to the open, non-public works-related job market, and which are the ones impeding that process. Furthermore, they also analyse the factors that lead to returning to public works, registered or unregistered unemployment, in contrast to employment in the open labour market.

Finally, the paper by *János Köllő* in *Section 2.10* examines the potential reintegration of public workers from the perspective of who they work together with: whether in genuine work organisations, with peers employed in the primary labour market, or in separate public works units. While the former may facilitate the opportunities for job seekers and employers to find each other, separation does not give an opportunity for employers to form an opinion regarding the skills and productivity of public workers in a genuine work environment, which can hinder the reintegration of public workers, and their transition from welfare to work.

The compiled analyses in *In Focus* examine public works from various angles. More detailed and evidence-based analyses are currently not available about public works in Hungary. The international overview enables us to assess the Hungarian programme also in the light of international experiences. We hope that this collection of studies will support a more evidence-based platform for decision making in public policy and enable professionals in the field to use the research findings presented. Likewise, we hope that the non-professional audience interested in the topic may also acquaint themselves with the nature, results and problems of public works.

1. THE BACKGROUND AND INTERNATIONAL EXPERIENCES OF PUBLIC WORKS PROGRAMMES

JUDIT KÁLMÁN

In this chapter we provide an overview of international experiences of public works. We present the motivation, goals and theoretical background of public works as a public policy intervention, the various designs of concrete public works programmes, and the main results of evaluations aimed at measuring the efficiency and effectiveness of these programmes. The chapter is supplemented with boxes which summarise the experiences of a few concrete cases in various countries (see *Boxes K1.1, K1.2* and *K1.3*).

Public works programmes were introduced in developed and less developed countries with a variety of motivations and goals. These included counter-cyclical measures or social policy, infrastructural development and disaster management aims. The programmes operated in various forms and with various target groups and programme structures. The experiences concerning their implementation and levels of success are also different.

The labour market background of public works – the problem of the long-term unemployed and their activation

The linkage of welfare provisions to public works (*workfare*) can only be understood in the context of activation *interventions* directed at the unemployed and the fight against poverty. Activation measures try to facilitate the return to the labour market of the long-term unemployed and other disadvantaged groups.

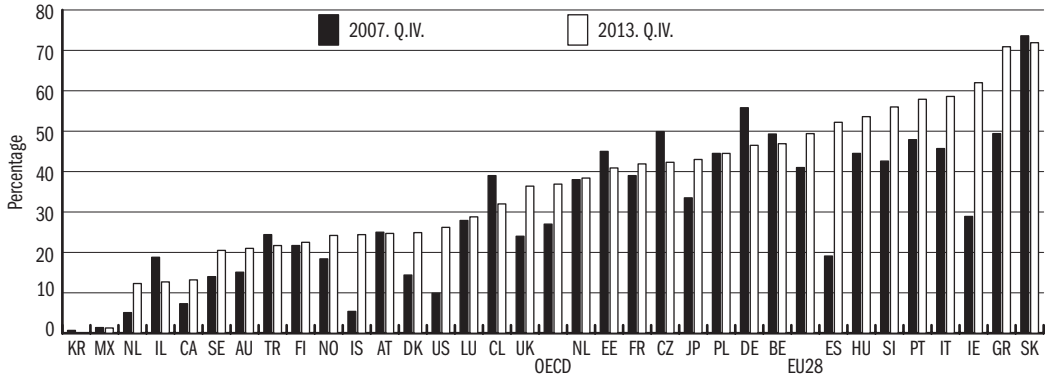
Earlier what was meant by activation – strictly speaking – was the size of expenditure for active measures, and in this respect, there were significant cross-country differences in public policy practices. The crisis has renewed attention to the importance of activation, as well as to the fact that different elements of the unemployment and social benefit systems were interrelated. Thus, the efficiency of active labour market measures depends on the generosity of insurance based and social benefits, eligibility conditions and the monitoring and enforcement of these conditions, as well as on the sanctions applied in the case of non-compliance (see more on this, for example, *Martin,* 2014, *Immervoll–Scarpetta,* 2012, and the OECD series: *Grubb–Tergeist,* 2006, *Duell–Grubb–Singh,* 2009, *Grubb–Singh–Tergeist,* 2009).

Since the outbreak of the economic and financial crisis, long-term unemployment has further increased (*Figure 1.1*) in most countries, including Hungary. This causes significant social tensions and puts a serious burden on the social and employment system, thus the activation of the unemployed involves significant challenges.

Following the rise in unemployment which accompanied the crisis, social spending has also risen in almost all countries. It is striking though that in

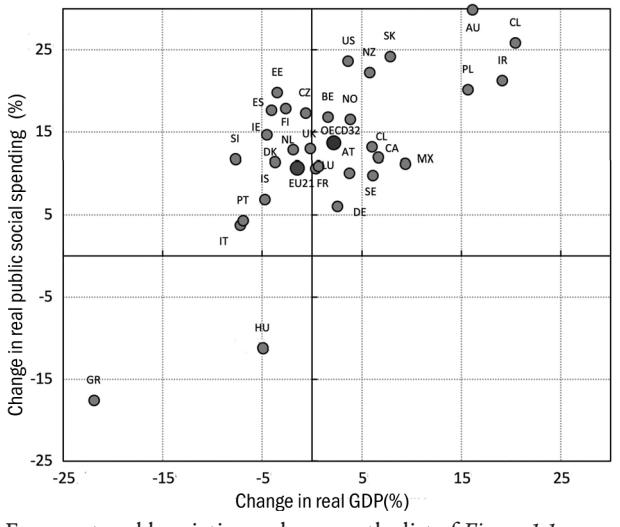
Hungary and Greece, both heavily affected by the crisis, social spending decreased, while in Spain and Ireland, which were also inflicted with high rates of long-term unemployment, this spending significantly increased (*Figure 1.2*).

Figure 1.1: The rate of long-term unemployed among the unemployed in OECD countries before and after the crisis, 2007, 2013 (percentage)



Abbreviations: AT: Austria; AU: Australia; BE: Belgium; CA: Canada; CL: Chile; CZ: Czech Republic; DE: Germany; DK: Denmark; EE: Estonia; ES: Spain; FI: Finland; FR: France; GR: Greece; HU: Hungary; IE: Ireland; IR: Israel; IS: Iceland; IT: Italy; JP: Japan; KR: Korea; LU: Luxembourg; MX: Mexico; NL: The Netherlands; NO: Norway; NZ: New-Zealand; PL: Poland; PT: Portugal; SE: Sweden; SI: Slovenia; SK: Slovak Republic; TR: Turkey; UK: The United Kingdom; US: The United States.
Source: *OECD* (2014a).

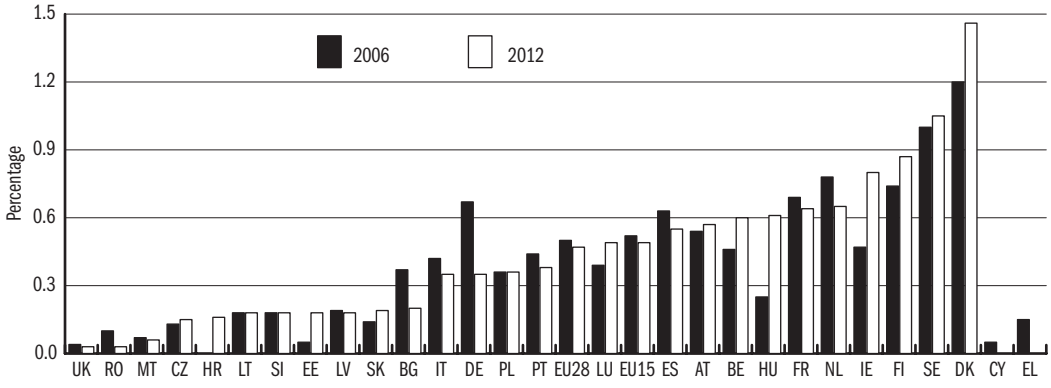
Figure 1.2: Changes in social spending and real GDP between 2007/2008 and 2012/2013 in OECD countries (percentage)



For country abbreviations, please see the list of *Figure 1.1.*
Source: *OECD* (2014b).

There are significant differences across countries in terms of their GDP-ratio expenditure allocated to active labour market measures, which are influenced by different public policy traditions, labour markets and macro-economic situations (*Figure 1.3*).[1]

Figure 1.3: Expenditures for active labour market interventions in GDP-ratio before and after the crisis in EU member states, 2006, 2012



Abbreviations: AT: Austria; BE: Belgium; BG: Bulgaria; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; EE: Estonia; EL: Greece; ES: Spain; FI: Finland; FR: France; HR: Croatia; HU: Hungary; IE: Ireland; IT: Italy; LT: Lithuania; LU: Luxemburg; LV: Latvia; MT: Malta; NL: The Netherlands; PL: Poland; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia; UK: The United Kingdom

Source: Own calculations based on the Eurostat Labour Market Policy (LMP) database.

Increasing the rate of active labour market measures is unambiguously recommended by the OECD and the EU, since recent evidence supports the perception that these are much more efficient from a labour market perspective than passive measures. In this respect, Hungary is in the mid-range: it spends less as a share of GDP on active measures than the Scandinavian countries, but more than other East-Central European and especially, Mediterranean countries. One of the main reasons for the significant increase of these in Hungary after the crisis is attributable to the costs of its increasingly expanding public works programme.

Linking welfare benefits to work

The reform of the classical – primarily benefit based – welfare system, the practice of tying the provision of benefits to useful work for the public, and enforcement via financial sanctions, that is the development of the *workfare* (*work* and *welfare*) *system,* originates from the United States. The expression has been known since the 1970s but the use of these programmes has only spread in the developed and developing world since the 1990s.

1 *Hudomiet–Kézdi* (2011) and *Galasi–Nagy* (2012) write more extensively on the international experiences of public works.

In the United States, the Act that enabled member states to launch programmes linking benefits to work was introduced in 1981. After five years, these programmes were already in place in 29 states and, following the welfare reforms of the Clinton era [Personal Responsibility and Work Opportunity Act (PRWORA), 1996], their number increased sharply. At the same time, active labour market measures are used in the United States only to a very limited degree and the social welfare system is not as developed either as in European countries.

In the United Kingdom, it was also in the 1990s that connecting work with the welfare system became one of the main goals of the reforms (*welfare to work*). The New Deal programmes (*New Deal for Young People, New Deal* 25+, *New Deal for Lone Parents, New Deal for the Disabled, New Deal* 50+ *targeted those aged* 50+ etc.) and a tax reduction to support employment (*Working Families Tax Credit*) were introduced at this time. Several local welfare to work programmes were launched.

The introduction of welfare programmes linked to work and the emphasis on work elements also have traditions in the Scandinavian countries, although not necessarily in the form of extensive public works programmes (see *Box K1.2*). Welfare programmes linked to work are also prevalent in Australia (*mutual obligation*), Canada (*Canada Works* and other local programmes) and the Netherlands (*Work first*).

It is typical of workfare systems that beneficiaries have to comply with various conditions in order to be able to receive benefits. These conditions are such that an element of them is aimed at the improvement of the employability of the beneficiaries (training, rehabilitation, gaining work experience) and another element prescribes publicly useful activities (free or very low paid public works). The introduction of this system spurred heated social debates, as did the phenomenon of welfare dependency, which is often mentioned to justify the system.

There are two types of *workfare* programmes. While the first one is aimed at reducing benefit dependency and assisting a return to the primary labour market, the second one intends to improve skills and promote employment (training, qualifications) for recipients of social services and benefits, or among societal groups whose members have less opportunities to become employed in the primary labour market. In practice, the individual programmes usually incorporate both approaches: beyond changing income transfers they also seek to create incentives for employment (wages instead of withdrawn or reduced benefits).

Public works programmes in developed and developing countries

Specific public works programmes are known not only under the name of *workfare*, but as temporary community projects or work-intensive projects

– reflecting the idea that they are not only about infrastructure construction and maintenance projects organised by the government, but also about various useful activities beneficial to the public. These programmes are used in countries having different levels of development. In several less developed countries, they are virtually the only labour market interventions applied. In developed countries, however, their use is being retracted – due to the impact of negative evidence in analyses and evaluations –, for they are costly and other labour market interventions have proved to be more efficient, primarily due to substitution – and crowding-out effects.

The main macro-economic goals of public works programmes usually include: reduction of seasonal and/or cyclical unemployment, direct job creation, tackling regional and structural labour market problems, helping certain workforce-groups in disadvantaged situations, combating poverty, providing income transfers for the poor and a certain stimulus to the economy. The latter can be realised not only through rising consumption, but public works programmes can also encourage the creation of new jobs over the long term. Used as countercyclical measures during economic crises, jobs created by public works generate income and thus can increase aggregate demand.[2]

In developing countries the above goals are complemented or substituted by disaster management, reduction of seasonal unemployment and income losses following poor harvest years or slowdown in infrastructure construction etc. Most of these programmes tend to offer short-term (typically 3–12 months) employment for low wages typically in the construction, farming and regional development sectors as well as community (education, health, social) services (*Betcherman et al,* 2004). The organisers of public works can be municipalities, civil organisations or even private firms.

In countries with high and middle incomes – where there are no budget or administrative constraints to implement a rapid response programme – public works are primarily used for macro-economic reasons, most often as short-term shock therapies, or as temporary measures against high unemployment (the upper part of *Table 1.1*). The first and most well-known such public works programme implemented with a crisis-management purpose was the New Deal in the United States during the 1929–1933 crisis, but more current examples include the Argentinian, French, Chinese, South-Korean or even the Latvian, Slovenian, Portuguese programmes.

The targeted participants are usually special – less employable and/or long-term unemployed – social groups, and therefore, these programmes often involve re-employability (combined with training elements), or in some cases, welfare functions as well. Such an example is the reform of the Argentinian *Jefes* programme which transformed from a short-term intervention to a large-scale social safety net reaching the bottom 20 per cent of households (see *Box K1.2* on the Argentinian experiences). The South-African and Latvian public

2 **Among the EU countries, Latvia, Hungary, Slovenia, Portugal and the Czech Republic have restarted large-scale public works programmes in reaction to the crisis.**

works programmes were also similar, dedicated to reducing long-term poverty. Latvia, hit hard by the global financial crisis, introduced its programme as a reaction. Between 2008 and 2010, the county's GDP fell by 21 per cent, while from 2008 to 2009 the poverty rate increased from 10.1 per cent to 18.1 per cent, and the employment rate decreased by 11.2 per cent. In reaction to these problems Latvia spent an amount equivalent to 22 billion forints (or about 73 million EUR) for its public works program between 2009 and 2011, which comprised 0.25 per cent of the Latvian GDP and was 2.5 times the social and anti-poverty expenditure (*Azam et al*, 2013).

Table 1.1: Some examples of public works programmes in middle and low income countries

Country, programme	Start date	Main objective/root cause
Middle income countries		
Argentina (Trabajar)	1996	Tackling macroeconomic shocks
Argentina (Jefes de Hogar)	2002	Tackling macroeconomic shocks
Botswana	1978	Seasonal employment
Chile	1993	Tackling macroeconomic shocks
South-Africa	2004	Poverty reduction
Salvador (Programa de Antecion Temporal al. Ingreso)	2009	Poverty reduction
Latvia	2009	Tackling macroeconomic shocks
Poland	1992	Active labour market intervention
Mexico (Programa Empleo Temporal)	1995	Tackling macroeconomic shocks
Sri Lanka (Emergency Northern Recovery Project)	2009	Poverty reduction
Uruguay (Programa de Actividades Comunitarias)	2003	Tackling macroeconomic shocks
Low income countries		
Afghanistan	2002	Poverty reduction
Bangladesh (Rural Maintenance Program)	1983	Transition to re-employment
Ethiopia	2005	Poverty reduction
India (MGNREGS)	2006	Guaranteed employment
Yemen	1996	Tackling macroeconomic shocks
Kenya	2009	Poverty reduction
Madagascar (HIMO)	2000	Seasonal employment
Malawi (Central region, infrastructure programme)	1999	Transition to self-employment
Malawi (Social Action Fund)	2009	Seasonal employment
Ruanda (Vision 2020)	2008	Poverty reduction
Tanzania (Social Action Fund)	2000	Seasonal employment
Zambia	2002	Poverty reduction

Source: *Subbarao et al* (2013) Table 3.3 and 3.4.

In developing countries public works programmes can serve various short and long-term objectives (the bottom part of *Table 1.1*), however, these countries also face serious implementation challenges in a number of areas including administrative capacities, lack of information and budget sources. Due to such obstacles, the targeting of programmes is often combined: on the one hand, they are concentrated at the most disadvantaged settlements, which

is already some sort of selection, and, on the other hand, the public works wages are offered below the market wage (or if it exists, the minimum wage) usually accessed by the poor –, which has a self-selection effect, i.e. only those persons apply to the programmes who do not have other income opportunities (*self-targeting*). In these countries public works programmes serve the purposes of poverty reduction, guaranteed employment, perhaps transition to employment, in contrast to developed or middle income countries, where one-off tackling of macroeconomic shocks and active labour market character are more determinate.

Theoretical background – arguments for and against public works programmes

Linking welfare services to public works is based on the theoretical premise that the unemployment benefit, – allowances and other passive provisions decrease the willingness to work, which can be counter-balanced by the eligibility conditions and attached sanctions of active programmes – such as public works. So this is not about the eligibility criteria that determine benefit entitlement (such as that the claimant's income is below a certain level for means-tested benefits), but about further payment conditioned on behavioural requirements and the sanctioning of non-compliance (*OECD,* 2007, *Besley–Coate,* 1992, *Basu,* 2013).

Since access to information is asymmetric, this system helps the service to reach the target group. There is a screening effect that can operate through conditions which attract only those who are the most in need and keep the better-off away from the programme, which in turn, reduces the administrative costs for the government. The operation of this effect is confirmed by the study of *Dutta et al* (2012) who grouped the participants of the Indian workfare programme into income groups and demonstrated that the participation rate was virtually zero among the rich, but 35 per cent among those in the lowest income percentile.

Indirectly, a *deterrent effect* operates. The conditions cause such a degree of inconvenience (frequent visits to the public employment agency, compulsory public works, perhaps training, etc) which compels the leaving of the unemployment status as soon as possible, or the outright avoiding of benefits and the taking of individual steps against poverty. Nonetheless, *Besley–Coate* (1992) draws attention to the fact that the deterrence effect of public works can only function if the amount of work to be performed is much higher than the claimants usually work without the intervention. This, however, is very difficult to measure in countries with extensive grey and black economies.[3]

The following arguments are usually made *for* workfare type public works programmes:

3 Surveys (*Molnár et al,* 2014, *Koltai*, 2013c) in Hungary also confirm that those in the periphery of the labour market work a lot both in registered and unregistered employment, and public works is not a deterrent, but is perceived in some regions, quite contrarily, as an opportunity.

- *Political popularity* – programmes are visible and can be well communicated, the tax payers may feel that the beneficiaries provide something to the public in exchange for the benefits (*value for money*).
- Provision of *fresh work experience* to the participants. The lack of work experience is often one of the major obstacles of employment for the long-term unemployed.
- Well designed public works programmes can indeed create useful *infrastructure*, which can promote growth and reduce territorial inequalities, etc. (*OECD,* 2007, *Martin,* 2000).
- Wide-scale public works programmes *can have a wage-increasing impact* in the private sector. *Berg et al* (2012), for example, have shown that since most of the poor of India usually live and work in rural areas, one way in which the *Mahatma Gandhi National Rural Employment Guarantee Scheme* (*MGNREGS*) programme, involving some 54 million households, contributed to the reduction of poverty was an indirect effect, whereby market wages in the agricultural sector had increased in territories where many were involved in the programme. *Imbert–Papp* (2015) also found similar results in relation to this Indian programme.
- Strengthening social cohesion, pro-poor growth, reducing exclusion, combating unregistered employment (*OECD,* 2009, *Martin* 2014).

Against workfare type programmes the following arguments can be made:

- Programmes can stigmatise participants.
- The job opportunities offered in public works are usually simple tasks not requiring any qualifications, which do not help in gaining real work experience that is valued by employers and would increase subsequent chances of employment. In fact, by constraining the available time on job search, public works make employment chances even worse (*Kluve*, 2006).
- The *substitution effect* of these programmes, that is, if employees are laid off and then the given tasks are carried out by public workers, one cannot talk about real job creation.
- Too intensive use of the programmes can crowd out private employment, which can even contribute to the widening of the poverty gap and social inequalities, which may generate further public expense.
- There can be a *budget substitution effect* if public works programmes that are too long and involve expensive maintenance costs, draw away resources from more efficient public policy programmes; this effect has been shown by several evaluation studies in the United States with regards to directed job creation programmes. (*Roy–Wong*, 2000).
- A so-called *locking-in effect* takes place in public works when the engagement of participants in job search is limited or non-existent, whereby participation in public works makes people eligible again for unemployment benefits, which lead to a kind of public works-benefit spiral (on this see, for example,

Brown–Koettl, 2012, on the Hungarian situation *Csoba,* 2010, *Csoba–Nagy*, 2012, *Köllő,* 2009, *Köllő–Scharle,* 2011, *Molnár et al,* 2014). This effect can be increased or its development can be facilitated by the method of programme design: defining the number of working hours and other criteria.

- *Deadweight loss* can appear (as with all government interventions), that is, whether the given job would have also been created without the public works support.
- *Job replacement effect* can take place on the part of the individual, which means that there are even some employed in public works programmes who could otherwise find a job in the primary labour market.

Different forms of public works

As has been shown, public works are complex governmental interventions usually affecting multiple, even conflicting problem groups, which in turn can decrease their efficiency. The form of implementation and the structure of the programme depend on the declared objectives, size, characteristics and needs of beneficiary social groups. If these factors are not treated with due care, then the poverty reduction effect of public works deteriorates (*OECD*, 2009). The forms of public works programmes can be the following.

1) Fixed-term annual *employment guarantee programmes*, for example, providing guaranteed employment for a specific duration *outside the harvest season*. (An example of this are the Indian *National Rural Employment Guarantee Scheme,* later named the *Mahatma Gandhi National Rural Employment Guarantee Scheme*, and the *Employment Guarantee Scheme* operating in Maharashtra state.)

2) *Governmental employment programmes*, which mostly offer large-scale, long-term and continuous employment during economic, political or labour market tensions (the most well-known example is the *New Deal* programme implemented in the United States in the 1930s, or the *Jefes de Hogar* programme in Argentina, introduced in 2002). Typically, these larger-scale programmes are suspended or reformed following a change in the economic situation. These programmes in the United States have achieved some serious and long-lasting results in infrastructure development. Public works can mean not only the creation or maintenance of physical assets or infrastructure. Some experimental programmes employ public workers in social or health services – for instance, since 2010 in the United States public workers have been employed in home care for the elderly and people living with AIDS, or in day care for children, etc.

3) *Short-term employment* programmes following *natural disasters* or during temporary labour market tensions. This is the most typical form, for example, in Africa and South-Asia. These programmes have a dual aim: to eliminate damage and to provide temporary, one-off income transfers to the poor.

4) Explicitly *labour intensive employment programmes*: the aim of these, on the one hand, is to increase aggregated employment, and on the other, to

create valuable infrastructure. This form is often used by international donor organisations as well, in order to make sure that their organisational expenses also benefit the poor. An example of this could be the *AGETIP* programme in Senegal, the *Employment Intensive Infrastructure Programming* (*EIIP*) programme of the ILO, and a number of programmes financed by the World Bank.

The method of programme financing also varies. In Europe, the USA, Canada and South-Asia, these programmes are typically financed from national (and regional, local) government sources, while in Africa by multilateral organisations and donors. The latter usually provide only temporary employment and do not guarantee return to the primary labour market. The cost of programmes are influenced by capital intensity (especially, materials and assets in respect of high value infrastructure), but administrative, organisational and management costs are not negligible either. In public works that create physical infrastructure, the cost of the work force is usually around 30–60 per cent of total costs, while in programmes organised to provide services they can reach up to 80–90 per cent (*del Ninno et al,* 2009).

The *selection* of participants into public works programmes can occur by self-selection, by programmes focusing on disadvantaged local communities, by assessing the financial situation of applicants (means testing), or any combination of these. Since most of the time, the programmes provide temporary employment, participants are mostly registered as programme beneficiaries and not as public employees, hence, the employment regulations and respective wage levels do not apply for them either. In most of the public works programmes, payments are not accounted as wages but as compensations, which thus can be even lower than the official minimum wage, in fact, social security and health contributions are usually not deducted either. Some programmes however, – such as the Argentinian *Tarabajar* or the South-African public works programme – provide health and occupational accident-insurance to their participants, sick leave and maternity leave for those working more than four days per week, and so forth.

The regulation, organisation, practical implementation, administration and management of programmes are a complex task. Nevertheless, in the literature it is generally accepted that the *success and effectiveness of these programmes depend exactly on factors such as the timing, adequately determined wage levels* – motivation of participants –, and the quality of performed work and/or completed infrastructure (*Subbarao et al,* 2013, *Ravallion et al,* 2013).

Since public works programmes are often decentralised, the responsibility of the local municipalities must be stressed in the selection of projects and participants. In the literature a separate concept (*program leakage*) refers to public works-related fraud and corruption phenomena, which are unfortunately frequent, as opportunities arise at several points – but to date few aca-

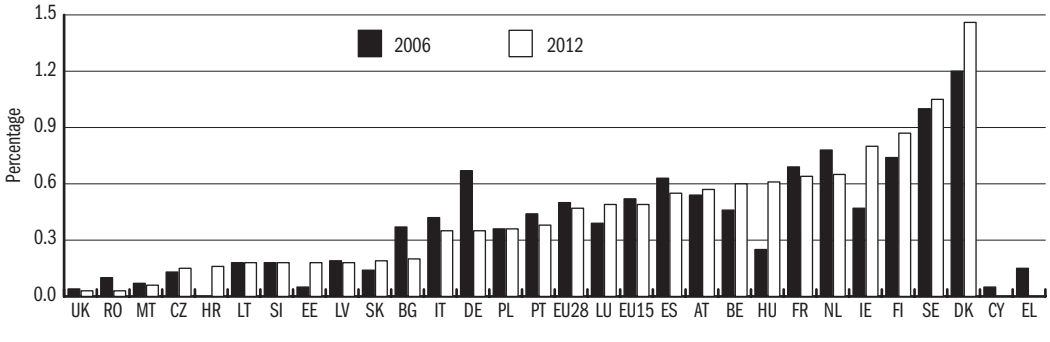
demic studies have examined these aspects in detail. Fraud and corruption can occur at the point of selection of participants/beneficiaries. Potential participants may provide false data regarding their household and personal incomes in order to get into the programmes. Selection might occur not only following predetermined eligibility criteria but also through acquaintances, bribed officials, on political grounds, etc and, therefore, the programme is less able to meet its original objectives in supporting the poorest. Furthermore, corruption cases can happen during the implementation phase as well: there are more public workers registered than actually employed, the performed job is over/under-estimated, or the actual payments differ from wages reported and reimbursed in the programme (*Subbarao et al,* 2013).

Expenditures and number of participants in European public works programmes

As we have seen in *Figure 1.3*, expenditures as a GDP percentage on active labour market interventions are very different in European countries. The Scandinavian countries are the forerunners, the Mediterranean ones are the laggards, and Hungary is situated somewhere in the middle. Within active labour market measures, it is *direct job creation* spending that indicates the resources allocated for public works programmes. The GDP ratio of these figures varies greatly in different countries as well (*Figure 1.4*). In 2014, Hungary (0.47 percentage points of GDP), Ireland (0.28 percentage points of GDP), Bulgaria (0.15 percentage points of GDP) and France (0.14 percentage points of GDP) spent the most on direct job creating public works programmes. Within the expenditure of active labour market measures the spending of Slovenia, Ireland, Lithuania and Latvia are relatively high (around 20–30 per cent, which translates to 0.07–0.14 percentage points of GDP). Together with Greece, these are the countries that operate more significant public works programmes.[4]

4 *Koltai* (2013c) offers more insight into the details, requirements and results of European public works programmes, which include several lessons for the Hungarian programme as well.

Figure 1.4: Expenditure on direct job creation in GDP percentage, 2006 and 2012

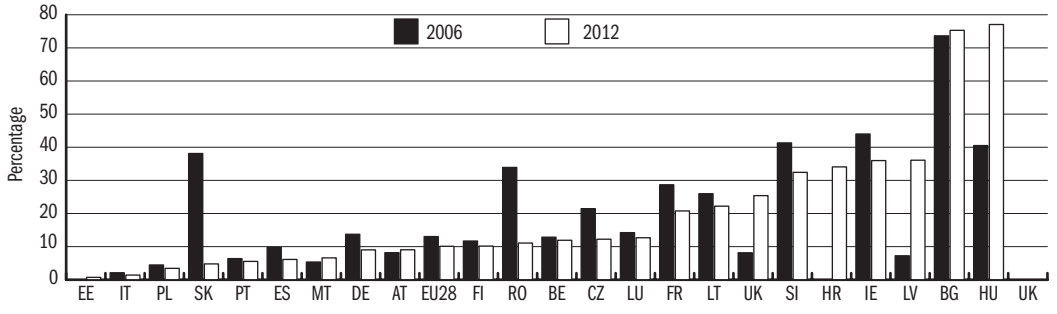


For country abbreviations, please see the list below *Figure 1.3*.
Source: Own calculation based on Eurostat Labour Market (LMP) database.

Figure 1.5 shows the rate of expenditure on direct job creation within active measures before and after the crisis. Strikingly, the expenditure was increased in only three countries in reaction to the crisis: in Bulgaria, Latvia and Hungary. Bulgaria and Latvia however belong to the group of countries that spend relatively little proportion of their GDPs on active measures (see *Figure 1.3*) but within active measures, Bulgaria devoted 75 per cent of its spending to public works in 2012.[5] The Hungarian public works programme achieved roughly a similar ratio within active measures by 2012.

5 Countries spending the most on ALMP measures in terms of their GDP ratios: Denmark, Sweden and the Netherlands do not even feature in *Figure 1.3,* which just shows how untypical it is for them to tackle unemployment by public works.

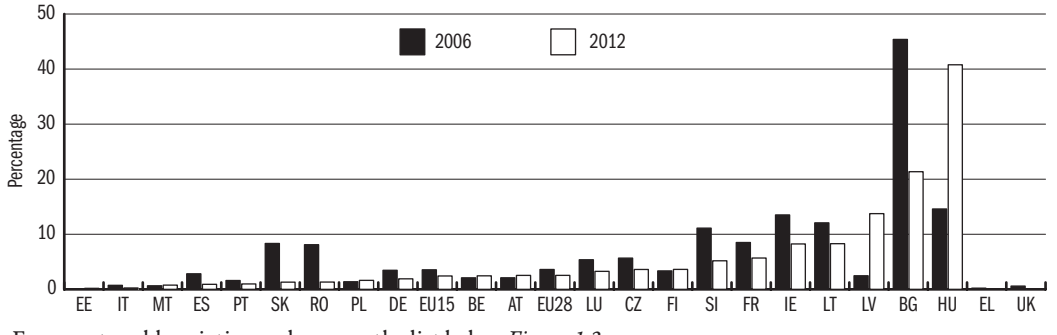
Figure 1.5: Expenditure on direct job creation within active labour market measures (percentage)



For country abbreviations, please see the list below *Figure 1.3.*
Source: Own calculation based on Eurostat Labour Market (LMP) database.

Looking at the ratio of expenditure on public works and direct job creation within total (active and passive) labour market expenditures (*Figure 1.6*), one can notice that even in Bulgaria – just as in any other countries – the rate of expenditure on public works programmes has fallen back to 20–21 per cent since the crisis.

Figure 1.6: Expenditure on direct job creation within total labour market expenditure (percentage)



For country abbreviations, please see the list below *Figure 1.3.*
Source: Own calculation based on Eurostat Labour Market (LMP) database.

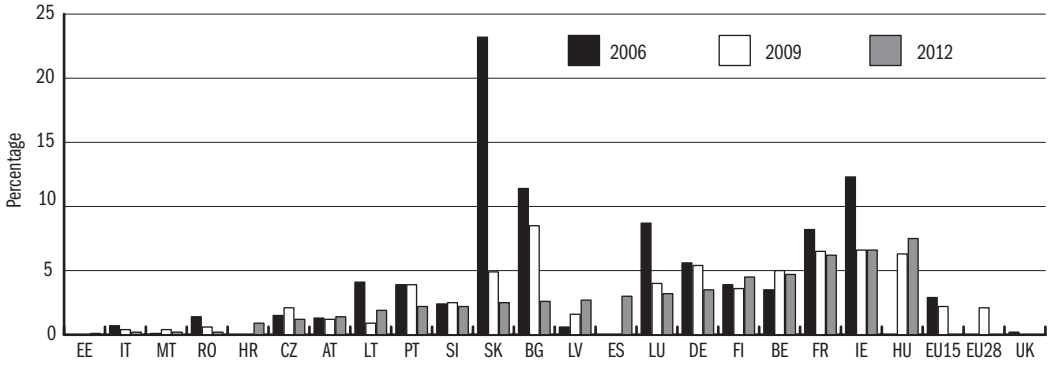
Thus, while the majority of European countries have reacted to the crisis with other types of labour market interventions, the increase of public works was striking in Latvia and especially Hungary (from 14 per cent in 2006 up to

40 per cent). The scale of the Hungarian public works programme shows that the degree of its application to manage the crisis and long-term unemployment are unrivalled in the whole of Europe.

Figure 1.7 provides a comparison on the number of participants in public works programmes before and after the crisis. These programmes were quite significant in Bulgaria, France, Luxemburg, Ireland and Slovakia, with 7–20 per cent of those seeking employment being public workers in 2006.

In most countries, however, the number of those involved in public works decreased during the crisis, even in the case of French, Luxembourgish and Irish programmes, which previously were characterised by high participation rates. In Slovakia the decrease was drastic, but even in Bulgaria, where the rate temporarily increased to 15 per cent between 2006 and 2008, yet by 2012, the proportion of public workers had fallen considerably, implying that after the crisis most of the unemployed were treated with other active and passive measures in that country too.[6] In 2012, the Hungarian public works programmes was the most extensive in respect of the rate of job seekers involved in public works, only the Irish and French public works programmes approximate this participation rate.

Figure 1.7: The rate of participants involved in direct job creation (public workers/100 job seekers) 2006, 2009, 2012



For country abbreviations, please see the list below *Figure 1.3*.
Source: Own calculation based on Eurostat Labour Market (LMP) database.

Evaluations of the efficiency and effectiveness of public works programmes

According to international evidence on active labour market measures the more a programme is tailor-made and targeted the better chances it has to achieve real results. Impact assessments and analyses of some programmes relying on micro-econometric tools found different impacts, and often not significant or negative effects for various labour market interventions (for de-

6 In this database there are no data with regards to Hungary in 2006. The Hungarian data on public works is presented in detail in Section 2.3.

tails on this and the applied methodology see, for example, *Kézdi,* 2011, *Hudomiet–Kézdi,* 2011, *Galasi–Nagy,* 2012, *Card et al,* 2010).

Evaluations addressing the *efficiency* of public works programmes have shown *negative* results on long term labour market effects (*Betcherman et al,* 2004, *Martin–Grubb,* 2001, *Card et al,* 2010, *Kluve,* 2010, *Rodriguez-Planas–Jacob*, 2010, *Hohmeyer–Wolff,* 2010, *Brown–Koettle,* 2012).

Analysing the active measures of the Swedish labour market reforms realised in the 1990s, *Calmfors et al* (2002) conducted a meta-analysis of a number of evaluations and found that the more job creations programmes imitated the situation of real employment, the more effective they were. Otherwise, the study depicts a rather negative picture in respect of all active employment policy measures. According to the authors, the scope and number of active measures that Sweden used in the 1990s was by no means efficient. Although these programmes have contributed to the reduction of Swedish unemployment they did not increase the employment rate. In their opinion, smaller but more concentrated programmes can be more efficient especially if they pertain to the long-term unemployed and less to the young. According to the Swedish experience, it is not a good idea to link active measures to regaining eligibility for unemployment benefits.

Card et al (2010) have carried out a meta-analysis on 97 evaluations involving 199 programmes (among them East-European and developing country ones) and concluded that it was not the size and time of introduction of active labour market programmes, nor the macro-economic situation that mattered, but *efficiency depended primarily on the type of programmes*. While individual counselling, job search assistance and job placements and wage subsidies (roughly in this order) could be efficient, *public works programmes were unsuccessful with respect to subsequent employment and earnings*. The success rate of training is mixed, small-scale, well targeted training may work well if the general growth prospects of the economy are also good. However, training in general is usually quite expensive and especially the programmes targeted at the young have a minimal positive effect both on subsequent employment and earnings. These findings are also supported by *Carling–Richardson* (2004) and *Sianesi* (2008), who have concluded that the closer public works are to the conditions of normal employment, the better their effect is on participants.

Another evaluation from the East-Central European region is the study of *Rodriguez-Planas–Benus* (2010) that examined the Romanian programmes running between 1999 and 2002 by the method of paired comparisons and using employment history variables. The results of individual program-types varied from each other, programmes assisting job search and small enterprises had a positive effect on the future employment chances of participants, while public works programmes were significantly ineffective. The Slovak public works programmes were analysed by *Ours* (2000) who, in contrast to other

evaluations, found the Slovak public works programmes to be effective – they significantly decreased the time participants spent on job search and increased the length of subsequent employment episodes. The high number of private entrepreneurs participating in the Slovak public works could have contributed to this extraordinary result (*Hudomiet–Kézdi,* 2011). At the same time, Ours' study found that the Slovak wage subsidy programmes and most of the training elements ineffective. Regarding the Latvian programme, *Azam et al* (2013) concluded that the targeting of the programmes was good. In a propensity score model the programme appeared successful in the short-term, the income of participants exceeded the income of non-participating households by 37 per cent, and forgone income due to participation in the programme was also quite low in comparison with other countries.[7] At the same time, the Latvian public works programme was very small compared to the weight of problems caused by the crisis (Latvia spent 0.25–0.5 per cent of its GDP on this in 2010–2011) which have limited the effect of the programme.

Public works programmes are popular in developing countries and have become standard measures to address poverty often used by governments and the World Bank[8] (see *Table 1.1*). Despite the extensive use, however, there have not been too many analyses prepared, and even the results of those are not positive. The targeting of programmes is in general good, the low income programmes reach the poor,[9] but often people with better incomes also enter the programmes. *Devereux–Solomon* (2006), and *McCord–Slater* (2009), evaluating public works in developing countries, concluded that in comparison with other development policy interventions, the results were quite meagre both in terms of reducing poverty as well as stimulating growth.

Analysing the world's biggest volunteer public works programme, the Indian NREGS programmes by counterfactual, regression discontinuity design, *Zimmermann* (2012) has shown that the programme mattered more in terms of combatting poverty, but it had no effects on the Indian rural labour market. Concerning NREGS, *Azam* (2012) has found that the programme had significant effects on the activation and wages of females, but the study could not demonstrate similarly significant results for males. Examining the same programmes, *Dutta et al* (2012) have also shown that there was a higher need for the programme in the poorer parts of India, but actual participation rates did not reflect this need. Thus, the NREGS did not guarantee employment to all the poor: on the one hand, it generated queues and rationing, on the other hand, there were territorial inequalities in its targeting and many families above the threshold could get access.

There are few empirical studies on the operation of local labour markets, and thus, it is not known to what extent public works programmes crowd out employment in the private sector. The general view of evaluators is that as long as public works programmes are well targeted, they can be effective

7 On one hand, because Latvia in this period was characterised by a very high level of unemployment, which is to say, that it was very difficult to find other, even temporary work too. On the other hand, the number of benefit recipients and the coverage of assistance was rather low, and hence, participants in public works did not forego serious alternative sources of income.

8 Since 2008, the World Bank has supported the financing of 24 public works programmes in several developing countries.

9 It is important for targeting to adequately define the wages in the programme. *Zimmermann* (2012) notes that while wages in the public works programmes of Burkina Faso, Bangladesh, Pakistan, Chilli, Senegal and Sri Lanka remained under market wage level, in the programmes of Botswana, India, Kenya, Tanzania and Philippines, it occurred that higher wages were provided resulting in a crowding out effect on employment in the private sector.

measures of poverty reduction and social safety net provision by offering temporary employment (*Subbarao et al,* 2013, *Betcherman et al,* 2004, *Ravallion et al,* 2013, *del Ninno et al,* 2009, *Spevacek,* 2009, *Martin,* 2000, 2014, *Dar–Tzannatos*, 1999, *Brown–Koettle,* 2012, *Zimmermann* 2014). But, according to evaluation results, even this effect is valid only in the short-term, in particular, when public works wages remain below the minimum wage applying to the unskilled workforce (*Ravallion,* 1999, *del Ninno et al,* 2009, *Ravallion et al,* 2013). However, *as active labour market measures promoting re-integration and opportunities in the labour market*, public works programmes do not function well, moreover they are quite costly.

Evaluation evidence shows that it is more in the case of special situations when public works programmes can be justified and successful. On the one hand, during crises even in middle income countries there might be a need for income transfers providing appropriate stimuli for the poor (*Brown–Koettl,* 2012). On the other hand, the programmes can be successful if they are aimed at regions or workforce groups in very disadvantaged situations, or if they also serve other goals besides increasing employment. Such temporary positive effect was shown, for example, by *Vodopivec* (1998) with regards to the Slovene programme, and the above statement is also valid for the Macedonian and Slovak programmes as well (see *Box K1.1*). The analyses however also highlight the fact that public work programmes only help the situation of participants temporarily, and do not contribute to long-term employment opportunities. The evaluations produced on more developed and transition countries have rather revealed an overall negative effect on the employment chances and future earnings of participants (*Card et al,* 2010, *Brown–Koettle*. 2012, *Betchermann et al,* 2004, *Kluve et al,* 1999, *Heckman et al,* 1999, *Walsh et al,* 2001, *Rodriguez-Planas–Jacob*, 2010, *O'Leary,* 1998).

Conclusions

Public works programmes are contested because they are highly expensive, and their benefits and success is uncertain, especially in the long run. Their use is often justified by economic and financial crises, when unemployment rises temporarily and aggregated demand decreases. It is for the mitigation of these causes that public works are introduced, but then they usually support re-employability and provide welfare functions, strengthening the social safety net. The latter objective is typical in developing countries, where – largely due to international donor organisations – the use of public works is increasingly prevalent.

Behind public works programmes, there is the workfare concept, according to which the provision of benefits and income transfers should be linked to publically beneficial work. These programmes have spread in developed countries especially since the economic and financial crises.

There are a number of arguments for and against public works programmes in the literature. Decisive elements in implementation and success are the following: good targeting (to what extent the programme reaches the poor), setting wage levels for adequate incentives, a clear and transparent regulation and institutional environment that help counter fraud and corruption opportunities.

Nevertheless, evaluation results are rather unfavourable. Public works programmes seem to be fairly unsuccessful in terms of subsequent employment and earnings, yet – if they are well targeted – they can fulfil the role of social safety net. It is worth noting that while the programme evaluations produced with micro-econometric methods provide very important information about the efficiency of these programmes, they usually examine output results (subsequent employment, wages) only. They do not include interactions among various labour market-oriented public policies (training, benefits, sanctions, other active measures, etc) important for activation. Very few evaluations have been done, for instance, on the effect of these programmes on inequalities or on the trade-off between efficiency and equity, which can be particularly interesting when stricter benefit sanctions increase employment and poverty at the same time.

Furthermore, it is important to point out that evaluations usually reveal only the short-term effects of the programmes, partly for lack of data, and partly for empirical estimation strategy reasons. In other words, the real, long-term (several years) impacts of public works programmes on poverty and unemployment are unknown. For the chronically poor, temporary employment is not a real and long-term solution and if their continuous employment is not possible then public works are not a feasible measure to manage the problem. If poverty is extremely widespread in a country, then large-scale public works programmes can offer some sort of a temporary social protection, but at the same time, they can also crowd out other, alternative and more cost-efficient social policy measures.

A brief analysis of the European data reveals that the scale and magnitude of the Hungarian public works programme, by allocating all available resources for labour market measures only to this type of intervention, is a public policy response to the problems of the crisis and long-term unemployment unrivalled in Europe. This is one of the reasons why the analysis of the programme's efficiency as well as its short and long-term impacts is a very important task.

K1.1. Public works programmes in Slovakia

ÁGOTA SCHARLE

In Slovakia, long-term unemployment is at a similar level as in Hungary: in 2012, it amounted to about 20 per cent of the working age population. Long-term joblessness is especially high among the uneducated: in Slovakia 61, while in Hungary 49 per cent of these were permanently unemployed.[1]

In the past twenty years, the Visegrad countries have used quite similar policies to tackle long-term unemployment, but centrally organised, state supported public works programmes have only reached a significant size in Hungary and Slovakia. *Table K1.1* summarises the magnitude of public works programmes, while their institutional characteristics are summarised in *Table K1.2.*

Table K1.1: Participants and spending on Public Works Programmes and PES staff in 2012

	Poland	Czech Republic	Slovakia	Hungary
Average number of public workers (head)	24,702	6,669	54,968	92,412
% of the registered unemployed	1.1	1.3	13.2	14.2
Government expenditure (million euro)	40.4	27.4	51.1	245.0–455.3*
Government expenditure (% of GDP)	0.01	0.02	0.07	0.22–0.47
Government expenditure on public employment agencies** (% of GDP)	0.08	0.11	0.07	0.12

* The higher value is the official one, the lower value was adjusted to be comparable with the Slovak figure: the latter excludes taxes and social security contributions paid on public works wages and exclude the potential cost of benefits as well, assuming that public workers would all be eligible for benefits.

** Job search assistance and administration pertaining to benefits and services.

Note: The data from Poland include public works and "socially useful work" (*odbywający prace społecznie użyteczne*) programmes. The data from Slovakia are from December 2012.

Source: Eurostat online, *Mýtna Kureková et al.* (2013) p. 27. *MPIPS* (2012), *Scharle* (2014a).

Governments have used large-scale public works programmes in Hungary and Slovakia since the mid-2000s, partly for the retention of work capacities and stimulation of active job search, partly for the mitigation of poverty. In both countries, there may have also been latent political aims beside the officially declared ones, such as the appeasement of the working poor and of the middle class receptive to prejudice towards benefit recipients (among them Roma), as well as the mitigation of social tensions in disadvantaged villages (*Guy–Gabal,* 2012, *Scharle et al,* 2011).

By 2012, the number of public works participants have reached an unprecedented size (13–14 per cent of the long-term unemployed). However, due to some differences in the regulations, the Slovak programme costs significantly less: the government allocates 0.07 per cent of the GDP from the central budget as opposed to 0.22 per cent in Hungary (*Table K1.1*). In the case of Slovakia, this is roughly equivalent to the amount the government spends on public employment services, while in Hungary, it is almost twice as much. The significant difference in the costs is largely attributable to the fact that the public workers in the Slovak system are not paid wages, but only a supplement (which is lower than the difference between the public worker wage and benefit in the case of Hun-

1 Calculations for the 15–59 age group by Anna Orosz and Flóra Samu, based on European Labour Force Survey (EU LFS) data for 2012. The uneducated were defined as having completed maximum lower-secondary education, the long-term unemployed were defined as non-employed (either unemployed or inactive) at the time of the interview and one year earlier.

Table K1.2: Design of public works programmes in 2013

Programme	Hungary	Slovakia
Explicit aims	Activate the unemployed, prevent losing contact with the labour market, prevent loss of work habits, provide temporary relief to alleviate poverty	
Latent aims	Appease population that social assistance recipients, many of whom are Roma, have to work in order to receive support. Discourage black work	
Who can participate?	All registered unemployed, also rehabilitation allowance recipients	Only minimum income benefit recipients
Do participants stay on the unemployment register?	No	Yes
Working time per week	20-40 hours	10-20 hours
Maximum duration (month)	11	18, renewal after 6 months (for municipal contracts)
Compensation of public workers	Wage	Higher benefit (activation allowance)
Is it insured?*	Fully (P, H, A, U)	Partly (H)*
Who pays the compensation of workers?	Central government reimburses employer via PES (up to 100% of wage costs)	Central government pays the higher benefit via PES
Who pays the other costs (organisation, materials, etc)	Employer but managers can be public workers, subsidies are available for other costs	Organiser**
Supervision of use of government subsidy	Very weak	Weak

* Participants are covered by pension (P), health (H), accidents (A) and unemployment (U) as well. Unemployment insurance would imply that they can earn eligibility for insured unemployment benefit after a certain period of public works. In the Slovak case the entitlement for health insurance is based on registered unemployed status not on participation in public works. LTU = long-term unemployed, PW = public works, SUW = socially useful work.

** In most cases this is the local government, but can also be the PES, in which case other costs are covered by the central budget.

gary) to their benefits and organisational costs are usually financed by the local municipalities.

In both countries, impact assessments conducted up to now have found that these large-scale public works programmes are not able to decrease long-term unemployment, but provide temporary relief to jobless households and may also help reduce social tensions at the local level (see the main text of this chapter, *Harvan,* 2011, *Duell–Mýtna Kureková*, 2013). Moreover, since the budget allocated for employment programmes is sparse, there are fewer resources for potentially more effective programmes, such as training.

According to international evidence, public works programmes can also decrease participants' chances of re-employment (see the main text of this chapter). This may arise, for instance, from the so-called lock-in effects. These may occur when jobseekers can expect to be recalled on public works, as some may tend to take less effort to look for a job in the open labour market. The intensity of job search can also be decreased by the fact that in public works participants have less time to look for permanent and regular work, or they cannot attend a job interview.[2] In the Slovak case, the latter effect is slightly smaller, since public workers can work a minimum of 10 and a maximum of 20 hours a week. As of January 2014, this has been slightly modified to 64–80 hours per month (which is approximately 15–19 hours per week).

The opportunity for corruption is lower in the Slovak system. Since public workers receive a benefit (not a wage), this is paid directly to them by the

2 Obviously, this effect is only significant in those regions where there are plenty of available jobs.

public employment agencies, without the involvement of municipalities. Thus there is no such incentive that, for example, the municipality might make the participants sign for more work days than they have actually worked and keep (or share with participants) the reimbursement received from the central budget. However, in both countries there exists an unlawful practice whereby municipalities increase their access to resources by replacing their employees in unskilled occupations (for instance, cleaners or kitchen assistants) by public workers (*Brutovská,* 2006, *Farkas et al,* 2014).

The incentives leading to the continuous enlargement of public works programmes are smaller in the Slovak case. This is because public workers are not removed from the unemployment register, but continue to receive a social benefit, which is not paid by the municipality, but the local public employment service. By contrast, in the Hungarian system, it is the municipalities which pay the wages of the public workers, and authorities check the use of sources only sporadically. As a result, local municipalities have a strong interest in organising public works and expanding the available budget. Moreover, in contrast to the Slovak system, public workers improve statistics in two ways: they decrease the number of the registered unemployed, and increase that of the employed. This means that any attempt by the central government to cut spending on public works programmes is likely to be met by a strong opposition from mayors, and will additionally attract bad publicity, since a mass layoff of public workers will immediately increase registered unemployment.

K1.2 Temporary public works programmes in Argentina: Lessons learned

JUDIT KÁLMÁN

Argentina underwent a very serious economic crisis in the 1990s. In 1996 the Argentinian government launched short-term public employment programmes (*Trabajar*) that provided temporary income transfers mostly to the poor, who did not receive other social assistance. By 2002, the deepening of the financial crisis further exacerbated unemployment, increased poverty and generated social tensions. Thus a newer, larger-scale programme (*Jefes de Hogar*) was initiated.

Trabajar programme, 1996–2001

The *Trabajar* programme was born as part of a series of labour market reforms planned for the longer-term, but mainly as a reaction to the problem of rising poverty related to the increase in unemployment caused by the effects of the 1995–1996 recession. The unemployment rate was 17 per cent on average but 40 per cent among the poorest in the lowest income-decile. The *Trabajar* programme replaced an earlier programme, called *PIT*, which had been proclaimed unsuccessful. *Trabajar* provided six hours per day public works temporary employment to the members of poorer households not receiving unemployment benefit, training or other assistance, primarily in small-scale local development projects, which were also to the benefit of the poor.

Since the primary goal was poverty reduction, the main filter mechanism was low wage level. Evidence has shown that the choice of an appropriate wage level is a critical element of the design and targeting of public works programmes so that they actually reach the poorest. The wages in the *Trabajar* programme were later decreased, roughly to two thirds of the average wage earned by the poorest 10 per cent in the country, so that the programme was attractive to only those with low income per capita and not very good employment prospectives. Besides this self-selection mechanism, the programme applied regional development perspectives as well: only municipalities of the poorest settlements and districts could apply to the project in order to ensure that the poor in these localities were provided with work opportunities.

Financed by the Argentinian government and supported later by the World Bank (financing approximately 15 per cent of the costs), the programme was implemented by the local and regional offices of the Employment and Social Affairs Ministry. The ministry compiled a "menu" from eligible projects, and provided a number of conditions, criteria and other instructions to the design, evaluation, selection and monitoring of projects. Eligible applicants were municipalities (66 per cent of total projects were run by them), civil organisations (15 per cent) and central agencies as well as private firms. The most important selection criterion was the disadvantaged situation of the region, but other factors, such as cost-effectiveness, social criteria as well as the administrative capacity of the implementer were also taken into account.

In the framework of the *Trabajar* programme typically smaller-scale (below 100 thousand dollars) construction and renovation projects were accomplished: renovation of smaller roads, bridges, dams, schools, health institutions, community centres and construction of social housing. These lasted 4–6 months on average and employed 20 to a maximum of 100 persons. There was great emphasis put on the involvement of implementers in decisions concerning the program, usage of well-defined selection criteria and continuously performed detailed monitoring. Part of the non-wage related project costs were financed by the participating municipalities themselves – but municipalities in disadvantaged regions received higher grants. Individual participants in Trabajar received health insurance and coverage for accidents while being in the programme.

The selection mechanism worked well, according to many international studies and credible impact

evaluations (*Jalan–Ravallion,* 1999, *Ravallion et al,* 2001, *Ronconi et al,* 2006) Trabajar has been one of the best targeted programmes[1] leading to considerable net income transfers: on average by 26 per cent, but in the case of the poor, it increased net income by 75 per cent. Due to the construction-type work far more males (cc. 80 per cent) than females worked in the programme, which created approximately 700 thousand jobs in 85 per cent of the country's settlements. Another frequently mentioned positive feature of Trabajar was its harmonisation with other programmes and systematic monitoring. At the same time, it must be noted that Trabajar offered only temporary employment that could mitigate but not solve the problem of rising unemployment. Later on, participating municipalities ran out of resources devoted to the measures, and especially after 1999, when the crisis intensified again, the program began shrinking for budgetary reasons and subsequently reached fewer participants.

Jefes de Hogar programme, 2002–2009

This programme was initiated as a quick response to evolving social problems in the name of "inclusive society". It focused on unemployed heads of poor households by providing them with below minimum wage cash benefits for usually 4–6 months. One condition of entry was that participants enrol their children in schools and take them for certain medical checks. In addition, participants had to perform community work and/or participate in training for 4–6 hours per day. The main goal of this programme was not infrastructural development but the provision of community services (community kitchen, handicrafts and other activities). Thus, the participation rate of women was above 70 per cent – much higher than in the *Trabajar* programme, and the local municipalities also assumed more important roles. In a short period of time, *Jefes* became a much larger programme than *Trabajar*. 15 per cent of the active labour force, i.e. two million people participated in it, which represented serious challenges in terms of expenditure, administration, fraud prevention and so on.

The *Jefes* programme was less progressive than *Trabajar*, yet it covered a large element of those in need and distributed the supports effectively. This although, is difficult to evaluate, since beside the 50 per cent unregistered employment, the government did not possess accurate income statistics of the poor (*Ronconi et al,* 2006). Extended with new elements, the programme provided useful community services and social infrastructure. Participants were categorised based on their chances of re-employment and long term needs for social support. Different programme modules (training, completion of education, local job placement, public works positions in services) were combined for these different groups. In each case, the programme prescribed that participants' children should also be beneficiaries of health and education services.

One of the main flaws of the programme was that it tried to find solutions for two problems – poverty and unemployment – at the same time. Furthermore, the very diverse local capacities also impeded programme implementation (inaccurate registers, ill-coordinated work conditions, difficulties of personal counselling, etc.). There are several methodologically adequate evaluations concerning the programme. According to the analysis of *Galasso–Ravallion* (2004), many people entered the programme who did not fulfil eligibility conditions, while some of the really poor were excluded. Nevertheless, the programme decreased aggregate unemployment, and in its first years, the existence of the programme saved about 10 per cent of the participants from sliding into extreme poverty. *Ronconi et al* (2006) followed participants of the Jefes pro-

1 Among others, *Ravaillon et al* (2001) analysed the impact of Trabajar in a way that compared the subsequent income of those who exited the programme (involuntarily) with those who stayed in, as well as with a control group of non-participants. According to the study, those who exited suffered from high initial income loss in comparison to those who stayed in, as well as in comparison to the control group. The study though does not address the subsequent employment episodes of those who exited.

gramme for two years in a rolling panel evaluation. Relying on the difference in difference method, the authors found short-term positive effects on the rise of income and therefore, on the decrease of poverty, but in the long-term they also observed some negative effects. Most of the participants were identified with very low productivity rates, and the selection mechanism was inefficient (many non-eligible individuals became beneficiaries, and many could stay in repeatedly for long periods), which raised issues about undue political influence. The evaluation also questioned the programme's effects on growth, as household consumption did not increase in the long-term. Moreover, a certain programme dependency had also developed. In relation to this, the authors raise some political economy considerations, according to which the votes of the 2 million participants dependent to such an extent on the programme naturally mattered for those politicians running it.

K1.3 Scandinavian public works programmes

TAMÁS BAKÓ

Until the end of the 1980s, the Scandinavian welfare states were characterised by a low unemployment rate and hence an easy to finance, generous, mainly passive unemployment service. As a result of a recession in the early 1990s, unemployment increased significantly (in Sweden, the unemployment rate was consistently below 2 per cent at the end of the 1980s, but increased to 8.2 per cent by 1993), and therefore, earlier generous transfers could no longer be afforded. In response to the situation, the Scandinavian states extended active labour market measures.

In the following we provide a brief overview of the Scandinavian active labour market measures, with particular emphasis on public works, a concept which we are going to use in a broader sense than we are used to in standard Hungarian practice, as we include all forms of subsidised employment that aim to support permanent re-employment in the primary job market.

First, *Sweden* introduced *social employment.* In this programme employers received support for a maximum of six months after providing temporary (usually six months) employment to the unemployed. The employees performed mainly social work for a wage corresponding to collective agreements in the public sector. Subsidised employment was abolished in this form in 1998.

Subsequent measures essentially promoted *work experience*. An important feature of these measures was that they were usually directed at performing such activities that otherwise would not have been undertaken. Participating unemployed persons received unemployment benefits, and work was organised by non-profit organisations, mainly local municipalities, ensuring that they did not crowd out any of the work force from the primary labour market.

Employee leasing was introduced in 1997 in the course of which employers received subsidies if they employed unemployed persons for six months (this could be extended by another three months). During this time the unemployed person had to work part time, but also participate in training and involve themselves in job search. The wage received for work was limited to 90 per cent of the unemployed person's previous wage.

The above mentioned measures were partially replaced by the *activity guarantee programme* introduced in 2000, whose main element was that eligibility for unemployment benefits was not prolonged following participation in active labour market programmes. This programme did not provide a single measure, but a framework system within which the unemployed could participate in various programmes. The target group of the programme was the long-term unemployed, and those unemployed who in all probability would become long-term unemployed. Participants were either looking for jobs or participating in special labour market programmes.

In *Finland,* the unemployed person, in cooperation with the public employment service, is required to prepare an *employment plan* that describes the active labour market measures that will be used by the job-seeker. A status report related to the employment plan must be sent each month to the Finnish social security office which then transfers the unemployment benefits based on this report.

The so called *work trial* is another noteworthy active labour market measure in Finland. The public employment service offers temporary placement in different positions (PES) in which the jobseeker can demonstrate their skills and motivation to potential employers. After the unemployed have tried their hands in the various tasks required in the desired position, they discuss together with the PES and the employer, what other help they need to be able to do the particular job. During a work trial, the unemployed receive unemployment benefit and also a reimbursement of the travel and accommodation costs that arise from employment.

In response to the crisis, further innovative labour market measures were introduced in Finland.

One of these was the *work exchange programme*, in which older employees with a long employment record are replaced by an unemployed person, on the basis of an agreement with the employer, for a maximum of one year. For this period, the older employees receive compensation – unemployment benefits corresponding to 70 per cent of their wage –, and they are basically on paid annual leave, not being obliged to search for a job. This measure has explicitly been used to tackle cyclical unemployment.

Another new programme is *social enterprises* that employ persons with multiple disadvantages or disabilities. The social enterprises are market-based (profit-oriented activity must make up at least 50 per cent of their revenue), but the wages of their employees are subsidised if they are members of one of the target groups mentioned above.

The *youth guarantee programme* provides internship and apprenticeship programmes in various job positions for the unemployed under 25 years of age and new graduates between 25 and 29 years of age, besides the previously mentioned work trial programme.

In *Denmark,* a cornerstone of labour market policy is that it compels all unemployed persons to participate in some sort of activity. The starting date of *compulsory participation* depends on the age of the unemployed, and upon their request it can also commence earlier. Declining cooperation or participation results in the withdrawal of unemployment benefits. The unemployed, in cooperation with the staff of the PES, choose a programme that they deem the most beneficial to themselves, thus, this can be a voluntary programme as well.

In the case of *Norway,* since unemployment is relatively low, active labour market measures have been focused on the hard-to-place unemployed. In theory, all basic active labour market measures are available to the unemployed in Norway, but a few special programmes are only available to the uneducated, immigrants and people living with disabilities.

The most important active labour market measure, besides training, is wage subsidies that are provided to employers who employ disadvantaged people. The programme aims to provide an opportunity to gain work experience and acquire basic skills for unemployed school leavers and immigrants at private and public enterprises. An action plan is drawn up for each participant, which has to be accepted by the representative of the employer. The employer has to declare that the intern will be regarded as a potential employee: the aim of these rules is to reduce the crowding-out effect. The employer receives an operational grant after each approved internship contract.

*

In spite of the apparent differences, these Scandinavian countries use subsidised work as an active labour market measure, according to the same principles. The measures that require job-seekers to work while on benefit are intended for well-defined target groups. A very important common principle is that work is an opportunity rather than an obligation, and the employment of the unemployed person cannot lead to losses of existing jobs. Although in the Scandinavian countries there is no similar programme to the Hungarian public works, it must be noted that in these countries the number of public employers is much higher than the OECD average. While in Hungary, public employers (e.g. forestry, water supply, public railway) employ public workers – now increasingly full time – for public sector wages lower than the minimum wage, in the Scandinavian countries analysed workers are hired for these positions as normal employees in the public sphere.

The following sources were consulted to prepare this paper:

DENMARK: www.ma-kasse.dk;
FINLAND: www.te-services.fi and www.suomi.fi;
NORWAY: *Duell–Singh–Tergeist* (2009);
SWEDEN: *Calmfors–Forslund–Hemström* (2004).

2 PUBLIC WORK PROGRAMMES IN HUNGARY

2.1 THE INSTITUTIONAL AND LEGISLATIVE CONTEXT OF PUBLIC WORKS SCHEMES: A HISTORICAL OVERVIEW

KATALIN BÖRDŐS

This subchapter describes the regulation details regarding the various types of public works programmes in Hungary, discussing the system before 2011 (in which basically three types of public works programmes existed) and the one after 2011 (the 'unified' system) separately. The subchapter also discusses institutional and legislation changes (including those concerning the funding mechanisms of public works programmes) as well as implementation issues.[1]

Types of public works programmes before 2011

Before 2011, public works programmes could take three distinct forms in Hungary (namely, organised by the PES, national authority, or by municipalities). These three types did not differ substantially in terms of content or types of activities they covered, but they did vary by the funding mechanisms and by who the responsible body was.

Although schemes under the name of 'közhasznú munka' (hereafter referred to as 'PES-managed public works') had been launched since as early as 1987 (*Csoba,* 2010), it was only first regulated by Act IV of 1991 Regarding this type, any decision about subsidising participation was made by the public employment services (PES): local offices were responsible for the placement of registered jobseekers who carried out public tasks (usually belonging to the responsibilities of municipalities) for a maximum of one year. A jobseeker could only be re-employed as a public worker within a two year period if they were not eligible for social insurance-based benefits, although this could be easily manipulated by employing someone on consecutive short periods with interruptions, enabling local PES offices to employ them for more than one year (*Szabó,* 2013). A maximum of 70 per cent[2] (after 1992, 90 per cent in the case of Roma participants or workers no younger than 45) of total wage costs and some direct costs (for example, transportation costs or protective equipment) could be financed by the decentralised part of the Employment Fund allocated by counties (*Firle–Szabó,* 2008, *Frey,* 2008). Funds for PES-managed programmes dramatically decreased after 2009; with the global economic crisis deepening, its role was taken over by municipal public works schemes.

The second type of public works programmes, those operated by national authorities [közmunkaprogramok] was first launched in 1996: these schemes were usually organised for seasonal jobs requiring heavy manual labour, such

1 I would like to thank *Márton Kulinyi, Ágota Scharle* and *Irén Busch* for the clarification on some details and their useful comments.

2 The level of intensity varied by county.

as flood control, maintenance works in transport infrastructure and public buildings, or environmental tasks (*Firle–Szabó,* 2008). One of the most significant of the national public works programmes was delivered under the framework of the '100 steps' government programme from November 2005 to the end of June 2006, involving 1024 (about every third) settlements nationwide and providing work for a total of 24,550 participants (Audit Report, *ÁSZ,* 2007).

Funding of national programmes was provided via tenders: before 2003, the responsible ministry, and from 2003 on, the Public Works Committee called for applications annually. The range of possible applicants covered local governments and other public bodies, such as public utilities, forest management plans, or national parks. Applicants who proposed employing disadvantaged groups or who operated in disadvantaged regions received preferential treatment during the tenders. Up to 60 per cent of all costs were covered by the central budget, a further 7–10 per cent had to be contributed by the applicant, and the rest was financed from other sources, most often by European Union funds (*Firle–Szabó,* 2008). The funding mechanism was regulated by the 49/1999 (III. 26.) government decree, which was modified several times over the years. These modifications included, for example, broadening the range of possible applicants; loosening the requirement of employing a minimum of 100 workers; providing more possibilities for training under the frameworks of the programme; and enabling a somewhat more flexible accounting for costs (Audit Report, *ÁSZ,* 2007). From August 2008 on, the applicants were required to ensure that at least 40 per cent of workers were persons eligible for regular social assistance (*Frey,* 2008).

The third type of public works programme, the municipal public works scheme [közcélú foglalkoztatás], was introduced from May 2000 by the modification of the Social Code in 1999. The main goal of the introduction was to provide temporary work opportunities for regular social assistance [rendszeres szociális segély] claimants: participation in municipal public works for at least 30 days was prescribed as an eligibility condition for social assistance. Beneficiaries were only exempt from this condition in the event that neither the municipality nor the local PES office could offer any public works. The requirement regarding the 30-day participation has remained in force during the whole period and was not affected by consecutive changes in the minimum income scheme, such as tightening the behavioural requirements in 2005, changing the formula for the amount in 2006, and introducing the unemployment assistance in 2009 (first under the name of 'rendelkezésre állási támogatás' [RÁT], later renamed as 'bérpótló juttatás' [BPJ], and later as 'foglalkoztatást helyettesítő támogatás' [FHT]). Municipal-type programmes were organised and operated by local governments or their partnerships.

Among the three types of public works programmes, the municipal one had the most generous subsidies for the municipalities from the central budget. Before 2009 (pre-'Road to Work'-period), the annual Public Budget Act determined an ear-marked budget for municipal public works. The central subsidy could be spent on the wage costs of the participants, material expenses or administration costs. The amount of the subsidy the municipality received depended on the number of participants and the number of days they were employed (for example in 2008, it was set as 3,900 HUF per participant per day). The annual overall amount by settlement was constituted by a fixed amount (in 2008, it was 50,000 HUF) and an additional amount that depended on the number of regular social assistance recipients and municipal public works participants in the previous year. This allocation mechanism proved to be inefficient and inflexible in the period between 2000 and 2002, as it did not allow for redeployment of resources between settlements: while in some cases settlements did not absorb all available funds, in other cases some settlements had a deficit (Audit Report, *ÁSZ,* 2007). From 2003 on, redeployment among settlements was enabled: settlements which absorbed more central funds during the first half of the year were allocated more resources for the second half of the year, whereas available funds for settlements which relied less on public works were cut. It was the Hungarian State Treasury which was responsible for administering and paying the subsidies.

Road to Work programme, 2009–2010

The main objective of the Road to Work programme (which was announced in 2008 and launched in 2009) was to provide additional funding resources for local governments, enabling them to provide work opportunities in municipal-type programmes to a substantially higher number of welfare recipients. Besides increasing the budget for local governments, some other changes regarding public works were introduced. First, those who were no older than 35 and had not finished elementary school were obliged to take part in formal education instead of participating in public works. Second, each municipality had to work out a so-called 'public works plan' which included calculations for the number and distribution of prospective public works participants, along with details on the nature of planned tasks, timing, and funding needs (*Scharle et al*, 2011). These annual plans had to be developed in cooperation with the local PES office in charge, and had to be finished prior to the 31st of January in each year.

At the same time the programme was launched, the social welfare system underwent a substantial change. The group of regular social assistance claimants were divided into two groups: those who were assessed as able to work and those who were not. The formal group of claimants became eligible for a new benefit, the unemployment assistance [rendelkezésre állási támogatás],

and became the main target group of public works schemes. The latter group (those who were assessed as incapable for work, due to ailing health status or other reasons) continued to receive social assistance. While unemployment assistance claimants had to register as jobseekers and were obliged to cooperate with the staff of the local PES office, social assistance claimants were subject to behavioural requirements set by the body appointed by the municipality, which was usually the family assistance centre.

The Road to Work programme provided a budget for municipal public works that was considerably larger than ever before. Furthermore, the government also tried to incentivise municipalities to expand public works through a change in the funding mechanism: in the case of municipal public works, the intensity of central funding increased to 95–100 per cent from the previous level of 90 per cent, whereas in the case of unemployment assistance, central funding was only 80 per cent (*Scharle et al,* 2011). Act CLXIX of 2007 (which set the public budget for the year 2008) defined a budget for municipal-type public works which was much larger than in the previous years. From this budget, the Treasury automatically reimbursed 95 per cent of wage costs for every public worker the settlements requested funding for in every month. Subsidies were also available for the rest of the wage costs (5 per cent): the annual public budget acts defined a formula for a grant that was differentiated by the social characteristics of the settlements, and the total amount of subsidies paid to municipalities depended on the total population of the settlement (in 2010, for example, it was 4,100–20,300 HUF per person). The formula for the unit cost depended on the number of regular social assistance claimants and on the number of public works participants in the previous year, among other factors.

The 'unified system' after 2011

Main changes

From September 2011 onwards, the three types of public works programmes described above were abolished and replaced by the 'unified system for public works schemes'. The new system is regulated by Act CVI of 2011, while the funding mechanism is described by the 375/2010 (XII. 31) government decree. Legal oversight was taken over from the Ministry for National Economy by the Ministry of the Interior from 1 July 2011.[3]

The new act has established a previously non-existent form of legal relationship, the so-called public works engagement, which has replaced the former legal relationship (employment) of public workers. This meant that since 1 September 2011, public workers can be hired at a wage lower than the statutory minimum wage set for those in a legal relationship of employment. The minimum wage set for public workers is declared via government decrees, and amounts to about

3 During the preceding government's rule between 2006 and 2010, the responsible governmental department was the Ministry of Social Affairs and Labour (SZMM).

76–88 per cent of the net minimum wage (depending on the year); for public workers employed in higher skilled jobs (requiring a certificate), it is about 84–86 per cent of the net minimum wage[4] (*Busch–Cseres-Gergely,* 2011, *Molnár et al,* 2014). In addition, public workers are now entitled to fewer days off (20 days per calendar year, irrespective of age) compared with those employed on the open labour market. Concerning other rights and responsibilities of public workers, the Labour Code (Act I of 2012) has remained in force.

In the new system, behavioural conditions applied to public workers also became stricter: unemployment assistance claimants are now obliged to accept any jobs offered, irrespective of their education level; before 2011, they were allowed to reject jobs for which they were overeducated (by more than one level) without any sanctions. Furthermore, finishing elementary school is no longer compulsory for uneducated jobseekers under 35 (a rule which was introduced at the launch of the Road to Work programme) (*Molnár et al,* 2014).

Behavioural conditions were tightened once again from January 2013: those who decline to participate in the public works programme that was offered not only face a reduction in benefit level but can also be erased from the unemployment register and excluded from all future public works opportunities. From September onwards, jobseekers who do not comply with local decrees that prescribe keeping their garden and surroundings clean, or whose child under the compulsory school-leaving age is frequently absent from school without a justified reason, can also be disqualified from participation (*Cseres-Gergely–Varadovics,* 2013).

Subtypes of public works schemes in the new system

Since 2011, potential subtypes of public works schemes are the following (based on *Molnár, et al,* 2014*, Kulinyi,* 2014, and *Tajti,* 2011):

– Short-term public works: these programmes last for 1–4 months and involve part-time work for a maximum of 4 hours per day. Participation is possible only for unemployment assistance recipients. This type of programme became extremely rare in 2012 and had become non-existent by 2013 (*Mód,* 2013).

– Long-term public works programmes: these programmes originally lasted for 2–11 months; from 2015 onwards, the maximum duration is 12 months. They involve full-time work for 6–8 hours per day. Since the beginning of 2015, rehabilitation benefit claimants (those with health impairments but assessed as able to work) have the opportunity to work for only 4 hours per day. The main target group of these programmes is the group of unemployment assistance claimants, although any jobseekers can participate.

– New national public works programmes: these programmes are organised by state-owned corporations (such as public utilities or forest management plans), for tasks including flood control or maintenance works in public transport infrastructure. The maximum duration is 12 months, and work

4 Since 1 January 2015, the full-time wage for public workers in unskilled occupations (that require no certificate) is HUF 79,155 per month, and HUF 101,480 per month for public workers in occupations requiring a certificate, as defined by the 376/2014 (XII. 31.) government decree. Since 2013, a public worker hired as the head of a working group is entitled to a somewhat higher wage: as of 2015, it is HUF 87,090 in unskilled occupations and HUF 111,660 in occupations requiring a certificate. Similarly to wages in the open labour market, wages of public workers are subject to personal income tax (16 per cent), social security contributions paid for pension (10 per cent), health insurance (7 per cent) and unemployment insurance (1.5 per cent); employer-side contributions are the social contribution (13.5 per cent) and the contribution for vocational education (1.5 per cent).

can be done for 6–8 hours per day (for rehabilitation benefit claimants, 4–8 hours per day).

– 'Value-generating public works' programmes: the objective of these programmes was to 'support activities that enable local governments to save costs or to accumulate revenues' (*Molnár et al,* 2014). They operated until 2012.

– Model programmes 'Start': these programmes operated under the long-term public works category until 2013, when they became a distinct subtype (*Mód,* 2013). Managers of these programmes receive additional professional assistance and consulting during the planning and implementation phases. Sub-categories include the 'micro-regional model programmes' (that are implemented in disadvantaged regions; *Kulinyi*, 2014) and the 'agricultural model programmes'. The long-term objective of agricultural model programmes is to encourage and establish self-sufficient economies by supporting social cooperatives and subsistence farming. From November 2013 on, the condition for receiving subsidies from the central budget is that revenues from these programmes must be spent on wage costs of public workers or on the management of the social cooperatives (*Cseres-Gergely–Varadovics,* 2013). The programmes are usually complemented by training for the participants: this training can only be offered by the state-owned Türr István Training and Research Institute, a background institution of The Ministry of Human Capacities (*Mód*, 2013). Besides the micro-regional and the agricultural model programmes, other subtypes of the Start programmes exist that can cover a wide range of activities: for example, 'special Start model programmes' can subsidise jobs for homeless jobseekers, or can finance cultural community development etc.

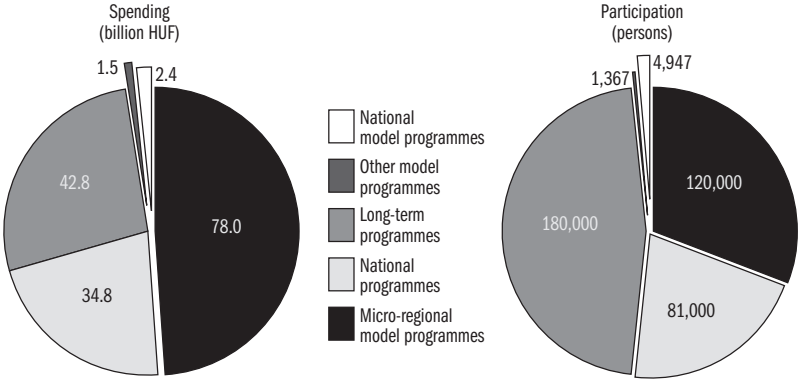
– Transitory programmes during winter: due to the strong seasonality of employment, these programmes try to counterbalance the usually lower employment rate during winter time. The first programme was launched in November 2013, and covered activities such as processing horticultural products, indoor maintenance works, or working in public administration, social services or public education institutions (*Kulinyi,* 2014). These programmes were most often linked with training for the participants.

– Mobility support for public workers: job exchange. Participation is possible exclusively for unemployment assistance recipients.

– Subsidies for small- and middle-sized enterprises to hire unemployment assistance or rehabilitation benefit claimants: these programmes are very similar to wage subsidy measures that subsidise hiring workers who increase the total workforce at the firm. The subsidy covers 70 per cent of wage costs and can be given for a maximum of 8 months. After the subsidy is used up, the employer receiving the subsidy is obliged to extend the contract of the subsidised worker for an unsubsidised period that is at least half as long as the subsidy lasted.

Figure 2.1.1 presents the distribution of programme types (implemented in 2014) by the amount of final costs and the number of participants.

Figure 2.1.1: Spending and participation in public works programmes by type, 2014



Source: Belügyminisztérium.

Funding

Managers of public works programmes can apply for funding from the central budget at the regional PES agency in charge. The source of funding is the Employment Insurance Fund (later renamed as the National Employment Foundation); complementary training is financed by ESF grants, such as SROP 1.1.2/1.1.4 (*Busch, Cseres-Gergely and Neumann* 2012) or SROP 2.1.6 (*Mód,* 2013). The intensity of central funding depends on the subtype of the programme: it can be up to 100 per cent of total wage costs (including social security contributions) in the case of long-term public works programmes. In certain cases, central funding can also be spent on direct costs other than wage costs or on administration costs: the level of intensity varies between 5–20 per cent of the total subsidy on wage costs (depending on subtype; see *Table 2.1.1*).

Table 2.1.1: Intensity of central funding since 2011 (per cent)

	Short-term	Long-term	National	Model programmes 'Start' (except for the 'special' variation)	'Special' model programmes 'Start'
Gross wage costs	95	70–100*	100	100	100
Direct costs	5	20	20	Depends on the no. of participants, piecewise linear***	A maximum of 30
Administration costs		1,5**	3		

* Depending on disadvantaged/non-disadvantaged status of the settlement.
** Since 2015 and only for municipalities with no independent town hall.
*** Programmes with 1–15 participants: up to 100 per cent; programmes with 16–45 participants: 100 per cent for the first 15 participants, 90 per cent for the rest (above 16); programmes with 46–135 participants: 100 per cent for the first 15 participants, 90 per cent for the second 15 participants (16–45), 80 per cent for the rest (above 45); programmes with more than 135 participants: 100 per cent for the first 15 participants, 90 per cent for the second 15 participants (16–45), 80 per cent for the third 15 participants (46–135), 70 per cent for the rest (above 135).

Summary: main changes in the institutional and legislative context concerning public works in the past 20 years

Since the transition in 1989/1990, the institutional and legal context of public works schemes in Hungary has undergone several transformations. Arguably, the Road to Work programme (launched in 2009) and the 'unification' of the system (introduced in 2011) brought about the most substantial changes. For an overview on the different types of programmes during the period of 1991–2015, see *Table 2.1.2.*

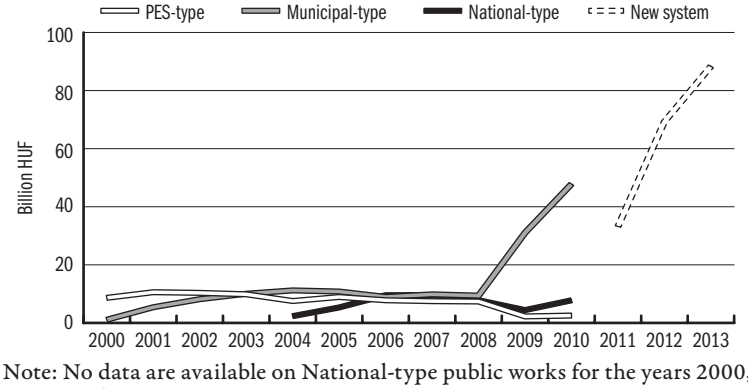
Table 2.1.2: Overview of public works types

	PES-type public works	National-type public works	Municipal-type public works	'Unified' system
Period	1991–2010	1996–2010	2000–2010	2011–
Type of activities	all kinds of municipal tasks	municipal communal, environmental tasks, or other public functions	all kinds of municipal tasks	all kinds of municipal tasks and tasks defined in Act CVI of 2011
Target group	any registered jobseeker	mainly long-term unemployed	2000–2009: RSA-claimants; 2009–2010: UA-claimants	registered jobseekers (UA-claimants), rehabilitation benefit-claimants
Potential employers	municipality, municipal company, public body, NGO	municipality, public authority, public company	municipality, municipal company, public body, NGO	municipality, public body, church, NGO, municipal or public company, etc.
Funding agency	PES (from the Unemployment Insurance Fund)	Public Works Committee (from the Unemployment Insurance Fund)	Hungarian State Treasury (from the Unemployment Insurance Fund & national budget)	PES (merged into the general government offices in 2015)
Way of application for central funding	reimbursement through the PES	through tenders	by normative funding	reimbursement through the PES / general government office
Intensity of central funding	up to 70 per cent	60 per cent	90–95 per cent	70–100 per cent
(Subsidised) wage paid for participants	statutory minimum wage	statutory minimum wage	statutory minimum wage	wage for those engaged in public works (set by gov. decree)
Duration of programme	max. 12 months	depends on programme (about 3–12 months)	min. 30 days – max. 12 months (in each year)	max 12 months, in 2014: max. 11 months (can be extended); since 1 January 2015: max. 12 months + can be extended by 6 months
Related legislation	Act IV of 1991 (Fltv.)	6/1996 (VII. 6.) MüM ministry decree; 49/1999 (III. 26.) gov. decree; Funding: 49/1999 (III. 26.) gov. decree; 199/2008 (VIII. 4.) gov. decree	Act III of 1993 ('Social Code'); Funding set in the annual public budget acts	Act CVI of 2011 (Kftv.); Funding: 375/2010 (XII. 31.) gov. decree; Wages declared by: 170/2011 (VIII. 24.) gov. decree

Notes: RSA – regular social assistance ('RSZS'), UA – unemployment assistance ('RÁT', 'BPJ' or 'FHT'). MüM – Ministry for Employment Policy.
Source: *Kulinyi* (2014), author.

Activities covered by the three types of programmes before 2011 did not differ significantly, although national-type programmes had a higher propensity to involve tasks that required heavy manual labour, whereas municipal-type and PES-type programmes covered all kinds of activities that usually belong to municipal responsibilities, including administration tasks. Concerning the characteristics of the target group, all three schemes targeted those not employed on the open labour market, specifically the long-term non-employed. The main objectives of all three types, as communicated by the governments (work test, providing income support for long-term unemployed and welfare recipients, supporting the least developed regions) were also similar. However, the intensity of funding from the central budget, as well as the reimbursement mechanisms differed among the three types. As municipal-type programmes provided the most generous incentives for local municipalities, after the introduction of this programme type in 2000, it became more and more prevalent, and total costs spent on this type gradually increased during the period (although total expenditures on national-type programmes exceeded the amount spent on municipal-type programmes in 2006, most likely due to the '100 steps' government programme in that year) (see *Figure 2.1.2*). The introduction of the Road to Work programme in 2009 brought about a drastic expansion of municipal-type programmes: the intensity of subsidies from the central budget as well as the allocation mechanism of subsidies became even more favourable for the municipalities, and the total budget appropriated for public works was also enlarged.

Figure 2.1.2: Cost of public works programmes by type (billion HUF at 2000 prices)



Note: No data are available on National-type public works for the years 2000, 2001 and 2003.

Sources: 2000–2003: *Scharle et al* (2011), 2004–2010: *Frey* (2010), 2011–2012: Employment and Public Works Database [Foglalkoztatási és Közfoglalkoztatási Adatbázis], 2013: Law on the state budget of Hungary.

By launching the Road to Work programme, the government intended to further strengthen the principle of 'work instead of benefits', a principle which

had become more and more dominant in governmental communication since the year 2000. This doctrine prevailed and also became more emphasised after 2011: besides the expansions of public works in volume and costs, the obligations of the long-term unemployed concerning job search behaviour and cooperation with the PES have become stricter. Former programme types (the municipal-, the national- and the PES-type schemes) were abolished and replaced by a 'unified' scheme; this reform aimed at reducing the fragmentation of the institutional system and the different funding mechanisms by programme type (however, the intensity of central government funding still differs by programme subtype). In the new system, the PES rather than the municipality alone allocates participants to programmes, somewhat reducing corruption risks. One of the most significant changes from 2011 was the introduction of a new legal relationship, applied to those engaged in public works: this provided legal bases for hiring public workers at a wage lower than the statutory minimum wage. Despite the name 'unified public works schemes', various subtypes exist that differ by length and other characteristics; the prevalence of these subtypes has varied over the last four years, with some of them fading into non-existence. To summarise, the budget appropriated for public works programmes has been expanding over the years, and this increase is likely to continue in the future, due to the fact that Hungarian employment policy is becoming more and more dependent on public works programmes as the main instrument among active labour market measures.

2.2 SURVEY-BASED AND ADMINISTRATIVE DATA ON PUBLIC WORKS

IRÉN BUSCH & KATALIN BÖRDŐS

This subchapter summarises and evaluates the most important available data sources on the size and costs of public works programmes in Hungary. Since the various types of programmes were organised and funded by different agents, available datasets might also differ by source, coverage and methodology of data collection. We provide here a short overview on the availability of data covering the different time periods by unit of observations (aggregate-, regional- or individual-level data) and assess the reliability of datasets and their potential for research purposes.

Official aggregate data on the number of participants

On the total number of public works participants, two official time-series datasets were available for public usage (*Cseres-Gergely–Molnár,* 2014a, *Molnár et al,* 2014) before 2015. The first one was included in an annual report published by the National Labour Office [Nemzeti Munkaügyi Hivatal; the office was dissolved on 31 December 2014] on the number of participants in active labour market measures (*Mód,* 2013). The relevant statistics are the *total* number of participants involved, which is the total number of people who were engaged in public works programmes for at least once (at least for one day) during the relevant period, thus it does not provide information on the number of days employed or intensity of work (part-time, full-time). Distributions by type of programme (municipal-, national or PES-type), county, gender and age group are available. The second relevant data source is a monthly report published by the Central Statistical Office of Hungary [Központi Statisztikai Hivatal] under the name 'Wages', which includes a table on its last page on the *average* number of participants (headcount) in public works programmes. This shows the daily number of participants averaged over the month (*KSH,* 2014). Data are published by month and by number of working hours.

A third official publication on total headcount exists since 2015, however it only includes data from the year 2013: these are published on the official website for public works programmes, launched in 2015 by the Ministry of the Interior. Available statistics cover both the total number of participants involved in a given month and the average number, and also the number of participants entering and exiting programmes per month. The source of data is the Integrated Information System maintained by the National Employment Service, and not the reports of the local jobcentres (as was the case in the annual reports of the Labour Office).

Settlement-level data

Treasury data on the number of participants in municipal public works programmes (unpublished)

The Hungarian State Treasury [Magyar Államkincstár] used to maintain two datasets on the number of participants and expenditures of municipal-type public works programmes, which existed until 2011. The source of the first database was the municipalities' (settlements) reports on local government spending and revenues. The information source consists of about 50 separate forms: it is not cleaned or assembled into a standardised and user-friendly dataset. In theory, data covers the total number of public works participants in every Hungarian settlement; however, item nonresponse is common, which limits the opportunities for analysis (see the methodological appendix of *Scharle et al,* 2011 for details).

The other dataset of the Treasury contains data on the amount of municipal-type public works subsidies paid from the central budget to the municipalities. This encompasses data on the amount requested by the municipalities, the amount transferred, the number of subsidised workers (by number of working hours), and days spent in programmes in every month. This data source seems to be the most reliable information on the headcount and total costs, as aggregating the settlement-level data on the national level is the best approximation of the published official aggregate statistics. Data are only available until 2010, as from 2011 on it is the local PES offices instead of the Treasury who administer the costs of the programmes. A disadvantage is that it only provides information on municipal-type programmes (during this period, a total of three types of programmes ran in parallel, one of which was the municipal-type), and it only contains information on subsidies spent on wages, thus no information is available on material or administration and management costs.

T-STAR

The Regional Statistics Database System (T-STAR) is a settlement-level collection of data covering various topics, maintained by the Central Statistical Office and published annually. The two relevant variables, 'total number of participants in municipal-type public works' and 'total spending on municipal-type public works' belong to the topic 'Municipal welfare system'. Data that belong to this topic are based on the No. 1206 form of the National Data Collection Programme (OSAP), which is a questionnaire filled in by local governments and sent to the KSH. Between 2003 and 2010, the first variable contained the number of unemployment assistance claimants who participated in municipal-type programmes, weighting part-time and full-time workers equally (that is, headcount was not full-time equivalent). The second

variable was total spending on municipal-type programmes in the given year, accounted by the municipality (including both wage costs and material and administration costs). From 2011 on, the variable on the headcount represents the number of unemployment assistance claimants who participated in any public works programmes, while the information on total spending is no longer available.

In the case of Budapest, both variables are constituted as the sum of the district municipalities' relevant variables, meaning that data on Budapest do not include spending and headcount in programmes organised by the municipality of the capital (which covers all districts but has an independent separate budget), resulting in an underestimation of the actual spending and headcount in the case of Budapest.

Although expenditure data of the Treasury and those in the T-STAR do not cover exactly the same elements (for example, the T-STAR includes all costs accounted for programmes, whereas the Treasury only has data on subsidies for wage costs), not unexpectedly, there is a strong correlation between the two series. However, there are some controversies as well: there are some settlements where T-STAR data is missing or zero, while according to the Treasury data, a positive amount was transferred as a subsidy (about 1–5 per cent of all settlements, depending on year), suggesting item nonresponse from the municipalities' part during the KSH's data collection for the T-STAR. There are also some settlements where the difference between the two series is substantial: the value of either variable is greater or smaller by 30 per cent than the other variable's value (about 13–18 per cent of settlements). Assuming that the Treasury's data is more reliable (since it is not based on self-reporting of the municipalities and is linked with actual cash transfer), one must treat T-STAR data concerning these settlements with caution.

Individual-level data

The Hungarian Labour Force Survey (Central Statistical Office)

The questionnaire for the Hungarian version of the Labour Force Survey (LFS) contains more than one question on public works participation. Before 2014, there were two questions that touched upon engagement in public works. Those who claimed that they were employed with a temporary contract (as opposed to an open-ended one) are asked about the reason for that, and one of the options is 'Because I am employed in a public works programme' (employment in public works schemes always come with a temporary contract). The other relevant question was about whether the respondent received any benefits for active-age persons: one of the options until 2013 was 'I do not receive any benefits at the moment but participate in a public works programme'. Based on these two questions, two distinct estimates could be made on the

number of participants for the years before 2014, but neither could distinguish the participants of the three types of public works programmes (that existed until 2010). Besides that, some inconsistencies arise when comparing the two estimates (see the methodological appendix of *Scharle et al,* 2011 on the details of this comparison and calculations). The yearly estimates based on the question about benefit receipt are more in line with trends based on other data sources, hence this variable seems to be more reliable for estimating the total number of public works participants, compared with the responses to the question about the reason of the temporary contract (*Scharle et al,* 2011).

Since 2014, a direct question about participation in public works has been added to the questionnaire, while the relevant option of the question about benefit receipt was dropped. Another question has been added, which is about whether the respondent participates in training related to a public works programme.

The main advantage of the H-LFS is that it contains a rich set of variables on the labour market characteristics of the respondents, enabling researchers to analyse participants by several aspects. Another strength is the rotational panel design and the fact that all individuals in the household are observed. On the other hand, since it is a survey based on the self-reporting of the respondents (or one of their family members), responses to the relevant questions are prone to measurement error: for example, some participants might not be aware of the exact nature of their legal status and might misreport it as regular employment; some others might feel stigmatised by their participation and thus may not admit it to the interviewer.

Unemployment register data by the National Employment Service

The datasets of the unemployment register – administered by the National Employment Service – include basic information (e.g. residence, date of birth, sex, education level etc.) on all registered jobseekers as well as benefit receipt and participation in active labour market programmes. Data on public works participation come from two sources. First, engagement can be registered as a reason for temporary suspension of registered unemployment status or unemployment benefit receipt. Second, it can also be coded among the active labour market programmes. Data for the years before 2011, however, is of questionable quality: national-type and municipal-type public works programmes were not always registered by the local PES offices, as these were not organised by the PES (as opposed to PES-type programmes). With the reform of the public works institutional system in 2011, a new information system called Employment and Public Works Database (FOKA) was introduced in September 2011 that replaced the previous system called Employment and Social System (EADAT). In the new system, claims for benefits for active-age persons (namely, the unemployment assistance and the regular social assistance) are

registered by the municipality (by the notary's office)[1], while participation in ALMPs (including public works) is administered by the PES via their own integrated system. In the previous system, if an assistance-type benefit claimant entered a public works programme, it was the notary's office's responsibility to register this action. However, since there are no sanctions defined in the relevant legislation against failing to register this information, municipalities do not have incentives to enter all data they are theoretically required to do (Audit Report, *ÁSZ,* 2013). Hence, data on participation in municipal-type public works for the years before 2011, as well as data on assistance-type benefit claims for the whole period is not necessarily reliable.

Another drawback is that the location (the settlement) of the programme in which the worker participated cannot be observed: the dataset only has information on the permanent address of the jobseeker (which is not necessarily the same as the location where they live or work) and on the location of the local PES office.

On the other hand, register data have the advantage of containing rather detailed information on all jobseekers registered, which offers a good opportunity for research. For example, *Molnár et al* (2014) analyse employment chances on the open labour market for those exiting public works programmes, using unemployment register data after the introduction of the new FOKA system.

Database on employment spells – data by the National Tax and Customs Administration

This database was created in May 2004, and originally only contained data on employment spells that were covered by the Labour Code. To assemble the dataset, initial data was provided by the National Health Insurance Fund of Hungary (OEP). On 1 January 2007, the Standardised Hungarian Employment Database ('EMMA'), managed by the PES, was terminated, and since then, employers are required to report all changes concerning employment spells to the tax administration agency. Since 1 September 2011, this reporting obligation also applies to the legal relationships of engagement in public works. Besides the start and end dates of the employment spell, the number of working hours as well as the code for the occupation [based on the Hungarian Standard Classification of Occupations (FEOR)] are registered.

The tax administration agency shares the contents of the dataset with the Central Office for Administrative and Electronic Public Services (KEKKH), which is a data managing authority that belongs under the responsibility of the Ministry of Interior; it is also the legal successor of the National Labour Office in managing the dataset. Based on this dataset, exits from public works programmes can be monitored: the Ministry of Interior calculates the ex-participants' rate of employment on the open labour market within the first 30 and on the 180th day after the end of the programme. The anonymised ver-

1 As of 1 April 2015, it is the general government office at the micro-region level.

sion of the dataset is also frequently used by researchers, as it can be linked with other administrative datasets through a special hash code generated for individuals based on their social security number. Although data is not always precisely reported by employers (missing data is not uncommon), the dataset is still rather well-suited for analysis purposes: it provides an opportunity for examining the history as well as the exit rates of participants of public works programmes.

Aggregate data based on this dataset is not published by the tax administration agency.

Further data sources on the characteristics of public works participants

There are some other data sources that focus explicitly on the characteristics or living conditions of public works participants; these are usually small-sample survey or interview data that are not necessarily representative of the whole population of public workers. For example, *Koltai* (2013a) examines the labour market attachment of a total of 283 participants in five micro-regions through a survey designed directly for this purpose. Another example is a report made by the Hungarian Anti-Poverty Network (*Farkas et al,* 2014), which is based on another survey on a total of 533 public workers (and in-depth interviews with 42 additional workers): it contains questions on the history, income status and employment prospects of the respondents. A third survey conducted by *Bass* (2010) is, contrary to the previous two surveys, a representative one, although it only covers the 33 least developed micro-regions of Hungary. The survey was conducted during June and July 2009, which is shortly after the Road to Work programmes were launched: the sample covers a total of 1,718 households (with 7,844 individuals) in 52 settlements.

On the deviations among statistics based on different data sources

As discussed in the beginning section of this subchapter, aggregate headcount statistics are published both by the Central Statistical Office and by the Ministry of the Interior. In addition, in the case of the Central Statistical Office [KSH], two different data sources provide a basis for the aggregate statistics: the Hungarian Labour Force Survey and the data collection through the institutional system. Due to methodological reasons and the peculiarity of each data collection process, aggregate statistics on the headcount might differ. These peculiarities are the following:

1) The KSH's data collection through the institutional system: data providers are all firms that employ at least 50 workers, a representative sample of firms with employees numbering between 5–49 and of non-profit organisations, and all public institutions financed by taxes or social security contributions. Deviations from other statistics might arise from the fact that not all employers are covered by this data collection, even though the number of

public workers hired by firms with less than 5 employees or by non-profit organisations is not significant (however, non-profit organisations show a slowly increasing trend in hiring public workers, especially since 2015).

Official statistics on the average stock headcount concerning those engaged in public works are published once a month. It is important to note that the headcount is not in full-time equivalent: all participants are considered with a weight of one who, at the time of the data collection, have a contract concerning engagement in public works for at least 60 working hours per month (even if the contract is terminated before the end of the month). Corrections by KSH on previously published statistics are frequent.

2) The Hungarian Labour Force Survey, conducted by the KSH. As previously described, the LFS is a regular household survey with questions on the economic activity of persons between the ages of 15 and 74. The objective of the survey is to monitor employment and unemployment trends using statistics that are comparable among countries and are not affected by changes in the Hungarian regulation and methodology. Statistics are therefor based on the standard definition of the International Labour Organisation (ILO): an employed person is defined as someone who, during the week before the questionnaire is conducted (reference period), performed some work for at least one hour and received compensation (wage or salary) for it, or who had a formal attachment to their job but were temporarily not at work (e.g., due to illness or vacation) during the reference period. In the case of public workers, those who participated in training related to a public works programme are also considered as public workers, regardless of whether they actually performed work or not during the reference period.

Data collected from the questionnaires are weighted using sampling weights and aggregated to the level of the population. Monthly statistics are not published, instead, the KSH calculates three-month averages. Since they are estimated on a sample, the headcount statistics are subject to sampling error on the one hand, and measurement error on the other. The smaller the sample is, the larger the sampling error is; measurement error can result from the fact that household members can respond to the questionnaire on behalf of their family members, and might not know the exact nature of the legal relationship the other is engaged in.

3) Statistics based on administrative data and published by the Ministry of Interior. The source of the data is the information system used by the PES[2] to keep track of clients (registered jobseekers); the database is managed by the Central Office for Administrative and Electronic Public Services. The relevant statistics concerning the number of public works participants is the monthly average stock headcount, which is the daily number of participants averaged over the month. During the calculations on the total headcount – contrary to the KSH's statistics based on its institutional data collection –

2 Before April 2015, the local PES offices; from April 2015 on, the micro-regional general government offices.

participants who exit from public works programme during the month are weighted by a number less than one. Since it is based on administrative data instead of a sample, the total population of participants can be observed. It is important to note that – consistently with the methodology used for other labour statistics – monthly headcounts are calculated by taking into account participants between the 20th day of the relevant month and the 20th day of the consecutive month. This can make a substantial difference, especially in months when a large-scale programme starts or ends. In statistical reports, new clients or events are feature in the period when they were recorded in the register. As of January 2015, data for a given month are recorded on the 20th day of the following month.

Summary

There are several data sources that can be used for the estimation of the number of participants or total costs of public works programmes in Hungary. However, they differ by exact content, methodology, the period for which they are available, and level of reliability. For the period before 2011, some of these datasets (for example the T-STAR or the expenditure data of the Treasury) solely relate to municipal-type programmes that existed until 2011, whereas other databases (such as the unemployment register data) have more reliable data on PES-type public works programmes. We summarise the most important data sources that are available on the settlement or at individual level in *Table 2.2.1.*

Comparing the data sources above, we can conclude that it is basically impossible to assemble a dataset that covers all types of public works programmes and calculates headcounts or costs based on a consistent methodology over a longer period. As pointed out by the State Audit Office of Hungary (Audit Report, *ÁSZ,* 2013), even headcount calculations that are supposed to refer to the same period and to the same programmes (but are based on different data sources) are not always consistent with each other. Since the changes of the institutional system and reduction of the fragmentation of the funding mechanism in September 2011, the reliability of the database managed by the labour institutions has improved. Official aggregate statistics on total headcount are published by both the Central Statistical Office and the Ministry of Interior; these statistics might differ due to the methodological details of the data collection process and ways of calculation.

Table 2.2.1: Overview of the most important data sources on public works programmes

Database	Source of data	Content	Unit of observation	Advantages	Disadvantages
Treasury data on municipal public works programmes	municipalities' requests for funding [62/2006 (III. 27.) gov. decree, appendix No. 6]	amount of subsidies requested and transferred to settlement, monthly headcounts	municipality (month)	supposedly reliable data on expenditure	only cover municipal-type programmes, only for the years before 2011
KSH T-STAR	OSAP form no. 1206 (obligatory reports from the municipalities' part)	number of participants & total expenditure on municipal-type public works	municipality (year)	consistent (harmonised) time series, available for a longer period	in some cases, less reliable data; only cover municipal-type programmes
KSH H-LFS	household survey	participation in public works at the time of response	individual (quarter)	rich data on individual characteristics	potential misreporting
PES register (Eadat, Foka)	unemployment register	reason for suspension of benefit or jobseeker status, participation in ALMPs	individual (spell)	rich data on individual characteristics; covers all registered jobseekers	not necessarily reliable data on public works for the years before 2011
NAV data	Form No. 15T1041 on employed persons covered by social security insurance	engagement in public works, FEOR-code, number of working hours	individual (spell)	rich data on individual characteristics; covers all public workers	occasionally missing data

Notes: KSH = Central Statistical Office, OSAP = National Statistical Data Collection Programme, NAV = National Tax and Customs Administration, PES = public employment service, FEOR = Hungarian Standard Classification of Occupations.

2.3. PUBLIC WORKS PROGRAMMES IN THE PUBLIC EMPLOYMENT SYSTEM, 2011–2013 – BASIC FACTS

ZSOMBOR CSERES-GERGELY & GYÖRGY MOLNÁR

Public works has been the most significant employment policy programme since 2010 both in terms of spending and the number of participants. For 2015 the Government has envisaged the participation of 200 thousand persons in public works and allocated 270 billion HUF from the national budget.

The public works portal of the Government[1] was launched on 25 March 2015, which provides, among others, basic statistical data from the beginning of 2013. However, it does not sufficiently describe the important features of the programme because of the period covered and the definitions applied. The situation is further aggravated by separation of the management of, and government data on, public works and related training as well as other labour market programmes.

There are two regularly published sources available on the preceding period (see also Sub-chapter 2.2.). One of these is the publication of the National Labour Office (NLO), closed on 31 December 2014, on the number of participants involved in active labour market policies (*Tajti,* 2012, *Mód,* 2013) and the other is the table included on the last pages of the report "Salaries" (entitled "Headcounts and Salaries" previously) of the Central Statistical Office (CSO).[2] The publication of the NLO is quite detailed but only uses the special term "headcount of participants involved" (or more specifically: net headcount of participants involved). The CSO publication uses the term "average monthly headcount", but the groups included change annually even after 2011, which strongly limits comparability. The CSO data, going back to 2013, have recently been re-published in a modified structure in the Stadat database.

Vertically consistent data on the average headcounts of Hungarian public works programmes between 2011–2013 were first published in the studies *Molnár et al* (2014) and *Cseres-Gergely–Molnár* (2014). In the present study public works programmes are examined from a broader aspect, as part of the client path, ideally approaching work on the open labour market, undertaken by the unemployed in the *public employment system*,[3] defined as the services, supports and programmes of the Public Employment Service and other governmental authorities. We made our calculations using the primary data set provided for us by the National Labour Office (NLO), stored in the Databank of the MTA KRTK.

First this data set is presented below as well as the relevant details of data processing. Then the share of beneficiaries of the public employment system

1 http://kozfoglalkoztatas.kormany.hu

2 http://www.ksh.hu/earnings

3 Note that this concept does not exist in the literature, but is our definition. Its similarity to the known concept "Public Employment Service" (PES) is partly a play on words, partly a deliberate choice: it is an extension of the PES by other related institutions.

in the individual programmes is examined. In this respect several statuses in the social welfare and public employment system are identified (only registered, participating in a programme or currently outside the system). The specific succession of these statuses is called "sequence". The final part of the Chapter provides an overview of the most frequent sequences and their main characteristics.

The labour micro-database of MTA KRTK and the process of data cleaning

The main characteristics of the micro-database

The research relied on the individual data of the Employment and Public Works Database (EPWD) of the (now closed down) National Labour Office.[4] The part of the database provided at our disposal contains the primary database of registered job seekers, participants of public works and other labour market programmes as well as beneficiaries of job seekers' allowance [álláskeresési járadék] and employment substitute allowance [foglalkoztatást helyettesítő támogatás] between 1 January 2011 and 31 December 2013.

The data sets are based on episodes. Episodes are events in an individual's life with duration of potentially more than one day. Episodes are defined by four pieces of information: the individual concerned (personal data), the starting and closing date of the episode as well as its nature (registration, public works, training and other programmes and type of support). Episodes with differing characteristics are considered individual episodes even if they are related in time. Episodes may overlap only if they are registration and programme episodes.

In accordance with data protection rules, individuals are indexed by an artificial identifier; the following personal data are available: sex, age group, educational attainment, and place of residence (municipality). The starting date of the ongoing episodes of individuals already included in one of the registries on 1 January 2011 is also known. Since the system of public works was transformed completely on 1 January 2011, there was no episode of this kind that had commenced prior.

Since data from the registry of employees held at the tax authority (previously called Unified Hungarian EPWD, see Section 2.2) was not available to us, it is not known whether individuals leaving the public employment system take up employment or not – except for a monitoring undertaken 180 days after the end date of public works (discussed in Sub-chapter 2.6 in detail). Because of regulations on benefits it is likely that the majority of participants leaving and re-entering the system take up work in between but it is not certain. In case of those leaving the system and not re-entering it during the period concerned, not even this may be assumed.

4 We wish express our thanks to the officials at the National Labour Office, especially to *József Tajti* Head of Department as well as *Attila Kicsi, Péter Mód, Miklós Németh* and *János Papp* for their valuable help.

Improving the consistency of the data set

Public works participants are in principle removed from the unemployment registry and are re-entered upon finishing their participation in public works. However, the registry was not in accordance with this procedure and included public works participants in most cases. This duplication was corrected.

The case was similar for several other active labour market programmes. As for active labour market programmes, participants of training programmes[5] and public benefit works programmes were included in the registry, while the participants of the following programmes were not: wage (cost) support, support for becoming an entrepreneur, support for internship of young professionals, housing allowance, supporting the employment of individuals entitled to availability allowance[6] [rendelkezésre állási támogatásra jogosultak foglalkoztatásának támogatása] and local transport allowance. (A summary table of the headcounts of these programmes in 2011 and 2012 is published – *Molnár et al,* 2014, p. 72.) Discrepancies were also corrected in these cases.

Occasionally, (public works or other) programmes or episodes overlapped in time. This was probably due to failing to close down the earlier programme in the registry. We merged overlapping or directly contiguous registration episodes. In case of programmes overlapping in time, we closed the earlier one on the starting date of the subsequent one. These changes only concerned less then 1 per cent of the episodes.

It was an important issue to decide what to do with programmes following one another in a very short time (often a few days). They accounted for a few per cent of the episodes. It was considered that they be merged. However, thorough analysis showed that they are not due to registration mistakes but individual programmes with different characteristics. It may have also happened that the break between the two programmes was actually longer than shown but the earlier programme was not closed on time – but it was not possible to correct it. The seemingly technical decision may have an impact on the proportions of participants entering the open labour market from public works (or other programmes).

For example, one day after the closure of a public works episode a new one is started, which lasts for more than six months, following which the participant concerned takes up employment on the open labour market. At the time of monitoring, in 180 days after the end of the first episode, the participant is not working on the open labour market, while in 180 days after the second he is, which gives a 50% rate of finding employment. If the two episodes are merged, monitoring only takes place after the second episode and this results in a success rate of 100%. Since the real issue is whether someone enters another public works programme after the first episode, we decided not to merge episodes following one another in a short time period.

5 Except for the training provided for public works participants and training support provided through employers.

6 The strangely named *availability allowance* is paid to the long-term unemployed whose health would enable them to participate in public works but they do not receive an offer at the moment. The name implies that they are available to public works. Later it was renamed as wage-substitute allowance [bérpótló juttatás] and then as employment substitute allowance [foglalkoztatást helyettesítő támogatás]. The monthly amount of 22,800 HUF (about 75 EUR) has been unchanged for years.

Public works in the public employment system

From 1 January 2011 to 31 December 2013 nearly 1.8 million persons were involved in the public employment system for some length of time (*Table 2.3.1.*). A little more than a million of these (59%) entered the public employment system during the three years, while the others had already been within the system on 1 January 2011. If someone left the public employment system and re-entered it (maybe several times) during the period of the research, they were taken into account as one person. The relationship with the public employment system is a broader concept than being registered as unemployed; it supposes the fulfilment of at least one of the following three requirements (overlaps are possible):

1. registered unemployed,
2. participant of a public works programme,
3. participant of another active labour market programme.

Table 2.3.1: The number of those involved in the public employment system between 2011 and 2013 and their share in the various programmes

	Headcount (thousand persons)	Share (percentage)
Number of those involved in the public employment system	1774	100.0
Only registered	1180	66.5
In public works (total)	449	25.3
– without training	331	18.7
– with training	118	6.7
Other programmes	202	11.4
Total[a]	1831	103.2

[a] The number exceeds the number of participants of the public employment system and 100 per cent, because 57 thousand persons (equalling 3.2 percentage point) participated in both public works and other programmes.
Source: Authors' calculations based on the EPWD.

In the following, the succession of various employment statuses of the participants of the public employment system (taking into consideration the above limitations) will be discussed. Since the main objective is to analyse public works, the other active labour market programmes are presented together. There are five different statuses:

1. registered unemployed, not participating in any of the programmes (hereinafter *only registered*),
2. public works participant, not receiving training,
3. public works participant receiving training,
4. participant of another active labour market programme,
5. is outside the public employment system but was involved in the system sometime during the three-year period of the research and re-entered it.

Occasionally, status 2 and 3 are merged.

Precisely two-thirds of the 1.77 million persons involved in the social welfare and public employment system did not participate in any programmes, one quarter of them participated in public works sometime during the three years and somewhat more than one-tenth participated in another programme (*Table 2.3.1.*).

More than one quarter of the 450 thousand persons participating in public works during the three years took part in two different years and slightly less than one quarter of them were "regulars" and participated in it in each of the three years (*Table 2.3.2.*). In case of the other programmes, the share of participants taking part in the programme in two different years is basically the same but the share of participants taking part in a labour market programme in three years is insignificant.

Table 2.3.2: Accumulation of participation in programmes in various years, 2011–2013 (percentage)

	One	Two	Three	Total
	years' participation			
Public works	48.6	28.1	23.3	100.0
Other programmes	69.0	29.4	1.6	100.0

Source: Authors' calculations based on the EPWD.

Taking a look at the individual years separately reveals that the number of those involved in the public employment system did not change – it was only in 2012 that figures were five per cent higher than in the other two years (*Table 2.3.3.*).

Table 2.3.3: The number of participants in the public employment system and the annual percentages of participants in the various programmes, 2011–2013

	2011		2012		2013	
Number of participants in the public employment system (thousand persons)	1174		1226		1164	
Number and share of participants of programmes	Thousand persons	%	Thousand persons	%	Thousand persons	%
Public works (total)	236	20.1	234	19.1	315	27.0
– without training	234	19.9	222	18.1	201	17.2
– with training	2	0.2	13	1.0	114	9.8
Other programmes	81	6.9	85	7.0	101	8.7

Source: Authors' calculations based on the EPWD.

The number of participants in public works did not change between 2011 and 2012 but then significantly increased in 2013 due to public works including training. Their share within the participants of the public employment sys-

tem grew from slightly below 20% to more than 25%. Public works including a training element had scarcely existed previously. In 2013 the number and share of participants of other programmes also increased but part of this increase may have been virtual: while in 2011 and 2012 the proportion of participants (of public works and other programmes) taking part in the programmes repeatedly within a year was below one percentage point, this figure doubled in 2013 (this is not presented in a separate table). The thorough analysis of microdata showed that for some participants of public works including training, periods of various lengths were registered as labour market training. In fact, these were most likely to be elements of the same programme.

The total of days spent in the public employment system did not change during the three years examined (*Table 2.3.4.*). Participants took part in any of the programmes on slightly less than one-fifth of their days spent in the public employment system. The proportion of days spent in programmes increased from 14 to 23 per cent mainly due to public works. The proportion of days spent in public works including a training element increased less than the proportion of days spent in the public employment system. The number and proportion of days spent in other (not public works) programmes increased slightly.

Table 2.3.4: The number and share of days spent in the public employment system, 2011–2013

	2011	2012	2013	Total
Number of days in the public employment system (million)	263	266	266	795
Share (percentage)				
Only registered	85.7	80.2	77.0	80.9
Public works (total)	10.5	15.5	18.3	14.8
– without training	10.4	15.3	15.6	13.8
– with training	0.0	0.3	2.7	1.0
Other programmes	3.9	4.3	4.6	4.3
Total	100.0	100.0	100.0	100.0
Share of days spent out of / in the public employment system (percentage)	16.5	24.6	13.1	18.1

Source: Authors' calculations based on the EPWD.

The share of days spent outside the public employment system is a distorted indicator, since it necessarily has lower values in the first and last year than in the middle year. In 2011 it does not contain those who were within the system in 2010 and also re-entered later but were outside the system at the beginning of 2011. The case symmetrically applies to 2014. There are two reasons the proportion of the days spent outside the public employment system was nevertheless included in *Figure 2.3.4*. Figures for 2012 indicate that the persons involved in the public employment system spend – compared to the time within the system – 25 per cent of the time outside the system. Since there are some who

are in the public employment system throughout the whole year, the proportion of the time spent outside the system in the case of those repeatedly leaving and re-entering is significantly higher. This will be discussed in detail later.

It is worth noting that in 2013 relatively fewer days were spent outside the public employment system than in 2011, although the distortion described above should be symmetrical. Thus the volume in this case is not interesting but the difference between the two proportions is. This difference is highly likely to be due to the increase in the time spent in public works.

The average length of participating in public works grew from less than four months in 2011 to nearly six months in 2012 (*Table 2.3.5.*). Since the number of participants did not increase during this two year period (*Table 2.3.3.*), the increase in the number of days spent in public works was the result of the increase in the average length of participating in public works. The length slightly decreased in 2013 but remained above five months. On average, public works participants took part in public works for slightly less than nine months in the three years examined.

Table 2.3.5: The average length of participation, 2011–2013 (number of days)

	2011	2012	2013	2011–2013
Public works (total)	117	177	155	262
– with training	35	53	62	66
Other programmes	126	133	123	168

Source: Authors' calculations based on the EPWD.

The average length of participation in other labour market programmes was about four months in each of the three years. Because of multiple participation, the average length throughout the three years was 5.6 months.

The length of training organised in public works was two months on average in 2013. This requires two remarks as explanation. Considering that this programme was launched as part of the public works programme that started in December 2013 (see Sub-chapter 2.8), the length of the programmes is longer but data are not available from 2014. On the other hand, there is only one month of public works with a training element in 2013 (see *Table 2.3.2.*). The average of 66 days results from the fact that some persons participate in six-month or even one-year-long public works programmes including training.

Average headcounts

The number of those involved in the public employment system did not change between 2011 and 2012 and basically the number of participants of other (not public works) programmes stagnated too. Redistribution of proportions was caused by public works, since the increase in public works participants was accompanied by a decrease (of the same extent) in the number of persons only registered but not taking part in any programmes (*Table 2.3.6.*). While in 2011

the number of public works participants was 2.7 times higher than the participants of other labour market programmes, by 2013 this figure increased to 3.9.

In 2011 more than half of the total headcount was employed four hours daily. This type of public works was discontinued in 2012 and only six- and eight-hour employment remained, with a strong predominance of the latter. Thus the full-time equivalent headcount for the three years increased even more between 2011 and 2012 (the final line of *Table 2.3.6.*).

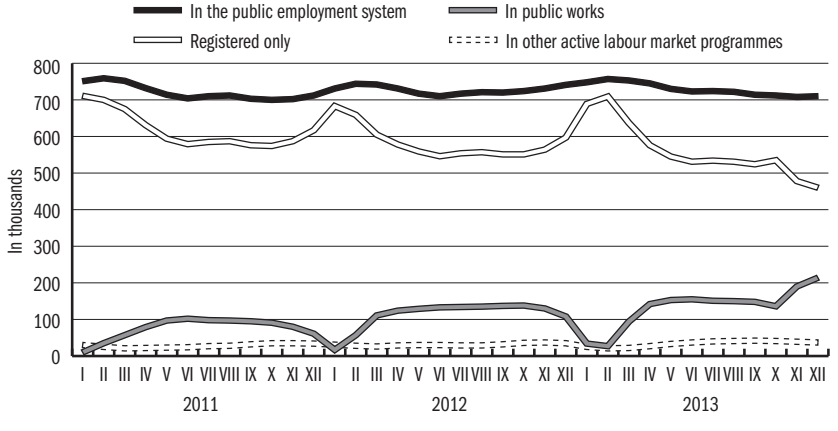
Table 2.3.6: Average annual headcounts in the public employment system, 2011–2013 (thousand persons)

	2011	2012	2013
Only registered	618	584	562
Public works (total)	75	113	133
– without training	75	111	114
– with training	0	2	19
Other programmes	28	31	34
Total	721	728	729
Full-time equivalent in public works	54	108	128

Source: Authors' calculations based on the EPWD.

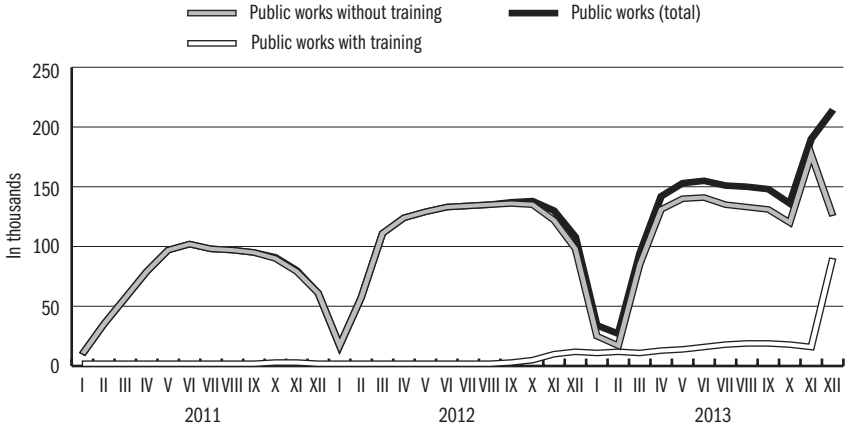
Monthly figures are similar to annual ones (*Table 2.3.1.*). Apart from seasonal fluctuation, the number of those involved in the public employment system is more or less stagnating, while the number of participants in programmes slightly increases without any fluctuation. Consequently, the headcounts of public works participants and those only registered mirror each other precisely. There is a strong seasonal decrease in the number of public works participants at the end of 2011 and 2012, which is offset by winter public works organised at the end of 2013.

Figure 2.3.1: Average monthly headcounts in the public employment system (thousand persons)



The proportion of public works including a training element or organised as training *per se* started to grow at the end of 2012 and then there was a sudden surge in November 2013. Although this increase was slightly at the expense of public works without training, it mainly entailed a net increase (*Figure 2.3.2.*).

Figure 2.3.2: Public works with and without training, monthly figures (thousand persons)



Characteristic individual paths in the public employment system

The definition of a sequence

When entering the public employment system, the majority of participants initially only become registered unemployed. After a while they either leave the system or receive some kind of "treatment": they participate in public works or other active labour market programmes. Upon completing the programme, they either leave the system or become registered unemployed again. Those leaving the system also sometimes re-enter.

This section examines the typical paths taken by participants in the public employment system between 2011 and 2013. Merging the two types of public works programmes, we continue to differentiate between four statuses indicated by the following letters:

R = registered unemployed,
W = public works participant,
P = participates in another programme,
O = currently outside the public employment system but was involved previously and re-enters later.

The path of a person entering the public employment system is defined by the series of the daily statuses. A *full sequence* is the series of 1096 letters corresponding to the 1096 days between 2011 and 2013. This would be unmanageably long; therefore the days spent in the same status are merged. The se-

ries created in this way, containing information from the various episodes is called a *sequence*. The path of an individual registering initially as unemployed, then leaving the system after receiving labour market training (because of e.g. finding employment) but re-entering and registering as unemployed again before participating in public works is described by the following sequence: *R–P–O–R–W*. Sequences end if an individual leaves the system for good or the final date of the data set available is reached. This representation only takes into account the succession of episodes but not their length; however, in some cases their length will also be discussed.

A sequence may be further simplified by examining only the episodes of a path but excluding their succession. The above sequence then contains the following episodes: *WOPR*. In this case the elements follow one another alphabetically and in order to differentiate it from a sequence, no hyphens separate the letters.

The most frequent sequences

The individual paths of the 1.8 million persons in the public employment system during the period examined is described by 4000 different sequences, the 20 most frequent of which are presented in *Table 2.3.7.*[7] These cover nearly 89 per cent of the people involved.

More than half of the participants entered into the register, did not participate in any programmes, left and did not re-enter. *Figure 2.3.3.* shows the length of the episode of those who entered and left the system during the period examined. The majority (53 per cent) leaves the system within 120 days. It is worth noting that the peak is on days 92–94, i.e. the days after the end of the disbursement of the job seekers' allowance. About one-third is still within the system after 180 days, without participating in any programmes – and after one year the number of participants with this status is still more than 40,000 persons.

Returning to the issue of sequences, the next large group includes the participants who left the public employment system and then re-entered but did not participate in public works or any other programmes. This may happen once or several times (see items 2, 4 and 15 in *Table 2.3.7.*). The variations of staying in the registry and out of the system once or several times account for less than 16 per cent of the sequences, as seen in line 2 of *Table 2.3.8.* (Please note that *Table 2.3.8.* – as opposed to *Table 2.3.7.* – lists episodes within the various combinations not in the order of their occurrence but alphabetically.)

70 thousand of the 450 thousand public works participants participated in public works once and then became registered unemployed again (*R–W–R*). 42 thousand of them participated in public works after registration and then either left the public employment system or were still in public works at the end of 2013 (*R–W:* see line 6 of *Table 2.3.7.*). Less than 7 per cent left the system as public works participants, while the others are still within the system.

7 Calculations related to sequences were made using the features of the Stata sq programme package. Authors: *Ulrich Kohler, Magdalena Luniak* and *Christian Brzinsky-Fay*.

Table 2.3.7: The most frequent sequences describing paths in the public employment system

		Headcount (thousand persons)		Proportion (percentage)	
Number	Type of sequence	total	not right-censored[a]	total	not right-censored*
1.	R	899,560	688,849	50.72	65.06
2.	R-0-R	212,808	144,599	12.00	13.66
3.	R-W-R	69,554	35,801	3.92	3.38
4.	R-0-R-0-R	52,271	31,824	2.95	3.01
5.	R-P	46,200	29,616	2.60	2.80
6.	R-W	41,747	2,806	2.35	0.27
7.	R-W-R-W-R-W	34,600	321	1.95	0.03
8.	R-W-R-W-R	33,576	11,539	1.89	1.09
9.	R-W-R-W	29,841	855	1.68	0.08
10.	R-W-R-W-R-W-R-W	24,256	107	1.37	0.01
11.	R-P-R	22,385	13,895	1.26	1.31
12.	R-W-R-W-R-W-R	21,007	4,160	1.18	0.39
13.	R-0-R-W	14,770	581	0.83	0.05
14.	R-W-R-0-R	14,439	7,141	0.81	0.67
15.	R-0-R-0-R-0-R	12,794	5,703	0.72	0.54
16.	R-0-R-W-R	12,224	6,133	0.69	0.58
17.	R-P-0-R	10,608	6,146	0.60	0.58
18.	R-0-R-P	9,123	3,945	0.51	0.37
19.	R-W-R-W-R-W-R-W-R-W	7,989	26	0.45	0.00
20.	R-W-R-W-R-W-R-W-R	6,293	1,227	0.35	0.12
1-20. total		1,576,045	995,274	88.85	94.00
Total of sequences observed		1,773,743	1,058,773	100.00	100.00

[a] Not right-censored data means the participant left the public employment system before 31 December 2013.

Source: Authors' calculations.

Figure 2.3.3: The length of staying in the public employment system of participants only registered who entered after 1 January 2011 and left before 2013 (N = 485,794)

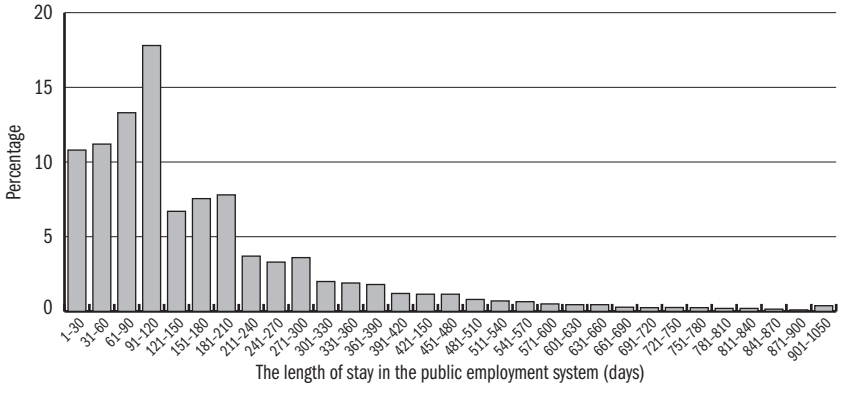


Table 2.3.8: The combination of episodes in the various sequences and their share (N = 1,173,743 persons)

Number	Type of sequence combination	Proportion (percentage)
1.	R	50.72
2.	OR	15.83
3.	WR	15.59
4.	WOR	6.48
5.	PR	4.62
6.	OPR	3.47
7.	WPR	1.83
8.	WOPR	1.39
9.	P	0.04
10.	W	0.02
11.	WP	0.00
12.	WOP	0.00
13.	WO	0.00
14.	OP	0.00
Total		100.00

Note: The episodes follow one another alphabetically in the combinations.
Source: Authors' calculations.

The situation is different for the sequence *R–P*. A relatively high number of participants, nearly 30 thousand, were registered as unemployed first and then left the system after one programme participation.

Sequences containing public works

Table 2.3.9. presents the combination of episodes of *Table 2.3.8.* as well as their share. There is practically no sequence containing public works exclusively or public works and another programme; the majority of participants enter public works after at least a short registered unemployment. There are four main types:

1. the most frequent one is alternating registered unemployment and public works participation;
2. in about one quarter of the cases the above combination is interrupted by one or more periods spent outside the public employment system;
3. in 7 per cent of the cases participants also take part in other programmes in addition to public works;
4. in addition to the above (type 3), there is also time spent outside the public employment system.

In view of quitting public works permanently, the case of those not within the public employment system on the last day of the period examined is especially important. There are only 100 thousand persons like this out of the 450 thousand involved in the public employment system during the three years (*Table 2.3.9.*). The others (*WOR, WOP* and *WOPR* types) also left the

system after a public works episode but they were within the system again on 31 December 2013.

Table 2.3.9: Share of combination of episodes containing public works

Number	Type of episodes	Share (percentage)	
		total (N = 449,203)	Not right-censored (N = 99,139)
1.	WR	61.55	58.59
2.	WOR	25.60	29.41
3.	WPR	7.24	6.58
4.	WOPR	5.51	5.22
5.	W	0.08	0.15
6.	WP	0.01	0.01
7.	WOP	0.01	0.02
8.	WO	0.01	0.02
Total		100.00	100.00

Source: Authors' calculations.

Only 7 per cent of the 58 thousand persons belonging to type *WR* and leaving the system in the three-year period finished their path via public works; the others left the system from registered unemployed status. This may have a technical reason, which will be discussed later. The most frequent sequence (62 per cent) participants of this type went through is *R–W–R*, followed by *R–W–R–W–R* (20 per cent) and *R–W–R–W–R–W–R* (7 per cent). It is only 5 per cent that exit after a sequence of *R–W*. There are individuals alternating between the two statuses ten times.

The proportion of *WOR* types, i.e. those who were also outside the system in addition to being registered and participating in public works, is somewhat higher among the permanent leavers than in the whole sample. It seems that individuals who already have been outside the system are more likely to leave it again. This type is very varied: it includes more than 500 sequences. It has two relatively frequent forms (among the not right-censored cases): *R–W–R–O–R* at 24 per cent and *R–O–R–W–R* at 21 per cent. Less than 5 per cent of them leave the system after a public works episode.

The less significant *WPR* type also includes more than 400 different sequences. Leaving the public employment system is the most common in the case of the *R–W–R–P* sequence; more than 20 per cent of the WPR category belongs here. Among the leavers the share of the sequences *R–P–R–W–R* and *R–W–R–P–R* is more than 20 per cent. As opposed to public works, the share of those exiting from a programme not from registered unemployment is relatively high.

And finally, the last of the more significant groups includes those who went through all of the four types of episodes. Logically, there are more combinations than in the case of the previous types: it contains more than 1000 dif-

ferent sequences, none of which is outstandingly frequent. The most typical are sequences containing six or seven episodes (including time spent outside the system), the average length being 7.6 sequences. Similarly to the previous type, four times as many participants leave the public employment system from another programme as from public works.

Analysis of all the sequences containing public works and ending before the last day of 2013 reveals that in 95 per cent of them *the final episode is registered unemployment*, in more them 4 per cent it is *programmes other than public works* and in only slightly more than 0.5 per cent it is *public works*. As mentioned before, this may have a technical reason: after a completed public works episode, participants enter registered unemployment automatically, which may last for a few days even if finding employment. And in fact, in the case of 20 per cent of sequences ending in *W–R* the length of the final *R* episode is a maximum of three days. However, on average, the length of this final *R* episode is extremely high – 170 days – indicating that public works does not lead to exiting the system in the majority of cases.

Table 2.3.10. indicates the share of sequences containing a varying number of public works episodes among all the sequences containing at least one public works episode. The figures show that the overwhelming majority of those who left the public employment system during the three years examined only had one or two public works episodes.

Table 2.3.10: The distribution of sequences according to the number of public works episodes

	Share (percentage)	
The number of public works episodes	Total sequences (N = 449,203)	Not right-censored (N = 449,139)
1	44.1	68.2
2	23.7	21.5
3	18.0	7.4
4	9.8	2.2
5	3.2	0.6
6	0.9	0.1
7	0.3	0.0
8	0.1	0.0
9	0.0	0.0
10	0.0	0.0
11	0.0	0.0
12	0.0	0.0
Total	100.0	100.0

Source: Authors' calculations.

Conclusions

Between 2011 and 2012 a total of 1.77 million persons were involved in the public employment system, including 1.37 million who spent more than 120 days in it. A surprisingly high number stay in the system for a considerably long time without participating in public works or other active labour market programmes. A total of 450 thousand participated in public works, including 100 thousand who exited the public employment system permanently during the three years. The others were within the system continuously or re-entered it after some time spent outside it.

The analysis of the path undertaken in the public employment system as well as the order and length of episodes shows that *it is less likely to exit the system from public works than from other programmes, and the more someone participates in public works, the less likely he/she is to leave the system*. Individuals who already spent time outside the system and then re-entered it are also more probable to leave it again. Please note that it is a concurrence of phenomena and not a cause and effect relationship: it does not ensue from the above that public works reduces the likelihood of leaving the system; it may as well hold true that individuals with no chance of exiting tend to become public works participants. Referenced earlier research, numerous micro level analyses and the findings of fieldwork indicate that it is not justified to think that long-term public works participants are not capable of doing productive work if they have the opportunity.

Sub-chapters 2.5. and 2.6. will address the issue of who tends to become a public works participant and Sub-chapters 2.9. and 2.10. will explore the factors related to entering the open labour market. As shown above, the time spent in the public employment system has a prominent role to play in this.

2.4 THE VALUES OF PUBLIC WORK ORGANISERS AND PUBLIC WORKERS*

LUCA KOLTAI

In this section, we rely on the results of a questionnaire to examine what are the values which appear in public works. Our intention is to give an overview of what the staff of organisations operating public works thinks about public works, what they expect, and what their opinions are concerning the impact of public works. After data collection, we examined[1] the opinions regarding the content, measurability and sustainability of "value-generating work" in in-depth interviews.

In the case of public works, even defining the aims is not an easy task. This is because public works can be used for (income-generating) poverty reduction, work test, activation, or additionally labour market reintegration aims (see *Chapter 1* on this). The national systems of public works have never identified with any of these aims, but rather have combined them (with various weights). Thus, we also used a broader approach to interpret the observed results and effects.

The aims of public works

The forms of public works are rather versatile. According to international experience, there are very different modelling approaches involved in terms of titles, aims and regulations: for example those prioritising social bonding or work, while other forms condition provisions on public works (workfare) (see *Chapter 1,* or *Betcherman et al,* 2004). The aims of public works can be categorised according to the following functions.

Poverty mitigation: The primary aim is, on the one hand, to temporarily mitigate income poverty by securing income generating activities for people living in profound poverty, and, on the other hand, to keep the permanently unemployed above the poverty threshold. The programmes aimed at these goals typically offer incomes that are widely accessible to the poorest for whom employment in the open labour market cannot be expected.

Development of workability, work test: these involve workability retention/development for those being most remote from the labour market. Creating or retaining propitious conditions for work can also be the aim of these public works programmes. These programmes are regulated and participants often have an obligation to cooperate in some form with the labour market institutions. Public works as a work test provide an opportunity for potential employers to select employees with adequate job skills and to employ them without risks.

Labour market integration: promoting labour market integration is the goal of many public works programmes. These programmes usually comprise per-

* **Hereby we would like to express our gratitude to the following individuals who have contributed to this research:** *Judit Ádler, Gusztáv Aladi, Gabriella Borsós, Judit Csoba, Márton Kulinyi, Éva Kuti, Zsuzsa Laczkó, Ildikó Lakatos, Péter Mód, Judit Nagy, Ilona Nagyné Varga, Éva Orsós, Ágota Scharle, Mária Szeder-Kummer, Zsolt Szulimán, Ildikó Tamási.*

1 For the description of the methodology used in the research see Annex 2.4.

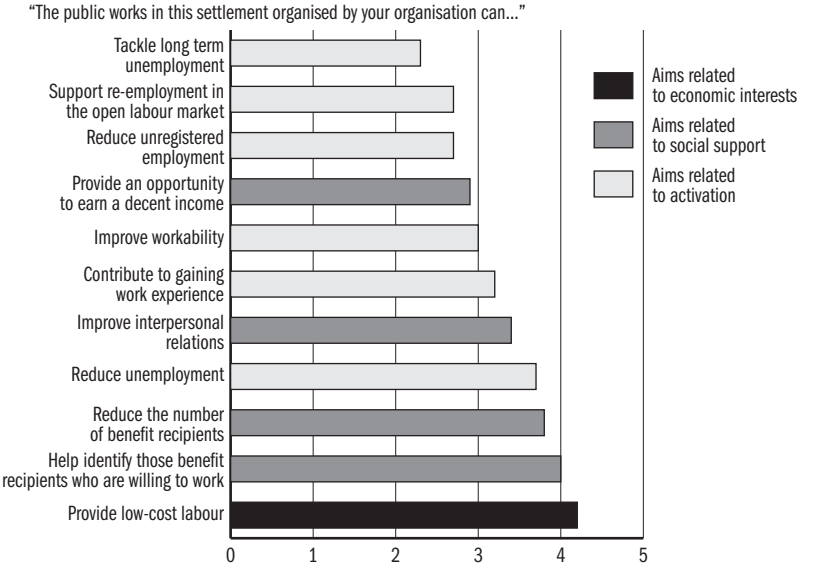
sonal development as well as training elements, and provide diverse work opportunities (*Koltai,* 2013a).

Most of the public works programmes do not neatly follow solely just one or the other aim, but some combination thereof. The national experience is also similar, over the past 20 years the aims of the public works programme varied, sometimes one, at other times another function would become paramount.

The aims of public works according to the examined organisations operating public works

One of the most important questions of our research was how public works participants evaluate the aims and results of the programme. To what extent do organisers help develop and revitalise the employment skills of public works participants and might facilitate their employment? In the study we approached 870 organisations operating public works (in 2012) which were primarily public, municipally owned entities. Participants of the survey were asked to provide their answers on a scale of 1 to 5 where 1 meant "strongly disagree" and 5 meant "strongly agree." The aggregate results are presented in *Figure 2.4.1.*

Figure 2.4.1: Perceptions of the aim of public works



The highest agreement emerged in the case of the organisers' contribution to the aims of *solving direct economic problems.* This was followed by aims of a *social nature,* in which the most widely shared aim was that concerning the work test function of public works.[2]

The *work test* function of public works is supported by more than two thirds of the respondents (68 per cent). Only 3 per cent of the respondents did not

2 The claim "Public works organised by your organisation provides a cost-effective workforce for the provision of municipal tasks" received 4.2 points on average. The claim "Public works filter out from among those on benefits who want to work" received 4 points on average.

believe that the public works organised "filters out among those on benefits the ones who do not want to work".

According to organisers, the aim of public works is primarily to provide a *cheap labour force for municipalities as well as to filter and activate beneficiaries*. 56 per cent of the respondents largely agree with the statement that "public works decrease the number of the unemployed and beneficiaries" (3.7 point average). Although organisers do not expect to tackle long-term unemployment, it is clear to them that while someone is in public works, the benefits payable to them can be saved. Certainly, this explains why the largest part (62 per cent) of respondents agreed with the evaluation according to which public works "decrease the number of beneficiaries" (3.8 point average).

To the question of whether public workers experience *participation in public works as an opportunity or an obligation*, the answers were strongly divided: 36 per cent said that it was an opportunity, 37 per cent said that it was an obligation. The negative replies however strongly differed: according to 12 per cent of the respondents one cannot talk about obligation at all, while only 5.7 per cent rejected the claim that participants experienced public works as an opportunity. A study published in 2010 which examined participants in public works found that it was less than half of participants who had voluntarily entered public works (*Csoba et al,* 2010).

There is no strong agreement regarding the *poverty mitigating effect* of public works, despite the fact that public works provide a higher income than the benefit. Only 28 per cent of the respondents agreed with the statement that "public works provide an opportunity for locals to gain an adequate income".

The answers given to the open questions of interviews and questionnaires yield us a more *subjective picture*. According to some respondents, income from public works "is more than the benefit," but elsewhere: "to carry out physical work all day long for a couple of thousand forints and travel back and forth, it's no wonder there is no work discipline". According to another respondent: "This little money is not what matters to them. Firewood, mushrooms, the products of community gardens, that is what matters." Elsewhere we heard the following: "It is a pity that only one person in a family can participate in public works and only for a couple of months".

62 per cent of the respondents did not agree with the statement that public works are "adequate to tackle long-term unemployment" (35 per cent did not agree at all, only 15 per cent found it an adequate measure, and the average point was 2.3). This was the most rejected aim. In a survey prepared during an earlier programme called 'Road to work' (in Hungarian: "Út a munkához") 6 per cent of the respondents found public works an adequate measure to tackle long-term unemployment, but some 67 per cent thought it could provide a temporary solution (*Petz,* 2011).

According to the respondents, 90 percent of the public workers in 2012 obtained entitlement for social benefits again, and 80 per cent of the programme participants became public workers again. The very high (80–100 per cent) and seasonally-dependent probability of return clearly shows the circular character of public works (benefits-public works-benefits). This phenomenon has already been observed over a 15 year period (*Csoba et al,* 2010). People who have participated in public works are in a particularly difficult situation. After the third event a so-called locking-in effect develops in the course of which the public worker's chances of employment are lower than they were before the person entered into public works (*Csoba et al,* 2010, *Hudomiet–Kézdi,* 2012). We should not forget that it is often in the interest of the organisers of public works to retain the good workers, to call them again and again, and that organisers might be reluctant to replace a workforce that proved successful. Thus, both the public workers and the organiser get used to the circular character of public works, in fact, they strive to stay in/retain that.

An important aim of public works can be the *maintenance and development of participants' employment skills* so they can start with better chances in the real job market. Thus, it can be considered as a result if the public works contribute to "employment skills" or "the acquisition of work experience". On average, the 870 respondents gave medium scores to this question, only about a quarter of them agreed with the aims/effects that are related to the development of the personal and employment skills of public workers.

According to 43 per cent of the respondents, public works have a positive effect on the participants' human relationships, only 19 per cent rejected this claim. Another survey, conducted in 2010 that asked the same question, found a much higher, 74 per cent consensus in this regard (*Petz,* 2011). The interviewees also emphasised this aspect: communities have evolved (in one settlement there was even a "public works holiday" held), "they came and went together", and "paid better attention to each other".

According to 33 per cent of the respondents, public works "contributes to the *revitalisation and development of employment skills* of participants", but the rate of respondents who disagreed with this statement was also the same (34 per cent). The accumulation of work experience is evaluated positively by more respondents: according to 39 per cent, public works contribute to the participants' acquisition of work experience.

This picture is further qualified by information from the interviews. According to many, there is an element in society for whom it is beneficial for them just to frequent a place, or a community daily. For many of them it is the first time that they have involved themselves in an employment relationship that "*provides work norms and experiences in which there are some expectations.*" There are some who have a profession in which it is possible to organise work

for them, but unfortunately this tends to apply to skilled workers only. For women and those with a weak physique there is little adequate work. There were only sporadic opportunities for education which were limited to training programmes for specific occupations, and the short programme phases did not allow enough room for that. One of the mayors said the following concerning this: "There is little sensible work, the quasi jobs and work experience gained here does not mean anything in the primary labour market", "this builds team-spirit only."

It is very often expected that *public works should provide a way* into the labour market, that is, they should contribute to the subsequent employment of the public worker. The aforementioned study from 2010, which questioned the organisers, has established that according to 2.7 per cent of the respondents, public works helped employment in many cases, while according to 37 per cent they had no bearing on employment (*Petz,* 2011). A 2010 study relying on control groups found that on average 4.6 per cent of public works participants became employed and the chances of re-employment increased depending on the degree of distance of the public works organisation from the municipality (*Csoba et al,* 2010).

In our research half of the respondents disagreed more with the statement that *public works contribute to subsequent employment* (50.9 per cent), while only every fifth respondent found this aim valid, and thus it received the second worst (altogether only 2.7) score.

In this area, personal interviews provide particularly interesting information. These also confirm the phenomenon already mentioned that employers are interested in keeping people with adequate skills at work, and to 'cream off' the target group. Many of the organisers, admittedly dissuade good workforces, craftsmen etc. from exiting to the primary labour market. "I told him that it was true, you get less here, but you don't have to travel; you're already at home at three pm..." Others have only said that they would do nothing to prevent a competent public worker leaving. A director of a public employment agency complained that "if they need to upload a 200 persons programme in three days, they call in all able-bodied persons" irrespective of whether they could perhaps be recommended for a job in the open labour market.

We also asked the organisers of public works regarding the proportion of participants who could in their view find employment in the primary labour market thanks to having participated in the programme. We did not differentiate between registered and unregistered jobs or between permanent or temporary jobs. Due to a very high standard deviation, we interpreted the results by calculating with the modus of data which was at a 10 per cent value. It must be noted that there was no difference between those who reported as measuring the indicators themselves, and those who did not do so but only hazarded a guess in their responses.

Value-creation

During the reform of public works, the government identified value-added work as the most important objective and highlighted agricultural production and the provision of utility services (sanitation, environmental management).

In terms of value-creation we found three areas of public works. The highest publicity was received by those value-added Start-model programmes which are aimed at animal husbandry, plant production and the creation of various products. Another area where public workers carry out some sort of public services typically include the maintenance of public and farming roads, weeding, eradication of ragweed and the maintenance of public spaces as well as public and private forests. The third area is the integrated organisation of public works. In this case, public workers only "help out" in providing public duties at some workplaces. Such are for instance delivery, portering, health, educational tasks at the municipality, maintenance, cleaning, kitchen, etc. duties at cultural institutions, and staff assistance functions at civil or church organisations. These three different areas provide divergent working conditions. In the first two, public workers can participate in separated groups, brigades in public works. Their number is often independent from the number of persons that would economically be optimal to carry out the given task.

Both in the case of production and public service in groups the results are the produced economic value. The effect of employment from the perspective of labour market reintegration is, however, highly questionable. The most important reasons for this were articulated by the president of the National Association of Local Municipalities (in Hungarian: *Települési Önkormányzatok Országos Szövetsége*) in the following way:

> "The Start work programme, however, significantly differs from other public works programmes, since the basis of agricultural programmes are *appropriate professional knowledge*. These programmes do not bring results if the management of planning, cultivation and livestock production are done by a staff without appropriate professional knowledge" (*Zongor*, 2013).

For public works integrated into existing organisations there is an operating organisation that ensures the work process. There is much more attention given to the integration of workers and the public works are also more valuable from a labour market perspective. According to one of the survey respondents:

> "Among public and municipal functions there are certain unserved or poorly served areas (cultural, social sphere, etc.) which represent a real market need and money needs to be allocated to them. Their utility and efficiency is clear, although cannot be measured in monetary-terms."

The report on case AJB-3025/2012 published by the Commissioner for Fundamental Rights also underpinned the finding of our research that the organisers of public works (typically municipalities) dispensed neither intel-

lectual (expertise and qualification) nor productive infrastructure. The organisers unequivocally complained about the unpredictability of timescales and the arbitrariness of the budget. The establishment of the necessary producer infrastructure and the development of needed market embeddedness can only be efficient as part of a more long-term, planned and consistent local (or even regional development) process. In many cases neither the procurement processes are organised nor the producer relationship clarified between the organisers of public works and the local market. Also, several questions arise when the product is for "internal use" (for example in public catering); it is unclear at what – cost or market – price this should be accounted. Another question concerns what the impact of public works is on local producer markets, for it is from there where the solvent demand will be missing. The most difficult question to answer though is how such a "production" could become sustainable.

For decades, the activation of those permanently distanced from the primary labour market and the achievement that at least some percentage can stand on their own feet have been one of the biggest challenges in Hungary. A multitude of countries have experimented with many-many models. Relying on these experiences the expert committee of the European Union regularly develops and publishes professional and methodological recommendations. The *organisations of* the *social-economy* (*in other words social enterprises*) that create new jobs or fulfil transit functions can operate in various legal forms.[3] Micro, small enterprises and non-profit limited companies are typical, but they can be civil organisations or even cooperatives. The selection of the optimal legal form suitable for the given enterprise and the local context are important for the establishment as well as the sustainability of the organisations' development capacity. Related to public works, there are also more and more such governmental initiatives that are aimed at involving public workers into social cooperatives. In this regard, the legal regulation pertaining to cooperatives has also been amended.

The aims of public works for the individual

In our panel research on public workers, conducted between 2012 and 2013, we examined what the aims of public works could be for individual participants. We tried to present how public workers experienced this form, and how we disregard the general aims and effects of the system.

Public works embodies for the participants various functions. We analyse these by relying on the theoretical work of Marie Jahoda (*Jahoda,* 1982).

For public workers, the most important functions were status-related: this type of work provided a sense of usefulness, and prominently, it provided a household income. *Livelihood and extra income* were highlighted as the biggest advantages of public works by participants. According to 61 per cent it

3 According to the definition of the Nonprofit Enterprise and Self-Sustainability Team (NESsT) it is such a purposefully planned entrepreneur activity that is created with the aim to offer innovative solutions to social problems. Social enterprises can be non-profit organizations which apply business models to fulfill their basic mission, and can be business enterprises which strive, in addition to their business objectives, to achieve significant social effects. Their basic principle is a dual optimalisation that is represented by keeping in balance and harmony both economic and social goals.

is important that with this income they have contributed to the household income. Nearly 50 per cent provides a livelihood with this income to their family, so in their case, public works strengthened their *breadwinner status* as well. Many of the respondents highlighted that public works qualify as pensionable time; hence, they can get closer to a retirement that offers security.

So the poverty mitigating function of public works was deemed the most important by respondents. It was also mentioned that 30 days employment was needed to qualify for entitlement to social assistance and this could be fulfilled by participating in public works.

> "Public works are good because my income is more than 22,500 forints and I accumulate pensionable years, and anyway, I don't have another job." "For me it's good like this because I don't have to live on benefits. The kids can be provided for. I can also pay the utilities."

Many (40 per cent) also agreed that they performed *useful* tasks as public workers. Additionally, it was an important aspect that these public works were *close by* and there was no need to commute.

The strengthening of a social network was perceived by approximately 20 per cent of the respondents, who noted that since participating in public works they had gained more acquaintances/friends.

The rate (18 per cent) of those to whom *activity* was important was roughly the same: they highlighted the fact that they had experienced more regularity in their days than they used to have before. These factors of public works (activation function, usefulness of tasks, and increase of social network or regular timetable) contribute mostly to the development or nourishment of employment skills.

Public workers saw only few long-term opportunities in these employment forms. Only 14 per cent expected the development of skills necessary for employment, and likewise very few (16 per cent) were those, according to whom public works contributed to subsequent employment; which is to say that the reintegration function of public works is perceived at a very low level. Moreover, some believed public works had an outright destructive effect.

Concerning the *shortcomings* of public works, most respondents (29 per cent) highlighted low wages, which needs to be interpreted carefully. For wages are indeed below the minimum wage, but without public works, for most respondents, there would only be social income available, compared to which the public works wage is still slightly higher. Compared to the falling amounts of benefits (and constrained access conditions) over recent years, public works can even represent a desired income. Therefore, many have highlighted that in this way they can earn more than by being on benefit. The fall of wages were mostly criticised by those who had had a longer public works history and they compared current incomes to earlier ones.

Regarding the questions on public works' reintegration role to the labour market, there were more negative than positive answers. 20 per cent of re-

spondents saw some sort of negativity in public works in this respect (less time for job search, it does not help in finding employment as one is excluded from temporary jobs, or is not hired because of one's public works past). The need for permanency appeared very strongly though: many noted that they could accept public works as a permanent job (in fact, there were some who would even wish that).

A large part of public workers perceive their future as rather hopeless, they do not think they will be able to find employment. Often they do not have long-term plans or ideas at all.

"We won't be able to find employment anywhere. Neither part-time nor full-time. For me there's only public work as an opportunity. Because I am Roma."

Summary

All prior forms of public works have received and still receive various criticisms. Sometimes it is the capacity of public works to lead back to the labour market, at other times it is organisation, participants' weak work performances, or wages below the minimum wage that are criticised. Others attack public works because of its high public costs, the degree of their own contribution, or the constantly changing administration. In the past 20 years, national public works programmes with various names and frameworks have tried to achieve various declared and undeclared aims, while there have been a number of aims and expectations which public works could obviously not live up to. Therefore, it is natural that, regarding public works, constant – and always justifiable – dissatisfaction and perceived indispensability are articulated simultaneously.

At the moment, the government wishes to push the primary aim of public works in a social direction (*HVG*, 2015), that is, the explicit aim of public works is that it should replace benefits. In other words, it is explicitly the poverty mitigating function that is placed at the forefront. This approach removes public works from the circle of labour market measures and places public works among social provisions, and does this in such a way that intensified obligation and local dependency criteria make people living in poverty more and more vulnerable. Parallel to this, the production goals of Start work programmes are still present.

> "In the case of participants in the micro-regional agricultural projects of the Start model programme, exit to the open labour market is an achievable aim after providing an opportunity for self-sufficiency, and then employment in a protected environment (social cooperative) with professional help" – the ministry informed Népszabadság (*NOL*, 2012).

Integration in the open market is increasingly sidelined, or even disappears as an aim among the organisers of public works and public workers. Due to the pressure of an increasing number of participants, the organisers try to involve as many locals as possible, and thus mitigate poverty and secure an inexpensive workforce for the provision of their public services. The labour market func-

tions of public works are not relevant and realistic to them. According to the organisers these types of public works do not develop such skills and competencies that might open the door to jobs in the open labour market. There are no resources available for labour market skills development either. The interest of the organisers of public works is basically the retention of well performing public workers, especially those in value-generating, productive public works.

The picture held by public workers is similar. Their future perspectives are in many cases bleak and few of them see a liberating opportunity in public works. They do however perceive public works as an easily accessible income that is higher than benefits. The highest demand is for permanence, which is to say that for most people, public works provide an acceptable income (as long as they are available) and they are still more predictable than, for example, grey employment in the primary labour market.

The tendencies presented in this study also underpin the change of function in public works. The actors do not perceive this measure anymore as that of employment policy, neither is the demand of employment in the open labour market brought to mind, rather poverty mitigation and activity in exchange for benefit become primary. This process decreases the demand of all actors to take active steps toward employment. This is also demonstrated by our research findings which revealed that the job search activity of public worker respondents drastically decreased during 2013–2014.

> During the last wave of the survey (February–March 2014) only 15 per cent searched for jobs (as opposed to 42 per cent in the previous year), 13 per cent checked job advertisements (earlier this rate was 42 per cent), just 8 per cent applied for some sort of a job (in contrast to the previous 33 per cent), and practically no one went to job interviews, although previously every fifth (19 per cent) respondent noted that they did so in the hope of a job in the labour market (*Koltai*, 2014).

2.4 Appendices

Research methodology

During the research on the organisers of public works, we based our work on qualitative as well as quantitative work.[4] Public workers had an option to fill out and return the organisational questionnaires via an online platform, email, or in a printed format. The population was composed of a database provided by the National Employment Service (in Hungarian: Nemzeti Foglalkoztatási Szolgálat) containing data on 8,537 organisations that received public works support in 2011–2012. The organisations of the population were typically contacted via email. Since our results would have been distorted by the low internet usage of employers in small and in the most disadvantaged settlements, we randomly selected 200 organisations among them to which we also sent the questionnaires in a hard copy. In this way we could ensure that 26 per cent of the respondents were operating in this quarter.

4 The full reports are accessible at: http://eselylabor.hu, *Koltai–Kulinyi* (2013), *Koltai* (2013a), (2014).

During the research, we could process a total of 870 questionnaires that predominantly arrived to us online. The responding organisations employed 52 thousand persons in 2011 and 40 thousand persons in 2012. This was nearly 20 per cent of the number of public workers nationwide in 2011 [256,607 persons (*Tajti,* 2012)]. Furthermore, in selected locations and organisations (national organisations, settlements of various sizes, the most disadvantaged micro-regions, etc) we conducted twenty in-depth interviews with the representatives of organisations affected in some way by public works, the directors of the public employment service, and experts. In the research, there were three focus-group discussions which were carried out with the involvement of affected organisations in public works of the relevant settlement and region.

The regional distribution of organisations responding shows a varying picture. Responses have been received from the whole country with the highest response rate of 11 per cent arriving both from Bács-Kiskun and Borsod-Abaúj-Zemplén county. In 2012, 20 per cent of public workers worked in these two counties. In the other counties we observed a response rate similar to the distribution of public workers. There was a somewhat higher willingness to respond in Veszprém and Győr-Moson-Sopron counties and a lower one in Szabolcs-Szatmár-Bereg county. With 67.5 per cent, local municipalities are in an overwhelming majority among respondents (just as in the population of organisers of public works). The remaining 13 per cent are municipal organisations and 4 per cent are municipal associations. Thus, 84 per cent of respondents organises public works as a public institution. In 2012, 75 per cent of public workers worked in these institutions (Employment and Public Works Database) – no wonder that their rate is so high among respondents as well.

In March–April 2013 during the research pertaining to public works participants our experts conducted structured interviews with 283 persons employed in public works in five selected micro-regions. The micro-regions were selected in a way that ensured we received the highest variability in their characteristics. Having said that we have to note that the mode of sampling in the research is not representative. Instead, are aim was to arrive at a picture regarding the situation and life of public workers. During the panel research we asked the involved participants four times: the first two times when public works were started, then when public works ended and participants exited, and the fourth time three months following the end date.

Our sample is representative in terms of gender distribution and, with a difference of 3–5 per cent, in terms of education as well. The sample was weighted by age, as the older age groups were slightly over-represented in the sample. Furthermore, we also organised focus groups and interviews where we invited participants affected by public works (experts, local employers, organisers of public works, municipality, etc).

2.5. PUBLIC WORKERS IN THE LEGAL LABOUR MARKET

JÁNOS KÖLLŐ

Information on the employment of public workers in market jobs had been missing until recently and has remained scarce. It is only the follow-up surveys of the National Labour Office (abbreviated in Hungarian as NMH) performed since 2011 that provide some information on their labour market status six months following the termination of their status as a public worker. The lessons learnt from these surveys (*Molnár et al,* 2014, *Cseres-Gergely–Molnár*, 2014) are summed up in chapters 2.3. and 2.6. of 'In Focus'.

However, the follow-up surveys tell only part of the story for two resons. First, the surveys are based on administrative data while the majority of the jobs taken by public workers before and after their public works spells are unregistered. (*Farkas et al,* 2014). Second, the entry of public workers into market jobs should not be viewed as arrival in a safe haven: in most cases it only means an episode in a hectic labour market career. This chapter seeks to draw attention to the latter problem using data on 25 thousand public workers observed on a monthly basis over an eight year wide time window. Lack of observations on off-book employment remains a problem that awaits future research.

Data

Our sample is drawn from a large longitudinal data set covering 50 percent of Hungary's population aged 5–74 in 2003. The data collects information from registers of the Pension Directorate, the Tax Office, the Health Insurance Fund, the Office of Education, and the Public Employment Service. Each person in the sample is followed from January 2003 until December 2011 or exit from the registers for reasons of death or permanent out-migration. We have information on whether the person observed was in employment in a given month, for how many days, in what jobs and contractual arrangements, with what employers and for what compensation.

Public workers can be distinguished in the database since the third quarter of 2011, though their numbers reached the level known from other sources of data only in the last quarter of the year. In October-December 2011, 97 thousand persons are indentified as an entrant to a public works programme at least once; on average, these persons worked three months as a public worker, performing a total of 195 thousand man months, which leads us to estimate the average stock at 65 thousand.[1] This figure is bigger than the 54 thousand published in the institutional labour market statistics of the Hungarian Central Statistical Office, but smaller than the calculations made by *Cseres-Gergely–Molnár* (2014) on the basis of the NMH register

1 The 195 thousand man months would have been accomplished by 65 thousand people, if they were at work for the entire period of the three months.

(77.6 thousand). Due to lack of further data no explanations can be made as to the reasons for these differences, however, it can be stated that our database covers the majority of persons involved in public works programmes in the period observed.

In the present study we will observe the labour market career between January 2003 and December 2010 of persons involved in public works programmes in the fourth quarter of 2011. The calculations presented are made on the basis of a 50% sample (that is a 25% sample of the whole population) drawn from the public administrative panel database. The sample is made up of 24,195 persons and as many as 2.323 million monthly observations. The constriction of the sample was necessitated by the limited computing capacities at the author's disposal.

The key question of the analysis is to what extent the persons involved in public works programmes at the end of 2011 formerly had market jobs. This cannot be observed directly, since public works – as mentioned before – was not listed among the available labour arrangements in the period between 2003 and 2010. Alternatively, we will rely on the fact that before 2011 the vast majority of public workers were *public employees* earning the *minimum wage*. Market jobs are defined as (i) employment in incorporated and unincorporated companies, business partnerships and self-employment including assisting family members (ii) employment in a public institution at a wage exceeding 110% or 150% of the daily minimum wage. The two cut-off points result in upper and lower estimates of market employment, respectively.

Of course, this approach of estimation is not free of mistakes because: i) public workers receiving a significant supplement from the local government above their standard compensation appear to have a market job; ii) persons in standard public sector jobs, who earn less than 110% or 150% of the daily minimum wage appear as public workers.

Since the bias from the second source is obviously larger, our calculations underestimate the share of market jobs.

In the rest of the chapter we first look at the roles that market jobs and public works participation played in the labor market careers of the 24,195 persons under examination. Second, we analyze the incidence and duration of market jobs. Finally, we are taking a look at how the *number* of market jobs held by members of the sample affected their average employment rate in 2003–2010.

Public works participation and market jobs – estimations

As shown in *Table 2.5.1* the employment rate of those involved in public works programmes at the end of 2011 was rather low in 2003–2010, 25% on average, well below the national average of those with a primary education attainment.[2] We estimate that 14–16% came from market jobs and 9–11% from public works participation. As expected, employment in market jobs

2 The rate of employment of the population aged 15–59, not in education, having finished 0–8 classes in primary education was 45.6 per cent in the spring of 2005. (The Author's calculation based on the April–June 2005 wave of the Labour Force Survey.)

declined in the period of the crisis, and public works employment made up for it only by 2009. In the year when the Orbán-government took office the rate of public works participation decreased for a while, recessing the employment rate of the population observed here below 20%.

Table 2.5.1: The rate of employment in 2003–2010 of those involved in public works programmes at the end of 2011 (estimates, yearly average of monthly observations, per cent)

Year	Employed in public works	Employed in a market job	Not employed in a legal job	Total of observations
	estimation		fact	
Upper estimates				
2003	7.0	17.0	76.0	100.0
2004	6.9	17.1	76.0	100.0
2005	8.2	16.1	75.7	100.0
2006	8.7	16.7	74.6	100.0
2007	8.4	16.3	75.3	100.0
2008	9.5	16.2	74.3	100.0
2009	17.4	13.1	69.5	100.0
2010	4.1	14.7	81.2	100.0
On average between 2003–2010	8.8	15.9	75.3	100.0
Lower estimates				
2003	8.6	15.4	76.0	100.0
2004	8.3	15.5	76.0	100.0
2005	9.8	14.5	75.7	100.0
2006	10.8	14.8	74.6	100.0
2007	10.4	14.3	75.3	100.0
2008	11.8	13.9	74.3	100.0
2009	20.4	10.3	69.5	100.0
2010	8.5	10.3	81.2	100.0
On average between 2003–2010	11.1	13.6	75.3	100.0

The number of observations: 2,322,720 man months, 24,195 persons. See the text for the definitions of market employment. Source: administrative panel data of persons involved in public works programmes in the fourth quarter of 2011.

Table 2.5.2 presents a range of indicators related to the persons observed. As shown, a majority of these people had a real, legal job at least once in the period between 2003 and 2010. Those entering a job at least once worked there for 17–20 months on average out of the 96 months observed and earned an income equal to 50–51% of the national daily average, as opposed to the income earned in a public works programme, which equals 37–41% of the national daily average.

Table 2.5.2: Selected indicators of persons involved in public works programmes in the fourth quarter of 2011, 2003–2010

	Lower estimation	Upper estimation
Employed in a market job at least once (percentage)	70.9	75.3
Months worked by those working in a market job at least once (average)	17.2	19.6
Average daily income in a market job[a] (percentage)	49.8	50.5
Average daily income in public works (percentage)	37.3	41.0

The number of observations: 24,195 persons.
[a] As a percentage of the daily amount of the national minimum wage.
Source: Administrative panel data of persons involved in public works programmes in the fourth quarter of 2011

The data presented contradict general public opinion that public workers "are unemployable" and "have no idea what a real job is": three quarters of them have already been in a real, legal job. Their labour market employment in the long run is still very low, which leads us on to the questions of the incidence and duration of market jobs.

The incidence and duration of market jobs[3]

As shown in *Table 2.5.3* persons entering the labour market at least once in 2003–2010 took up three market jobs on average over a period of eight years: a little less than one third of them are one-time entrants, a quarter of them are two-time entrants, another quarter are three- or four-time entrants, and one fifth of them entered even more times (18 times for the record-holder).

The average duration of market jobs amounted to 5.6 months. This is a downward biased estimate since it includes employment spells on-going as of 1 January 2003 and/or continuing beyond 31 December 2010. The completed duration of these left and right censored spells may be longer or in some cases considerably longer than their observed duration. Among the uncensored episodes that started and terminated within the eight years observed, short-term labour arrangements are, of course, over-represented: their average completed duration was 4.1 months.

We take a closer look at these labour arrangements in *Figure 2.5.1*, which shows the distribution of market work episodes by completed duration. The points of the curve show what percentage of these labour arrangements had a duration shorter than 1, 2, ..., 96 months. As we can see, 60% had a duration shorter than three months, almost 80% had a duration shorter than half a year, and 90% were shorter than one year.[4] The overall labour market employment of public workers is thus made up of many short episodes, and the duration of their market jobs is not longer than their public works episodes: according to *Cseres-Gergely–Molnár* (2014) the average completed duration of public works episodes was 3.4 months in 2011, 5.1 in 2012 and 5.9 in 2013.

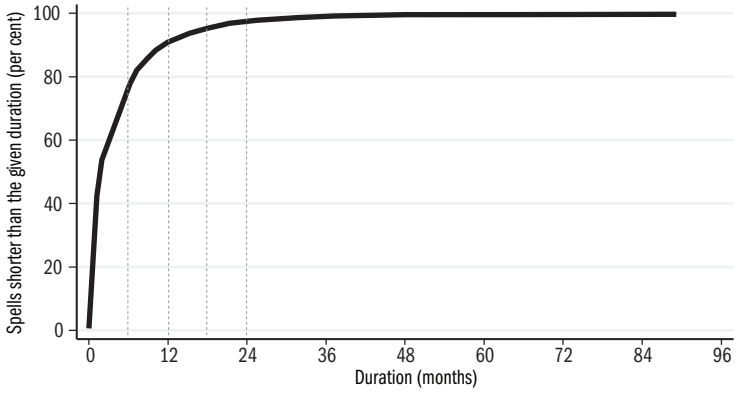
3 From this point onwards a wage limit of 110% will be applied to differentiate between market jobs and public works.
4 Note that in these calculations we make no difference between individual employers. It is possible that during a continuous employment spell the person observed had several employers. In the database the employment spells can be broken down by employers, a task left for future research.

Table 2.5.3: Employment episodes in market jobs of persons involved in public works programmes in the fourth quarter of 2011, 2003–2010

	Average/Percentage
Average number of employment spells	3.0
The distribution of workers by the number of employment spells in market jobs (percent)	
1	30.3
2	23.0
3	16.1
4	10.8
5	7.1
6	4.7
7 or more	8.0
The average duration of episodes (month)	5.6
The average duration of uncensored episodes (month)	4.1

The number of observations: 54,833 employment spells, which belong to 18,228 persons. The number of completed spells is 41,516, which belong to 14,599 persons.
Source: administrative panel data of persons involved in public works programmes in the fourth quarter of 2011.

Figure 2.5.1: The cumulated distribution of the duration of finished employment episodes, market jobs, 2003–2010

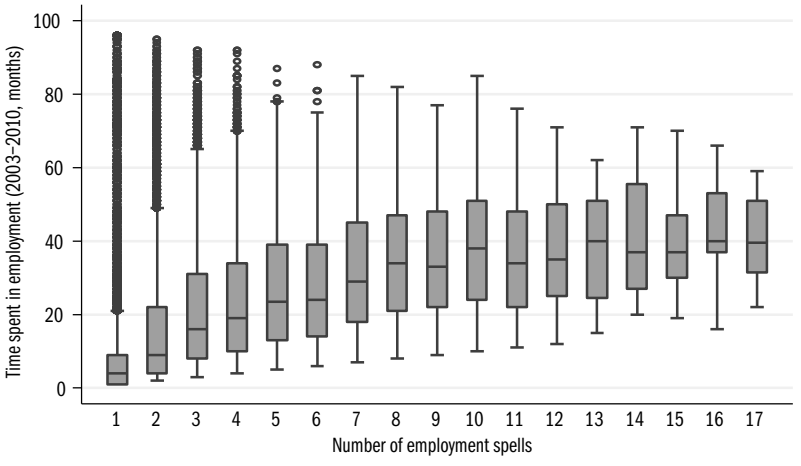


The figure refers to episodes which started beyond 1 January 2003 and terminated before 1 January 2011. The number of observations: 41,516 episodes, which belong to 14,599 persons.
Source: Administrative panel data of persons involved in public works programmes in the fourth quarter of 2011

Finally, we present a "box-and-whiskers" chart to illustrate how much the *number* of employment spells contributed to the total rate of employment in the entire period, and thus to the total income generated. On the horizontal axis of *Figure 2.5.2* we can see the number of market jobs, while on the vertical axis we have the total amount of time worked in market jobs in

2003–2010. The lower and upper edges of the boxes show the 25th percentiles, respectively. The line in the middle of the boxes is the median. The bottom and top "whiskers" show the lowest and the highest connected values, while the circles denote the heavy outliers.

Figure 2.5.2: The correlation between the number of employment episodes and the total amount of time worked, market jobs, 2003–2010



Source: Administrative panel data of persons involved in public works programmes in the fourth quarter of 2011

Persons working 30–40 months are those having more than eight employment spells in a period of eight years. The total amount of time worked in one single job is very low, even if there is a tiny minority of outliers who spent 80–90 months in one permanent job. In this respect, there is a striking contrast between the average Hungarian *employee* and the average *public worker*. According to the Labor Force Survey (wave 2005 Q2), the uncompleted duration of employment in respondents' current jobs amounted to 106 months on average, with a duration of 100 months for those who completed primary school and 63 months for those who completed less than that. Since the episodes observed at a given point in time are most likely to approach their half-time, average completed duration is about twice as long as the observed uncompleted duration. This compares to only four month's completed duration in the population examined in this chapter.

Conclusions

Persons pondering over the issues of public works, including the author of the present text, are most probably mistaken when they contrast public works to stable market employment as a desired alternative and consider the permanent labour market inclusion of public workers as a policy goal. Data shows that this is more of a dream, than a real objective.

A policy based on the actual characteristics of the labour market of public workers would do better to promote more frequent *entry* into market jobs. On the one hand such an approach demands far more patience: a clear understanding that public works used as a tool of discipline – except for labour markets in a very good condition – is dysfunctional. The unexpectedly delivered "notices" that call for public works of an incalculable duration hampers both informal work that is necessary for daily breadwinning and job seeking. On the other hand, the more people who have more frequently the opportunity to be employed in a real work organization, the greater is the chance that a number of them are selected for permanent employment. As shown in Chapter 2.10, the current practice of public works offers limited help as to the transition to real jobs. Until this situation remains unchanged, it would be advisable to terminate all elements of regulation that impede entry into market jobs – unstable, short-term and temporary as they typically are.

2.6 THE COMPOSITION OF ENTRANTS TO PUBLIC WORKS, 2011–2012*

ZSOMBOR CSERES-GERGELY

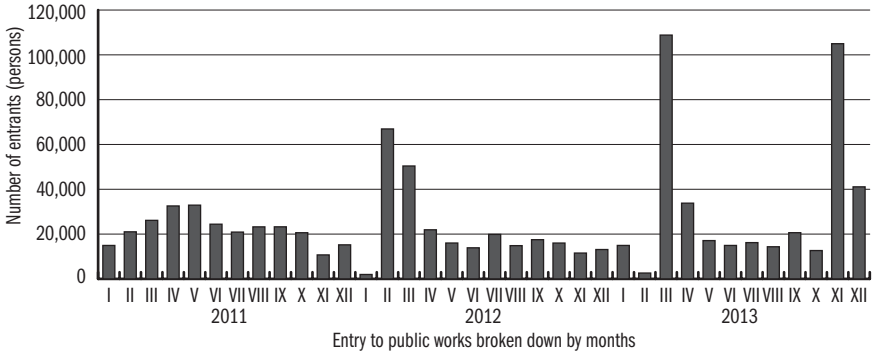
Since the most important stated aims of public works are to reach its target group and improve its employability by temporary work opportunities, a critical yardstick of its effectiveness is the fulfilment of these objectives. This subchapter examines the participants of public works and to what extent the first aim is fulfilled. The database of the Public Works portal [Közfoglalkoztatási Portál] provides information for 2013–2014 and *Mód* (2013) provides information for 2012 and 2013. A similar topic is studied by *Koltai* (2013) too but with a different methodology due to the small amount of data collected and the high number of criteria considered. The present subchapter uses the data and the concepts introduced in *Subchapter 2.3*.

The analytical framework considers the public employment system and its clients. The subchapter classifies the episodes of the public employment system into two categories: non public works (e.g. registration before a possible participation in public works, or participation in other programmes) and public works episodes. Relevant data are presented in *Subchapter 2.3:* the individual data of the National Labour Office were used to compile an episode-based micro-database. It contains a total of 2,278,036 non public works episodes in the years 2011–2012 and a further 833,769 episodes in 2013, compared to 685,935 and 245,882 public works episodes in the respective years.

As described in *Subchapter 2.1*, the Government introduced a unified system of public works at the beginning of 2011. We have seen 265,813 entrants in 2011, 263,931 in 2012 and 402,073 in 2013. There is a change in the annual distribution of entrants between 2011 and 2012: while the distribution of entries over the first year was relatively even, with a peak around April, in the following years most entries took place in February-March (see *Figure 2.6.1*) with a new peak at the end of 2013 due to training courses organised in winter public works (see *Subchapter 2.8*). Another striking change is that the length of time spent in public works significantly increased between 2011 and 2012. While the first year saw a majority of 2–4-month episodes, in episodes in all lengths emerged in similar proportions. It is worth noting that the length of episodes depends on their starting date: those starting at the beginning of a year are the longest (about 220-days long on average) and their length decreases towards the end of the year.

* I would like to express my thanks to *Borbála Lente* for her research assistance with data preparation.

Figure 2.6.1: The number of entrants to public works in respective months



Source: Author's calculations based on the complete Employment and Public Works Database (EPWD).

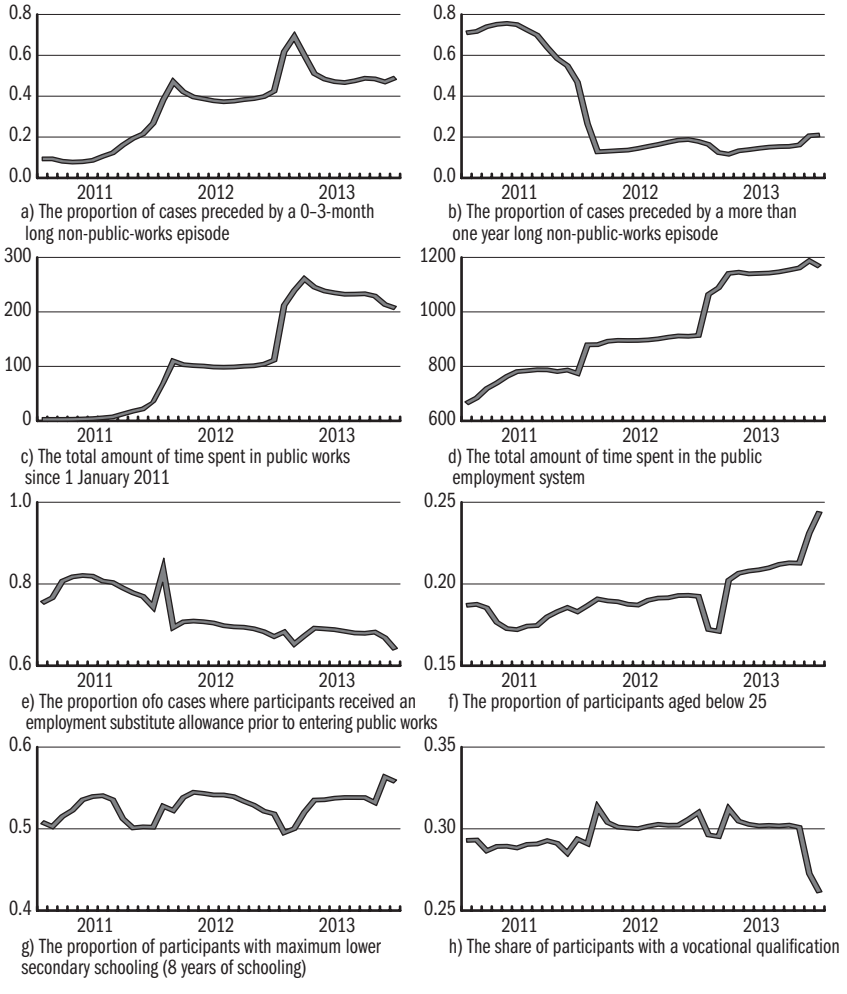
Both the length of episodes and the composition of the participants changed in the first two years of the operation of the new system. The eight panels of *Figure 2.6.2* show the change in key indicators of composition over time. Panels a) and b) indicate that the number of participants spending a short time in the public employment system before entering public works substantially increases over time, while the number of participants spending a long time there decreases. This implies that a large proportion of participants enter public works quite soon after entering the public employment.

Panel c) shows that the average cumulated time spent in public works also increases until 2013 but then decreases in 2013. It is only possible if the programme involved a considerable number of new participants who previously had not participated in public works.

According to panel d) the total time spent in the public employment system shows a similar pattern to what is seen in the case of public works in panel c) but it increases to a larger extent. It seems that *public works does not shorten time spent in the public employment system but may even, on the whole, increase it*. The slight decrease in 2013 shows that the new entrants had not previously participated in either public works or the public employment system. Meanwhile, the share of those receiving employment substitute allowance [foglalkoztatást helyettesítő támogatás] prior to participating in public works (see e) decreased significantly and this, similarly to panel b), indicates a decline in the share of the long-term unemployed. This tendency is underpinned by the increase in the share of clients aged under 25, as seen in panel f).

It is remarkable that the composition of the clients in terms of educational attainment was quite stable. The share of unqualified participants somewhat changed when seasonal work was available (panel g); however, it increased considerably in the winter of 2013–2014, probably because of an increase in headcounts related to public works with training.

Figure 2.6.2: Time series characteristic of the composition of public works participants in respective months



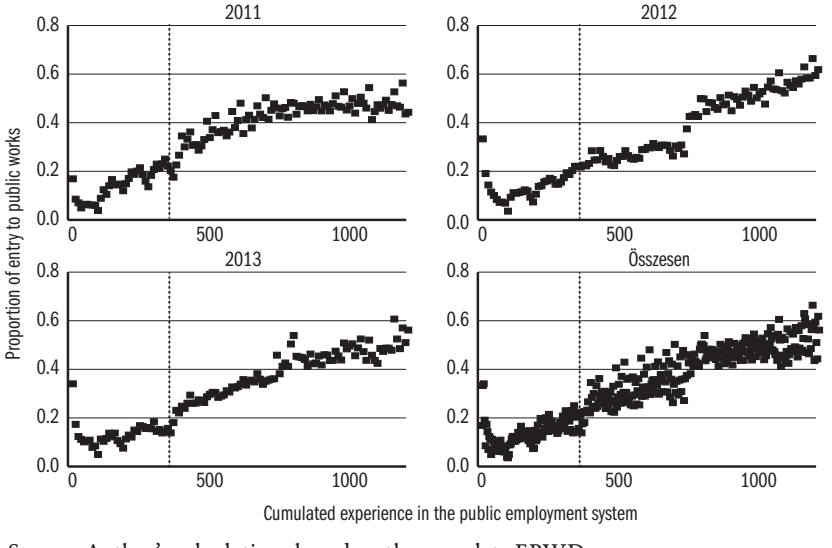
Source: Author's calculations based on the complete EPWD.

As mentioned before, public works aims at getting the long-term unemployed onto the open labour market sooner or later. Long-term unemployment cannot be measured properly by using the administrative data of the National Labour Office alone (since registration itself is already an approximation, and after leaving and re-entering the system a new registration commences). Therefore long-term unemployment herein is measured by the total time spent in the public employment system prior to participating in public works (i.e. "experience in the public employment system").

The time spent in the public employment system is connected to the non public works episode concerned. It is calculated by increasing the value related to the previous similar episode by the subsequent public works episode (if any) and by the non public works episode concerned. Consequently, this value is *ex post* in terms of the non public works episode and *ex ante* in terms of the potential subsequent public works episode. It is important to stress that information on the experience in the public employment system is only available if the participant was still within the system on 31 December 2010. In these cases the length of this episode is also included. If a participant exited the system on 30 December 2010 from a registration period and then re-entered on 2 January, his/her period of experience starts from scratch.

Achieving the first aim is shown in *Figure 2.6.3* as the relation between the share of entrants to public works and experience in the public employment system. The figure shows that the share of entrants increases evenly in each of the three years, suggesting that the targeting of public works is effective. However; contradicting the assumption of effective targeting, a significant share (5–20 per cent) of participants with an experience of less then one year in the public employment system enter public works. It is odd that there is entry to public works after a registration period of about 10 days in each of the three years, after which 17, 33 and 34 per cent of participants enter public works in the respective years. Nevertheless, targeting is less than perfect in the case of participants with a long track record in the public employment system too and it is also deteriorating. The peak of the graph characterising the relationship in 2011, around 500 days, later flattens out, indicating that fewer of such participants are involved. At the same time, the proportion of participants with the longest experience increases.

Figure 2.6.3: Proportion of entrants to public works from non public works episodes as a function of cumulated experience in the public employment system



Source: Author's calculations based on the complete EPWD.

By definition, experience in the public employment system also cumulates during public works episodes, thus it is generally true that public works participants later have a bigger chance of participating in it again. However, it is more than that, as seen in *Table 2.6.1*. The rows of the table contain the serial number of public works episodes of the same client (cumulated for all years), and the columns contain the year the episode is commenced. The individual cells indicate how frequent an episode of a certain serial number was. In 2011, although slightly more than one-tenth of participants took part in the programme twice (and a few of them even more times), the majority participated only once. In the following year, more than half of the clients participate in the programme for the second time and nearly one-fifth of them participate for at least the third time. They had either taken part also in the previous year or had participated several times in the year concerned. The trend continues in 2013; in that year only less than one-third of the entrants had not participated in public works earlier.

As a result of cumulating experience, the connection shown in *Figure 2.6.3* and repeated entries to the public employment system, an extremely large number of participants re-enter public works several times. This results in an increase in experience in public works and in the public employment system, as seen in *Figure 2.6.1*.

Table 2.6.1: Distribution of the serial number of public works episodes in the respective year of commencement

No.	2011	2012	2013	Total
1	87.6	37.0	28.4	47.7
2	11.3	44.6	25.0	26.6
3	1.0	14.0	25.9	15.4
4	0.1	3.5	13.7	6.9
5	0.0	0.9	7.0	3.3
Total	100.0	100.0	100.0	100.0

Source: Author's calculations based on the complete EPWD.

In addition to experience, other factors also have an impact on the likelihood of someone entering public works. The details are shown in *Table 2.6.2*, which indicates that men, older participants, the unqualified and participants who are not fresh graduates are more likely to enter public works. The proportion of entrants increases between 2011 and 2012 in the case of each group and then drops below the 2011 value in each group. The registered population is fairly stable in terms of gender and school attainment; however the increase in the share of older participants, young participants and fresh graduates is remarkable and exceeds the increase in the likelihood of entry to public works.

Table 2.6.2: Share of entrants to public works in the year of entry, broken down according to their characteristics and the distribution of the registered unemployed in the year of entry to public works

	2011	2012	2013	Average
Share of entry according to characteristics of entrants				
Total population	31.9	33.1	27.4	30.1
Demographic characteristics				
Female	31.4	29.1	25.6	28.0
Male	32.3	36.2	29.0	31.8
Age				
Below 25	26.9	27.1	25.0	26.0
Aged 25–44	32.1	31.6	26.7	29.5
Over 44	34.8	40.5	30.3	34.0
Educational attainment				
Max. eight years of schooling (lower-secondary level)	48.4	50.1	39.8	44.7
Vocational school	27.9	31.2	25.4	27.6
Min. secondary school leaving examination (Matura)	15.5	16.0	13.9	14.9
Fresh graduate	24.6	24.9	23.7	24.2
The history of participants in the preceding non public works episode				
Max. 3 months	17.0	37.3	36.9	32.8
4–9 months	17.2	29.9	23.8	24.0
10–12 months	19.6	35.1	27.4	27.9
More than 12 months	52.8	30.9	19.6	34.0
Did not receive unemployment benefits	39.2	42.8	31.6	36.3
Received unemployment benefits	21.9	19.4	19.9	20.4
Did not receive employment substitute allowance	6.5	15.1	15.5	12.9
Received employment substitute allowance	67.6	61.7	44.4	55.1
Did not participate in training	31.6	33.2	27.0	29.9
Participated in training	20.4	26.5	33.6	30.8
Did not participate in other programmes	32.1	34.5	28.3	30.9
Participated in other programmes	10.8	4.9	4.2	5.9
Proportions within the registered population				
Demographic characteristics (distribution)				
Female	44.4	43.1	46.0	44.8
Male	55.7	56.9	54.0	55.2
Age				
Below 25	18.8	20.5	21.2	20.4
Aged 25–44	54.3	52.3	49.0	51.3
Over 44	26.9	27.3	29.8	28.4
Educational attainment				
Max. eight years of schooling (lower-secondary level)	40.6	39.1	42.3	41.0
Vocational school	34.8	34.9	33.0	34.0
Min. secondary school leaving examination (Matura)	24.6	26.0	24.7	25.0
Fresh graduate	10.5	12.9	15.3	13.4

	2011	2012	2013	Average
The history of participants in the preceding non public works episode				
Max. 3 months	24.3	33.0	33.9	31.0
4–9 months	28.9	37.5	31.1	32.2
10–12 months	7.2	9.4	7.3	7.8
More than 12 months	39.6	20.1	27.7	29.0
Did not receive unemployment benefits	55.1	58.3	63.5	60.0
Received unemployment benefits	44.9	41.7	36.5	40.0
Did not receive employment substitute allowance	59.2	61.6	58.9	60.0
Received employment substitute allowance	40.8	38.5	41.1	40.0
Did not participate in training	98.5	98.1	95.1	97.0
Participated in training	1.6	1.9	4.9	3.0
Did not participate in other programmes	96.8	95.0	96.1	96.0
Participated in other programmes	3.2	5.0	3.9	4.0

Source: Author's calculations based on the complete EPWD.

As for the length of the non public works episode preceding public works, the composition of entrants changes considerably over time. While in 2011 more than half of the entrants had spent in excess of 12 months in a non public works episode, in 2013 only 20 per cent of them had done so. In parallel, the share of entrants from all shorter categories increased, especially of entrants with a length of less than three months. At the same time (probably partly due to the restart of the registration period following a public works episode) the proportion of participants registered for a long time decreases, while the proportion of those registered for a shorter time increases.

The proportion of entry among participants who had not received unemployment benefits dropped more sharply than the proportion of those who had. During the three years the earlier small share of those who had not received employment substitute allowance increased three-fold, and the share of those who had received decreased. This is not in line with the changes in the related population, since the proportion of those who did not receive unemployment benefits increased in this period, and the proportion of those receiving and not receiving employment substitute allowance was nearly stable. A very small proportion of the registered unemployed participated in training or other active labour market programmes. While public works participation of the former increased one and a half times, public works participation of the latter decreased by half.

The independent effects of individual characteristics are not always compliant with what is seen in *Table 2.6.2* because of the correlation between them. In order to exclude these effects, a simple logit model was used for estimating the likelihood of entry to public works for each of the three years, at the end of a non public works episode: this is the time when entry to public works is realistic. The average marginal effects of the individual variables are shown

in *Table 2.6.3*, which is comparable to the differences between likelihoods in categories of a given variable indicated by *Table 2.6.2*. The findings are in line with earlier findings and mainly differ in their absolute value.

Table 2.6.3: Average marginal effects after logit estimation. Outcome variable: entry to public works from a non public works episode

	2011	2012	2013
Demographic characteristics			
Male	0.00484***	0.0347***	–0.000722
Aged 25–44	0.0165***	0.0166***	0.0138***
Over 44	0.0459***	0.0768***	0.0452***
Schooling: vocational school	–0.0552***	–0.0648***	–0.0500***
Schooling: min. secondary school leaving exam (Matura)	–0.0786***	–0.108***	–0.0878***
Fresh graduate	0.0223***	0.0457***	0.0516***
History of participant in registration			
Number of days spent in the public employment system	0.000125***	0.000151***	0.000108***
Number of unsuccessful placements	–0.0724***	–0.0414***	–0.0392***
Received unemployment benefits	0.0231***	–0.0603***	–0.0426***
Received employment substitute allowance	0.484***	0.245***	0.118***
Participated in training	–0.0377***	–0.0378***	0.0713***
Participated in another active labour market programme	–0.106***	–0.270***	–0.218***

Heteroskedasticity-robust and clustered standard errors.
Reference categories: female, aged below 25, with educational attainment of a maximum of eight years of schooling (lower secondary), not a fresh graduate, did not spend time in the public employment system, had no unsuccessful job placement, did not receive unemployment benefits or employment substitute and did not participate in any other active labour market programmes.
Logit coefficients were calculated using the total sample, while the average effects were calculated using a 5-per-cent sample due to being highly resource-intensive.
Significant at a level of ***1 per cent, **5 per cent, *10 per cent.
Source: Author's calculations based on the complete EPWD.

It appears that *the composition of public works participants changed* as a result of a shift in the programme structure of the public employment system. At first, predominantly clients with a long period of registration entered public works, which changed over time. This has happened partly because of the restart of the registration period, which in the case of repeated participation, decreases the time of the preceding registration but does not decrease the average time spent in the public employment system. The majority of participants continue to be unqualified and older. It is important to note, however, that among new entrants it is young people and fresh graduates who have an increasing share.

Thus there are significant changes behind the relative stability of headcounts, presented in *Subchapter 2.3*, which are partly beneficial, partly adverse.

It is beneficial that public works apparently reaches a number of clients registered for a long time but not yet previously involved in other programmes. This may provide more financial security than the small amount of employment substitute allowance or social benefit or in many cases the local labour market that is accessible without support and mobility. It is less favourable that over time the targeting of the programme deteriorates. As seen in *Subchapter 2.5*, a significant part of public works participants have considerable work experience, therefore the expedience of the programme in general should be examined. It is especially a serious cause for concern that the likelihood of young participants, usually with a short time spent in the public employment system, entering public works increases. The labour market prospects of young people may be improved by other support instead of public works (as indicated in the *Youth Guarantee* plan of the Government) (*Ministry for National Economy,* 2013). Still, their share within public works participants is growing. Since participants obviously become increasingly attached to public works in the public employment system, it is of special importance that the targeting of the programme be as effective as possible.

2.7 SPATIAL INEQUALITIES OF PUBLIC WORKS EMPLOYMENT

MÁRTON CZIRFUSZ

This chapter deals with the spatial inequalities of the public works scheme. The main question to be answered concerns which types of unevenness are present at the sub-national scale if we look at access to the programme and the distribution practices of quotas and funding.

Local or regional inequalities of the labour market and effects of labour policies have been covered in some of the former yearbooks of *The Hungarian labour market* and also the *In focus* sections of those (see for example *Kabai–Németh,* 2012, *Kertesi–Kézdi,* 2010, *Lőcsei,* 2011). These studies have made clear that spatiality is a crucial aspect if analysing the realm of labour. However, spatiality as such is not only a dimension of labour (or in the case of this yearbook, of the public works scheme) to be taken into account. Space (i.e. the fact that social relations are distributed over space) is constitutive of the public work scheme: the public works scheme is distributed geographically unevenly, and thereby public works as a social relation reproduces geographically uneven development. Spatial patterns to be discussed in this chapter are not a result of purely spatial causes; spatial forms have to be understood as a result of social relations occurring over space, as a result of the geographically uneven historical development of capitalism (see for example *Massey,* 1995). From this perspective, local variations of the public works scheme are not only 'local specificities' in-line with or diverging from processes at the national scale; the national level picture shown in other chapters of *In focus* are constituted exactly of these local processes.

This chapter is structured as follows. The first part is a literature review on how the public works scheme, and workfare in general reproduces socio-spatial inequalities. Secondly, data used for describing the spatial inequalities of the Hungarian public works scheme is discussed. The third part covers a description of spatial inequalities of the public works scheme, the main argument being that the programme funds are distributed unevenly not only socially, but also spatially.

Public works as spatial policy

At times of economic crises society reacts to the growing unemployment and the worsening of life conditions in different ways. On the one hand social movements (such as trade unions or other representations of class interests) call for direct job-creation by the (national) state. On the other hand, the state itself (mediating between economic processes and prevailing ideologies

of the political elites) also considers direct job-creation as an effective means of tackling the devastating effects of economic crises (cf. *Arrighi,* 1990, *Silver,* 2003). In other words, following Polanyi's (2001) idea of the 'double movement', in times when the self-regulating market fails (such as recently, during and after the 2008 crisis), social dislocations 'naturally' lead to social protectionism and different forms of political intervention.

In Hungary, these historical processes unfolded in a very similar way as in core countries of the world-system, following the waves of global capitalist development. During the downturn of the 1870s some suggested that the state should play a more active role in job-creation, but this idea was easily fobbed off in the heyday of economic liberalism (cf. *Rézler,* 2001). During the 1929–33 Great Depression, the government (both at the national, as well as on the municipal level) attempted to create jobs in public works programmes (*Baksay,* 1987), the 1930s also featured government policies offering social assistance only for those taking part in public works. Following the crisis of the 1970s the government put forward a rapid restructuring of the manufacturing industry and a raising of the standard of living, but controversial labour policies at national and at firm-level were also introduced (cf. *Fazekas–Köllő,* 1985). The public works programme widened after the 2008 crisis is, thus, not a significantly new phenomenon, and its explanation cannot be limited to shifts of ideologies or economic policy ideas of current governments or political elites.

The current public works programme as a public policy goes hand in hand with workfare policies of West European and North American core countries, introduced in the past decades. How these policies reproduce socio-spatial inequalities has been at the forefront of critical labour and political-economy studies since the 1990s. The following paragraphs summarise how and why workfare policies reproduce socio-spatial inequalities, as it is an inherent characteristic of them, and how the inequalities might be conceived as a result of inter-related economic processes at different geographical scales, from the local to the global (cf. *Peck,* 2002).

The transition from welfare to workfare is often described in an over-simplified way as a neo-liberal economic shift towards the hollowing-out of the state. This term means that both the national and the local state (in Hungary the more than 3200 municipalities) are losing power and their role in governing labour market processes. It might be self-evident from this perspective that social inequalities rise because of market processes – resulting in opportunities depending very much on *where* one lives. Employment opportunities differ, both as a consequence of variegated individual strategies in securing livelihoods, and the development trajectories of the local government. This latter means, for example, that some municipalities are better off in attracting firms and capital for job creation, and thus from the rising local taxes more money might be re-distributed as social benefits. In spite of these

processes, local governments are taking different positions in the competition for national or supra-national financial transfers, such as development funds (see, inter alia, *Kálmán,* 2012). Following that, one cannot simply say that the state is losing power under the political-economic formation of neoliberal capitalism, rather, the state both rolls out from, and rolls back into, certain realms of production of goods and services and social reproduction (*Peck–Tickell,* 2002).

From the 1970s on (following the economic downturn) 'First World' countries observed a triple transformation of the state, public works programmes being an integral part. Firstly, the Fordist mode of production declined, traditional wage relations having been substituted by deregulated, flexible forms of employment. (Flexibilisation is also typical for Hungarian – and more generally, for Eastern European countries' – labour policies since the 1990s, irrespective of which parties were in power.) Secondly, parallel to the change in the mode of production, workfare states replaced former welfare states; dismantling the collective rights of social assistance, and introducing the obligation to work (for a current overview of the Hungarian case, see *Cseres-Gergely–Molnár,* 2014). Thirdly, the penal apparatus of the state is widening, in a sphere where it is still possible (*Wacquant,* 2008). In Hungary, the punitive state and the public works programme is closely intertwined ideologically: for most of the public works programme the Ministry of the Interior is responsible (and not the Ministry for National Economy which oversees labour market policies in general).

The shift from the welfare state to the workfare state does not only transform the national scale. Overall, it might be conceived as a shift from a Keynesian welfare national state to a Schumpeterian workfare post-national regime (*Drahokoupil,* 2007, *MacLeavy,* 2010). In Hungary, the upsurge in public works employment is a complex structural change in public administration, affecting different scales of governance. For instance, the supra-national EU scale (from which financial transfers arrive in 'less-developed' countries and regions – cf. *Lendvai,* 2008) played an indispensable role in financing the public works programme shortly after the outbreak of the 2008 economic crisis (*Elek–Scharle,* 2011). The scale of the national and the local state will be analysed in detail in the following parts of this chapter.

Economic crises have always been played out unevenly geographically (cf. *Fazekas,* 1996, *Lőcsei,* 2011, *Boros–Pál,* 2011), and thus employment policies tackling crises have also led to spatially uneven outcomes: their direct effect is smaller in areas where the primary labour market and traditional wage labour play a larger role (*Czirfusz,* 2014). Declining manufacturing regions are typically locations in which the national state launches national programmes in order to attract investments which also boost employment (for a comparable Czech example see *Drahokoupil,* 2007). In other cases the state becomes the

direct employer, such as in the Hungarian public works scheme. In addition, inequality might also be analysed within localities: in larger settlements unemployment is concentrated in specific neighbourhoods (such as in quarters dominated by the working class or lower social classes in general). The local state reacts to spatial unevenness through the use of different local policies: for instance, Budapest's 23 autonomous district municipalities introduced highly different social policies in spring 2015. A further aspect to be considered in this differentiation is the combination of the public works programme with punitive policies (*Wacquant,* 2008). Seemingly this move decreases social inequalities, but in reality these policies reproduce intra-urban tensions. The public works programme fossilizes masses of people as the working poor – a primarily urban problematic situation throughout Eastern Europe (*Smith,* 2008).

In some countries, spatial unevenness of employment has led to overtly spatially focused policies. This has been the case in the United States in which welfare assistance was decentralised to the 50 states by the Clinton administration, or in the policies of the Labour governments in the United Kingdom after 1997 (*Peck–Theodore,* 2000). The aim of these policies is that they decentralise decision-making and financial resources (for example access to some funds are only available in designated 'backward' areas), and local needs are taken into account with spatially variegated development policies. Also important from a historical point of view, is that in the era of the neoliberal mode of regulation (since the 1970s in the Western world) local governments are able to show an increase of competencies, and are able to re-legitimise their jurisdiction by governing the realm of employment and unemployment locally (*MacLeavy,* 2008). This is a somewhat unique turn as the general public and the political discourse is about the growing constraints of local policy-making.

Despite these advantages, the disadvantages of the decentralisation of labour market policies are also visible. Rescaling responsibilities from the national level to the sub-national means growing competition for financial resources among regional and local governments. Rescaling is not a structural answer for the uneven development and is not an alternative to neoliberal economic policies (*Crisp,* 2012). In line with this argument, *Peck and Theodore* (2000), as well as *Artner* (2015) point out that workfare policies and welfare reforms are both part of the economic policies aiming to increase competitiveness – i.e. flexible, deregulated labour markets and public works programmes are two sides of the same coin, functionally complementing each other. What follows from this statement is – as shown in the following parts of the chapter – that a public works programme is inherently unable to decrease spatial inequalities – as it does not deal with structural causes of unevenness, i.e. capitalist development. What is more, in local labour markets where the primarily labour market is weak the public works scheme does not offer a solution for different groups of unemployed people according to educational at-

tainment or other social dimensions. Public works programme participants are expelled from the primary labour market and forced into low-wage and low-skilled workplaces (in the Hungarian case, public works employees get less than the minimum wage).

In the Hungarian version of the public works scheme the roles and responsibilities of the different scales brought about new hierarchies within public administration. The main regulatory changes have been discussed in *Chapter 2.1* of this book. Without repetition this chapter discusses how roles and power relations have been established between different spatial scales.

The public works scheme in Hungary is a national programme, directed by the minister responsible for public works,[1] who decides upon the allocation of the appropriation secured by the yearly state budgets. The planning is carried out jointly with the sub-national level institutions: the 20 government offices of 19 counties and the capital city of Budapest (*Figure 2.7.1*), as well as the government offices in 174 districts.[2] Spending the allocated funds is decided by the same government offices,[3] according to municipal and other employers' requests examined by the minister or the government office itself. Organising and the implementation of the public works at the local level are in the hands of the almost 3,200 municipalities.[4] Co-ordinating the public works scheme, its communication and compiling the requests for funding is dealt with by the district's government offices, as well as directly by the ministry.[5]

1 In some cases jointly with the minister responsible for employment policy – Act IV of 1991

2 Government decree 320 of 2014, § 8. In Hungary, the counties (NUTS 3 level – see *Figure 2.7.1*) have limited power, but possess an elected county council. They also seat government offices which are bodies of the executive authority at the sub-national level. The 174 districts (NUTS 4 level) serve mostly administrative purposes.

3 Government decree 320 of 2014, § 8. and government decree 375 of 2010, § 7.

4 Act CLXXXIX of 2011, § 13 and 15.

5 Government decree 320 of 2014, § 11; Government decree 66 of 2015, § 15.

Figure 2.7.1: Counties of Hungary

Spatial allocation of the budget available for the public works scheme might be based on two principles. The first one is the *equal access* to enter the programme which means that every unemployed person has equal rights and an equal chance to get a job under the scheme. This principle is important for the individual citizens, as availability of some of the social benefits is currently dependent on the fact of whether the person in need has taken part in the public works programme (this illustrates quite well that a workfare state is in formation in contemporary Hungary). The other principle which might be considered by policy-makers is *prioritizing 'backward' regions* with more available funding. In the yearly allocation of financial resources characteristics of the regional and the local labour market have to be taken into account, and municipalities and areas might be designated as prioritized ones 'in order to tackle social tensions and to offer a broad spectrum of public works'.[6] However, how concretely this consideration is actually taking place is not detailed in the legislative documents. As a result, funding of the programme is assumed to be distributed unevenly because of two factors: Firstly, municipalities' requests for public works quotas do not correlate with the number of unemployed people or with the social needs existing (some local municipalities do not organise public works at all). Secondly, the consideration as such at the regional or ministry level (vis-à-vis a normative allocation of funding) also opens up the possibility of bargaining and lobbying. The spatially uneven distribution of the budget and quotas of employment in the public works scheme is the topic of the following parts of this chapter.

Data

This chapter builds on official registry-based data on public works programme participants between 2011 and 2013. The data harmonised by the Databank of the Centre for Economic and Regional Studies, Hungarian Academy of Sciences was complemented by other municipal-level (in Budapest: district-level) datasets of the Regional Development and Spatial Planning Information System (Országos Területfejlesztési és Területrendezési Információs Rendszer, TeIR) concerning the population number and the number of unemployed.

Methodologically the main challenge in analysing the spatiality of public works is to locate the public works programme episodes geographically. Participants of the programme are registered according to their permanent place of residence (coded by the postcode).[7] The place of residence does not necessarily coincide with the actual place of work or the headquarters of the employer (this latter is the case for example at such employers as national forestry companies, national park or water management directorates covering larger areas).

6 Government decree 375 of 2010, § 7/A. See also the government resolution 1,044 of 2013.

7 The database contains 117.6 million rows which describe one day of a public works participant. Among those episodes the postcodes of permanent addresses were missing in 3,800 cases which were not included in this study. The verification of the database (sorting out mistypings, etc.) was not possible. All in all these constraints are not considered as significant, and do not modify the main tendencies to be described.

The database registers postcodes of employed persons and this is used for aggregating data to the scale of municipalities. If several postcodes are used in one municipality, data was aggregated to the municipal level.[8] As in some cases the same postcode is used in separate municipalities, several (administratively independent) municipalities were pulled together in order to ensure compatibility with other databases containing the number of inhabitants and unemployed.[9] In the case of Budapest, if possible, the district[10] was used as an analytical unit. In the end, the database consisted of 2,613 aggregated units. In the following parts of the chapter, these will be referred to as municipalities. The number of participants in the public works scheme was calculated by using the full-time-equivalent, in order to sort out the statistical effect of part-time work (cf. *Cseres-Gergely–Molnár* 2014).

Spatial inequalities of the public works scheme

Following the literature review of the preceding parts, it might be assumed that the spatial allocation of the public works in Hungary is highly uneven. In order to verify this assumption, the spatial distribution of the public works employment and unemployment was compared (*Figure 2.7.2*).

The two maps show 2013 municipal level data, the size of the circles is proportional to the number of public works employment and that of the unemployed persons, respectively. As other chapters in this book have demonstrated, after the reorganization of the public works scheme in 2011, 2013 featured a mostly solidified structure in terms of programme instruments and legislative background. Still, it is clearly visible from the comparison of the two maps that public works are not evenly distributed. More financial resources have been allocated to the Eastern parts of Hungary, but disproportionally more if the unemployment figures are taken into account. (It is clear that the public works scheme contributed to the fact that the number of unemployed in these Eastern counties of Hungary[11] is not as high compared to the Western parts of the country as it would be without the programme.) The fact that the distribution is highly uneven might be justified with county-level aggregated data. 17.4% of full-time-equivalent public works employment is concentrated in Borsod-Abaúj-Zemplén county (compared to an 11.7% share of the unemployed persons), a further 14.7% was allocated to Szabolcs-Szatmár-Bereg county (with 11% of the unemployed), followed by Hajdú-Bihar county (8.6%), Békés (7.3%), Jász-Nagykun-Szolnok (7.2%) and Baranya (7%). In Bu-

8 For example, four-digit postcodes 2241 and 2242 both refer to the municipality of Sülysáp, data of the two postcodes was combined.

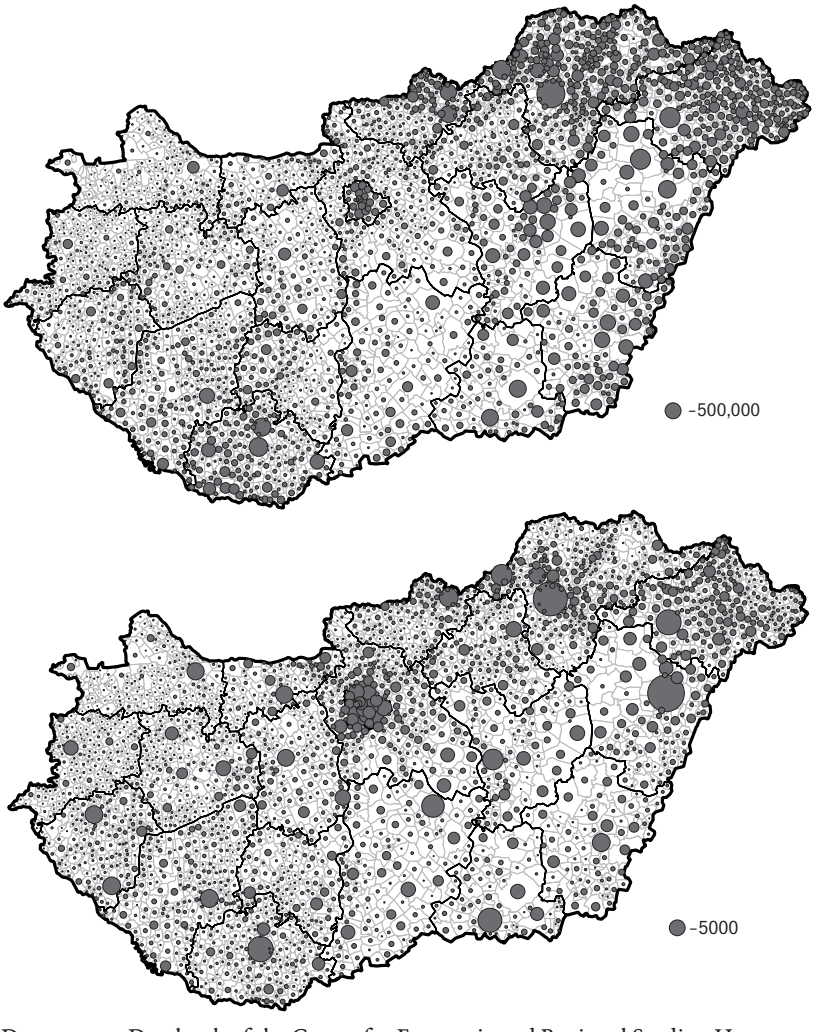
9 For example, postcode 7400 is used in the county seat Kaposvár, as well as two neighbouring municipalities. Postcodes 7451 and 7461 denote two (formerly independent) neighbourhoods of Kaposvár. The three postcodes were combined, as well as other statistical data of Kaposvár and the two other municipalities. As a result, the least common multiple of different databases was secured.

10 Budapest has a two-tier administrative system, responsibilities are shared between the Budapest municipal government and the governments of the 23 independent districts. As most of the social policies are delegated to the district governments in the city, and these social policies are highly different district-by-district, it is more meaningful to analyse those than the aggregated data of Budapest. (Budapest districts are not to be confused with Hungary's 174 sub-national districts – the administrative units referred to earlier.)

11 The most visible (and the most cited) differences within the county in terms of economic development is the East–West slope, apart from the Budapest–countryside divide. Western counties are often depicted as developed ones whose 'winner' economies are deeply integrated into global production networks (mostly in the manufacturing sector). The Northeast is characterised by an industrial decline starting during the 1970s global economic crisis and by a collapsing industry following the end of state socialism in 1989. Remaining parts of the East show a higher percentage of agricultural production, although most of the municipalities with several tens of thousands of inhabitants also have some companies in the manufacturing sector being in superior positions in global commodity chains. In the public discourse, social problems and tensions are often conceived as prevailing mostly in the easternmost counties, such as Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg.

dapest 8.8% of the unemployment is concentrated, but the capital city only received 1.9% of the public works employment. The differences between the counties increased slightly between 2011 and 2013, primarily because of the growing share of Borsod-Abaúj-Zemplén.[12]

Figure 2.7.2: Full-time-equivalent person-days of public works employment (above) and the number of unemployed persons (below) at the municipal level (2013)



Data source: Databank of the Centre for Economic and Regional Studies, Hungarian Academy of Sciences; Regional Development and Spatial Planning Information System.

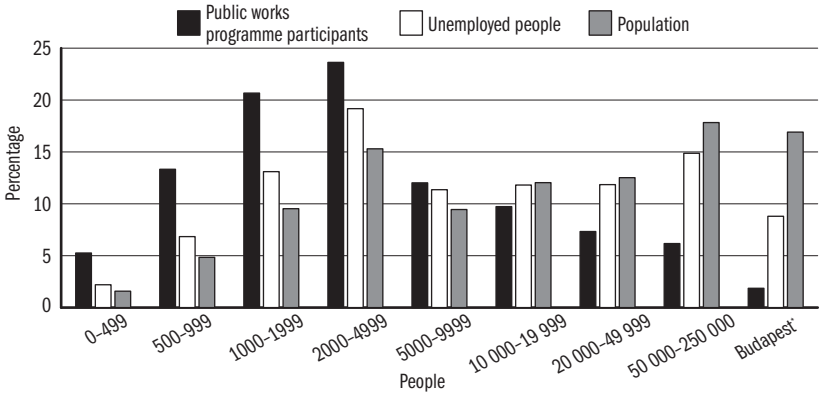
The map also reveals that county-level data obliterates considerable intra-county differences. It is striking that the allocation of funding within the counties often coincides with the assumed labour market position of the areas in the pub-

12 For the geographical location of counties referred to in this chapter, see *Figure 2.7.1.*

lic discourse and in the national media. The Southern part of Baranya county at the Croatian border is a disadvantaged area with complex social problems emerging in the past 25 years of capitalism, and it also received significantly higher public works employment quotas than other parts also affected by unemployment. Several stigmatized regions in the national public discourse which are often depicted as areas in which people are not working, lazy, or even welfare scroungers – such as the former industrial centre of Ózd and its vicinity (Northwestern part of Borsod-Abaúj-Zemplén county), or the middle part of Jász-Nagykun-Szolnok county – received higher proportions of public works employment, seemingly with the intention to discipline those regions.

It is also obvious from the comparison of the two maps that on the map below, larger cities with higher numbers of unemployment do not stand out from the upper map showing public works employment. Larger municipalities with larger (absolute) unemployment receive relatively smaller quotas of public works employment, or to put it differently, people living in larger settlements have a significantly lower chance of entering into the programme once they become unemployed. This tendency is also shown on *Figure 2.7.3* which compares the distribution of public works employment, unemployment and population according to settlement size categories.

Figure 2.7.3: Distribution of public works employment (full-time-equivalent person-days), unemployment and population according to settlement size categories (2013)



* Population: 1.7 million.

Data source: Databank of the Centre for Economic and Regional Studies, Hungarian Academy of Sciences; Regional Development and Spatial Planning Information System.

The public works employment scheme is primarily a programme running in smaller municipalities. The divide lies at settlements around 10 thousand inhabitants – in smaller municipalities than that unemployment is higher than in larger municipalities and this is not compensated for by a larger par-

ticipation in the public works scheme. The situation in cities above 50 thousand inhabitants is most striking: unemployment is present, but public work employment opportunities are scarce. Further qualitative studies are needed to find out whether the legislative environment (the responsibilities of the different scales of public administration) or the local government's management capacities limit the available public works in this category. For example, it might be assumed that large municipalities have neither personal resources, nor infrastructure, nor organisational knowledge of how to offer public works for several hundreds or thousands of unemployed people – the result being that these settlements do not apply for large quotas. The case of Budapest is unique in the sense that firstly, both the 23 districts and the city of Budapest offer public works employment, and secondly, the unemployment rate is rather low as there are more opportunities of waged labour on the primary labour market. It is also clear that in Budapest individual portfolios of securing livelihoods might be more diverse than in smaller settlements (cf. *Smith–Stenning–Rochovská–Świątek,* 2008). Despite these circumstances it is obvious that the public works scheme does not offer a viable policy solution for offering a large number of jobs for unemployed people in Budapest.

A larger scale public works programme has been organised and executed by the local governments since 2001. Unevenness of this public policy measure is not a new phenomenon emerging after the 2011 relaunch, but it is certainly true that broadening the programme in 2009 resulted in growing inequalities among municipalities (*Keller–Bódis,* 2012). These inequalities might be analysed in a breakdown according to different instruments of the programme. Full-time-equivalent person-days combined in public works employment were 19.7 million in 2011, 39.4 million in 2012 and rose to 46.8 million in 2013. The shares of different instruments have constantly changed during the three years: the short-term public works, the so-called value-producing public works and the wage subsidies offered to companies employing public workers were all ended in 2011. So-called Start model programmes were launched in 2013 (*Table 2.7.1*).

Different instruments of the programme contribute differently to change employment locally. In the following we analyse whether the person-days of public works employment correspond to the principle that counties and municipalities with higher unemployment should receive more funding and more public works quotas. To measure this question the distributions of public works employment and unemployment between municipalities were compared using the widely used inequality measure, the Hoover index.[13] If the distribution of public works employees and that of unemployed persons is similar (i.e. the Hoover index is small and decreasing) then the programme reduces spatial inequalities of unemployment.[14] Calculations were made both for the whole country (to measure the inequalities within the country), as

13 Hoover index (H) measures the deviations of two distributions (x_i, f_i):

$$H = \frac{\sum |x_i - f_i|}{2}$$

The range of the index is between 0 and 100%; the higher the index value, the higher is the difference of the two distributions. The measure also shows what percentage of one distribution has to be re-distributed throughout municipalities in order to achieve the same distribution as that of the other one.

14 There is a methodological problem, of course, inasmuch as public works employment and unemployment are in a complex causal relation. Growing public works employment decreases unemployment. If the distribution principles of quotas are followed, this decrease in unemployment also leads to decreasing public works employment.

well as for the counties. This latter might refer to the role of government offices at the county level in distributing public works employment within the counties. Results are shown in *Table 2.7.2.*

Table 2.7.1: Distribution of full-time-equivalent person-days among public works employment instruments (%)

Instrument	2011	2012	2013
Short-term public works	37.47	0.10	0.00
Long-term public works	26.46	64.97	28.42
Wage subsidies for companies	3.05	0.00	0.00
National programme	28.48	35.03	21.04
Value-producing public works	4.55	0.00	0.00
Start model programmes	0.00	0.00	50.64
Altogether	100.00	100.00	100.00

Data source: Databank of the Centre for Economic and Regional Studies, Hungarian Academy of Sciences.

Table 2.7.2: County level inequalities of public works employment and unemployment, according to the instruments (Hoover indices, %, 2011–2013)

	2011					
County	Public works employment total	Short-term public works	Long-term public works	Wage subsidies for companies	National programme	Value-producing public works
Budapest	16.3	18.5	19.6	31.3	43.7	73.9
Baranya	28.4	18.6	30.5	47.7	57.5	72.0
Bács-Kiskun	16.3	14.7	20.3	60.3	35.1	94.2
Békés	16.6	13.4	16.0	52.2	34.9	68.0
Borsod-Abaúj-Zemplén	20.8	16.6	19.8	34.9	52.5	73.2
Csongrád	25.1	18.7	21.1	57.1	35.2	79.0
Fejér	20.3	19.8	18.3	44.2	49.2	88.9
Győr-Moson-Sopron	25.8	21.5	23.7	55.4	50.6	60.3
Hajdú-Bihar	19.2	16.9	21.5	29.5	37.6	64.8
Heves	22.9	20.7	25.8	48.5	46.0	91.4
Komárom-Esztergom	17.7	18.0	18.8	45.6	31.3	75.9
Nógrád	11.5	12.2	19.9	38.9	37.3	79.2
Pest	28.9	25.1	26.1	59.2	47.2	81.5
Somogy	21.5	16.5	18.2	62.6	50.0	68.0
Szabolcs-Szatmár-Bereg	22.2	17.3	21.6	37.6	39.7	73.9
Jász-Nagykun-Szolnok	18.8	17.8	18.5	38.7	37.3	91.7
Tolna	24.8	17.9	20.2	55.9	45.1	60.0
Vas	25.4	19.2	20.0	48.2	48.7	77.5
Veszprém	20.7	22.1	20.7	41.3	47.1	87.0
Zala	25.2	20.0	16.0	47.9	54.5	93.9
Total Hungary	25.8	22.9	27.0	48.7	47.1	77.7

County	2012			2013			
	Public works employment total	Long-term public works	National programme	Public works employment total	Long-term public works	National programme	Start model programmes
Budapest	12.6	12.4	17.5	11.1	10.4	22.3	22.9
Baranya	39.2	40.2	50.6	32.3	25.9	44.9	37.4
Bács-Kiskun	26.3	30.1	32.7	27.9	17.8	34.1	54.8
Békés	24.7	27.5	30.9	23.5	15.0	30.2	30.9
Borsod-Abaúj-Zemplén	27.6	29.4	38.4	33.1	23.3	41.5	40.4
Csongrád	27.5	33.5	27.0	23.6	17.2	24.4	42.7
Fejér	27.8	34.3	32.1	26.3	12.0	27.9	72.4
Győr-Moson-Sopron	29.3	34.6	35.3	29.4	25.4	35.3	88.8
Hajdú-Bihar	32.4	35.7	31.8	34.1	21.9	29.9	46.7
Heves	33.3	41.7	35.6	28.9	16.2	31.2	63.8
Komárom-Esztergom	18.8	17.6	24.4	22.4	13.3	25.3	84.3
Nógrád	26.0	33.1	39.0	29.9	25.1	36.1	50.0
Pest	32.7	27.0	43.0	26.7	20.9	40.9	80.4
Somogy	29.2	33.5	39.0	25.4	22.1	34.5	39.5
Szabolcs-Szatmár-Bereg	27.4	28.8	35.0	26.3	19.7	31.2	35.6
Jász-Nagykun-Szolnok	26.6	32.1	30.1	31.4	22.6	29.7	45.5
Tolna	31.3	38.2	33.1	37.3	22.6	33.5	66.3
Vas	30.2	37.7	34.3	30.5	27.4	32.2	85.2
Veszprém	28.4	34.8	33.2	31.0	25.7	34.9	83.4
Zala	35.5	39.8	41.9	35.1	17.7	38.0	73.6
Total Hungary	32.9	37.6	38.2	34.7	22.4	37.5	53.8

Note: Grey background of cells indicates instruments with higher inequalities than the total public works of the respective year. Public works employment was measured by full-time-equivalent person-days.

Data source: Databank of the Centre for Economic and Regional Studies, Hungarian Academy of Sciences; Regional Development and Spatial Planning Information System.

Let us commence the analysis of the table with the yearly totals. It has already been shown that the distribution of the financial resources was highly uneven between municipalities in 2013. As the value of the Hoover index rose constantly between 2011 and 2013 (from 25.8 to 34.7 per cent), the programme was less and less successful in channelling public money to municipalities with higher unemployment – despite the successive reforms of the instruments and the changing legislation regarding the implementation of the programme. The Hoover index of 34.7 per cent means that out of 10 person-days in the country 3.5 were to be located elsewhere in order to concentrate resources into municipalities with higher unemployment. There have been large differences between specific instruments of the programme regarding the unevenness of their spatial distribution. The national programme (covering one-fifth to one-third of the person-days) was expected to fulfil the premise of even distribution (as it is co-ordinated at the national level, knowing

the socio-spatial trends of the whole country), but in fact, it has been more unevenly distributed than the total number of the public works employment (the Hoover index of the instrument exceeds that of the total).

Some of the instruments cancelled at the end of 2011 – such as the short-term programme – were allocated broadly evenly, in concordance with the spatial distribution of unemployment. Despite the even allocation, the instrument itself was not able to help those people in need in securing livelihoods, as it only offered employment for a very short period of time (*Cseres-Gergely–Molnár,* 2014).

Wage subsidies paid for companies employing public workers, and the so-called value-producing public works (the latter including municipal programmes) mobilised a small number of people (*Table 2.7.1*). Their spatial inequalities were high – in the case of the latter out of 10 person-days 8 were not in municipalities facing higher unemployment (*Table 2.7.2*). From this perspective, ceasing these instruments at the end of 2011 was a meaningful decision.

Long-term public works employment quotas differed significantly from year-to-year. For 2013, however (perhaps because of a more thoughtful planning of the instrument) a spatial distribution was found which resembled spatial patterns of unemployment. Further qualitative research is needed for figuring out whether the county and district government offices have played a role in this quite successful allocation of the financial resources.

Start model programmes were launched in designated 'backward' areas of the country in 2013. Although according to its name it is a model programme, its share became rather large in 2013, representing half of the total public works programme. The allocation of the financial resources is highly uneven (see the high Hoover index value). The cause of this unevenness might be that municipalities suffering from the most complex social problems have neither the organisational capacity, nor a viable agenda on how to tackle (mostly long-term) unemployment in their jurisdiction, thereby they were not applying for these financial resources. What follows then is that this instrument is biased towards municipalities which are more entrepreneurial (cf. *Harvey,* 1989) than others; not eliminating the uneven geographical development of capitalism, but actually reproducing it.

Looking at county-level data it becomes obvious that even within counties public works employment is not concentrated to municipalities in which unemployment is higher. In 2013 out of 10 person-days 2–4 (Komárom-Esztergom 2.24, Tolna 3.73) go to settlements non justifiably if we make a comparison with the actual unemployment numbers. There are only a few cases in which the distribution of the financial resources have become (slightly) better – such as in Csongrád county. The same is true for Budapest and the surrounding Pest county, in which low and decreasing public works employment have become more even (but the total number of public works partici-

pants is minimal compared to the number of unemployed). In some counties the spatial unevenness of the allocation has drastically increased, such as in Nógrád (11.5% to 29.9% between 2011 and 2013) – 3 out of 10 person-days were to be allocated elsewhere if a distribution fitting to the unemployment were to be considered. Among 'winner' counties of the programme (those with relatively high resources) it is only Szabolcs-Szatmár-Bereg in which the unevenness of the person-days did not increase – contrary to the situation in Borsod-Abaúj-Zemplén or Hajdú-Bihar.

Speaking of the specific instruments, the value-producing scheme and companies' wage subsidies were allocated by considerations of low efficiency. The short-term public works instrument was directed to settlements more in need in 2011 in a majority of counties, the long-term employment programme distribution, however, was rather uneven. In 2012 two instruments compensated for each other, except for four counties and Budapest. In 2013, Start model programmes were introduced. However, there was not a single county in Hungary in which funding was primarily allocated to settlements with higher unemployment. Apart from Budapest, 3–9 out of 10 person-days were utilised in municipalities in which it was not duly justified by unemployment figures. Long-term public works instrument runs smoothly, and unevenness has significantly decreased in the counties (inequalities are the highest in Vas county with a Hoover index value of 27.4%). The co-ordination of the national programme has led to a rather uneven spatial allocation – both among counties and within counties.

In sum, public works employment is unevenly distributed among counties, districts and settlements. One might conclude that this policy measure is unable to decrease unemployment differences within Hungary. The legislative-organisational environment involves sub-national level of governance in the implementation of the programme. It is clear, however, that these units of public administration have not been able to concentrate public works employment into settlements with the highest unemployment – thereby public money is used for maintaining uneven geographical development in the country. More detailed analysis would be needed to discover whether this inequality is a consequence of deficiencies in the hierarchical, power-laden allocation mechanisms or 'simply' a management problem. The first explanation might cover controversial causal relations: decentralisation might be the cause of uneven allocation of funding, but it might also represent a tool which would help in allocating the resources more evenly. The second explanation might result from the fact that all counties and districts are fighting for more public works employment, thus interests at different scales of the public works governance leads to spatial inequalities.

One cannot fail to consider the scale of the individual either. Local social hierarchies are reproduced through the public works programme; the em-

ployability criterion is decisive in establishing new tensions – in-line with current social policies making a distinction between deserving and undeserving poor. If unemployment exceeds the number of public works employment quotas (which is the case in most of the municipalities), it is the 'employable' people who get the jobs. Thereby, individual skills become more important in public policies than structural problems of the economy (cf. *Peck–Theodore,* 2000), reproducing neoliberal capitalism on the individual, the local and the national scale. Entrance and exit chances in relation to the programme are highly differentiated (*Cseres-Gergely–Molnár,* 2014) and social inequalities are reproduced. These trends are covered in other chapters of *In focus* in detail.

Conclusion

Public works employment broadened at the culmination of the 2008 crisis, and re-shaped in 2011, reproducing socio-spatial inequalities of labour. Public works employment is, however, not a single public policy intervention which might be analysed independently from other labour market policies (such as flexibilisation of the labour force) or social policies (shift from welfare to workfare). The public works programme is an important element in (and a symptom of) not only reproducing social inequalities, but also marginalising spaces and places. In spite of the legislation that resources should be concentrated on areas with more severe unemployment, data from 2011–2013 shows that this goal was not achieved – in fact, the allocation of the financial resources has become spatially more uneven. One critical reason for this unevenness is the nature of the legislation which does not provide a clear structure concerning how to deconcentrate funding and employment numbers to counties and municipalities. How allocation proceeds directly at certain spatial scales of public administration was not analysed in this paper; the main goal was to describe unevenness at different geographical scales. What follows from the analysis of the data is that public works employment seems to be a public policy tool in which public money is spent less efficiently. For example, re-allocating money from the programme to provide unemployment benefits for a longer period of time would mean a more just allocation of the funding, probably also needing less administrative capacities. However, it is certainly clear that public works employment is 'effective' in several other regards: in reproducing and increasing socio-spatial inequalities and effectively supporting subsequent governments' class politics.

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2.8 WINTER PUBLIC WORKS

IRÉN BUSCH

In this section we present the most important data pertaining to participants in the winter public works training programmes.

In 2013, the average number of participants in the new public works programmes introduced in 2011 increased to 127 thousand persons, which is one and a half times higher than two years previously. The average number of participants was not equally distributed in each month, but displayed significant seasonal variation. This was partly due to annual budget regulations defining financial support,[1] and partly the result of the fact that most public works are performed outdoors, which significantly constrains job opportunities in the winter. The aim of introducing winter public works was to mitigate this seasonality. The *temporary winter public works programme,* which was launched in November 2013, included employment in jobs that were also possible to carry out in the winter, and some training programmes. During the training programmes, just as in other public works-related training, participants received a public works wage. The declared aim of these training programmes was to provide an opportunity for public workers to increase their chances of employment on the primary labour market.

Up to now, two winter training programmes have been realised: the first one between November 2013 and April 2014, the second one between December 2014 and March 2015. In the second programme, there was an opportunity for those who successfully completed basic competency or remedial training for primary education to participate in the training once again.

The most important data pertaining to the number of participants in the winter public works training programmes are presented in *Table 2.8.1.*

Table 2.8.1: Number of participants in the training programmes related to winter public works

	Winter public works in 2013–2014[a]	Winter public works in 2014–2015
Total number	99,571	27,999
Number of dropouts from the training	5,052	1,101
Dropout rate (per cent)	5.1	3.9
Number of Roma involved in the training	22,107	6,908
Share of Roma involved in the training (per cent)	22.2	39.3

[a] The number of participants in the data warehouse supplied by the integrated information system of the Hungarian National Employment Service (PES) differ slightly, by 0.5 per cent from the data collected in SROP 2.1.6.

Source: based on the report of 16th March 2015 issued by the Project Implementation Department of the Deputy State Secretariat Responsible for Budgetary Management at the Ministry for National Economy.

1 The possibility of postponing to the next year was limited.

In the first training programme related to winter public works in 2013–2014, almost 100 thousand people took part, and in the second, 28 thousand people, that is, the number of participants in winter training programmes significantly declined. Participants of Roma origin made up 22 per cent of the first programme and almost 40 per cent in the second programme. The drop-out rate in these programmes was relatively small, and this rate has decreased from 5 per cent in the first programme to 4 per cent in the second programme. The distribution of participants of winter training programmes are presented in *Table 2.8.2–2.8.4*. In the first winter training, 15 per cent of the participants were below 25 years of age, in the second cycle this rate was 22 per cent (*Table 2.8.2*). Compared to the age composition of the total pool, the share of young participants in the first training programme was somewhat below the share of young participants among all public workers, while in the second cycle, young people were slightly over-represented.

Table 2.8.2: Age distribution of participants in winter training public works programmes and among all public workers by age (percentages)

	Distribution of participants in the winter public works training programmes[a]		Distribution of all public workers	
Age group	2013–2014	2014–2015	2013	2014
Under 25 years	14.8	21.8	17.0	16.3
26–50 years	59.6	58.3	59.0	60.6
Over 50	25.6	19.9	24.6	23.2
Together	100.0	100.0	100.0	100.0

[a] The number of participants in the integrated information system of NFSZ differ by 0.5 per cent from the manually gathered data by SROP 2.1.6.
Source: Based on the integrated information system of the PES.

In terms of education (*Table 2.8.3*) 62 and 64 per cent of the winter training participants had completed at least primary education in 2013 and 2014 respectively, which implies that the participation rate of those with lower education in the training was higher than their rate among all public workers. As regards residence, 66 and 77 per cent of participants in winter training lived in disadvantaged settlements, their share being slightly lower than among all public workers (*Table 2.8.4*).

In terms of course type, there has been a significant change inbetween the two training periods (*Table 2.8.5*). While almost half of the participants in the first training period took part in a basic skill development or elementary training this course type almost disappeared by the second training period. Subsequently, the share of registered courses (i.e. courses that are listed in the 'OKJ', the National Qualifications Register) has increased. While in the winter of 2013/2014, 22 per cent of successfully completed training modules were recognised OKJ training ones, in the winter of 2014/2015 this rate in-

creased to 62 per cent. The increase in the share of OKJ training modules was also related to the fact that participants successfully completing the basic skill development training in the previous year could participate again, but this time in vocational training.

Table 2.8.3: Educational distribution of participants in winter training public works programmes and among all public workers (percentages)

	Participants in the winter public works training programmes		All public workers	
Education	2013–2014	2014–2015	2013	2014
Less than primary education	10.2	8.5	7.7	7.2
Primary education	52.2	55.7	45.6	45.6
Lower secondary vocational school	22.8	22.5	28.2	30.7
Upper secondary vocational school	7.7	7.4	9.5	8.6
Secondary school	5.5	5.3	7.0	6.0
Higher education	1.5	0.7	2.1	2.8
Together	100.0	100.0	100.0	100.0

Source: Based on the integrated information system of the PES.

Table 2.8.4: Per cent distribution of participants in winter training public works programmes and among all public workers by their disadvantaged settlements

	Distribution of participants in the winter public works training programmes		Distribution of all public workers	
	2013–2014	2014–2015	2013	2014
Does not live in a disadvantaged settlement	30.7	23.1	22.8	17.8
Lives in a disadvantaged settlement	69.3	76.9	77.2	82.2
Together	100.0	100.0	100.0	100.0

Source: Based on data from the integrated information system of the PES.

Table 2.8.5: Distribution of participants in winter training public works programmes by course type (percentages)

	Winter public works in 2013–2014	Winter public works in 2014–2015
Basic competency, primary	47.8	0.3
Semi-skilled	30.2	35.3
Authority*	0.5	1.8
OKJ (National Qualifications Register)	21.5	62.7
Together	100.0	100.0

* Provided by an authority in charge of issuing a related license, e.g. for soil operators.
Source: Based on data from the integrated information system of the PES.

Evaluations on the change of employment opportunities following the winter public works and training are not available. As was shown earlier, the com-

position of participants in winter training programmes and that of all public workers differ. Based on the available data, it cannot be established whether the lower re-employment rate of former training participants is due to their different composition or to their participation in the training programmes.

Of those who exited public works in 2014, 10–11 per cent were employed in the open labour market 180 days after the programme, in November 2014. Among those who participated in the training, this rate is below 10 per cent: among other winter public workers the rate is slightly higher at 11–12 per cent.

A low employment rate (around 5 per cent) was recorded for those trainees who participated in basic competency or other types of primary training in order to establish their further participation in training or subsidised employment.

More than two thirds of those with secondary education received vocational OKJ training. The employment rates of trainees who had had secondary education and participated in lower secondary education and semi-skilled training was between 14 to 21 per cent, which reached, and even surpassed the rates of all public workers and of those who completed secondary education but did not participate in training.

In those counties (Vas, Veszprém, Budapest) where the economic and employment situation is more favourable, the employment indicators (12–18 per cent) of public workers participating in the training also reached and exceeded the rates that characterised non-participants. In counties with a better economic situation (Budapest, Győr-Sopron-Moson, Fejér, Komárom-Esztergom, Csongrád, Vas, Veszprém), the employment rates of participants in "skilled and semi-skilled training" exceeded the employment rate of the total pool of public works participants.

2.9 LABOUR MARKET SITUATION FOLLOWING EXIT FROM PUBLIC WORKS

ZSOMBOR CSERES-GERGELY & GYÖRGY MOLNÁR

This sub-chapter examines the individual and environmental factors related to exit from public works, relying on administrative data. The composition and characteristics of exiting participants have a major impact on exit prospects. We look into which factors are related to exit to the open labour market and which ones hinder it. Exogenous events and factors are not included in the analyses; therefore it will not establish causal links. The correlations presented may serve as a basis for further research.

The sub-chapter applies the same analytical framework as sub-chapter 2.3, the two major episode types of the public employment system: non public works and public works episodes. At the end of non public works episodes participants make a decision (albeit often with limited room for manoeuvre) on the direction in which to proceed. They may remain registered unemployed or search for jobs without registration but it is also possible that they find employment on the open labour market. Immediate entry to public works is excluded by the definitions used herein and neither does it happen in actual practice.[1] The result of this decision is measured, based on the monitoring system of the National Labour Office (NLO), on day 180 after exiting.

The public works section of the episode-based micro-database used in subchapters 2.3 and 2.6 is also used here. 517,730 public works episodes of the years 2011 and 2012 are analysed, which is less than the total 931,817 episodes started during 2011–2013. The reason for the constraint is that it is not only the monitoring variable of the NLO which is applied: it is corrected and information from the database is added to it (see Annex 2.9 for the method and the results). Since examining day 180 after exit was only possible by limiting the period to 2011–2012 in order not to misleadingly distort the sample,[2] this period was used throughout the study.

In addition to the employment on the open labour market and in public works included in the monitoring data of the NLO, registered job seeker as well as "unregistered and not in (declared) employment outside the system" statuses are also considered and the original monitoring data are adjusted. The four statuses – 1) in employment on the open labour market, 2) in public works, 3) registered unemployed, 4) unregistered, not in work – defined together as "day 180 after exit status" or briefly "day 180 status", already cover all major events relevant to movement in the public employment system.

The most important indicator of the various statuses is the *exit rate*. It is calculated by considering the size (number of participants) of a cohort at a

1 As presented in *Subchapter 2.3,* some overlapping and directly contiguous public works episodes have been merged. Only a small part of clients receive such an offer.

2 The constraint also takes into account other, technical considerations. Public works episodes longer than 365 days are excluded as well as those who died in the meantime and those who had spent more than 2200 days (about six years) in the public employment system at the beginning of the period. Two per cent of the 529,744 episodes constrained by the time limit, i.e. 11,403 episodes are excluded in this way.

particular time, then counting how many of them belong to a certain "day 180" status and finally dividing the latter by the former.

As for the total public works participant population of 2011 and 2012, nearly half of these have "registered unemployed" as a day 180 status (see *Table 2.9.1*). Slightly more than one-tenth of them work on the open labour market in a declared job. One-third of them are in public works again and one-twentieth of them are not in declared employment but are not registered unemployed either. On the whole, 80 per cent of participants appear in the public employment system within six months after leaving public works.

Table 2.9.1: Distribution of statuses on day 180 after leaving public works

Status on day 180	Number of cases	Percentage
Works on the open labour market	68,921	13.3
Public works participant	176,837	34.2
Registered unemployed	237,097	45.8
Unregistered; does not work	34,875	6.7
Total	517,730	100.0

Source: Authors' calculations based on the reduced Employment and Public Works Database (EPWD).

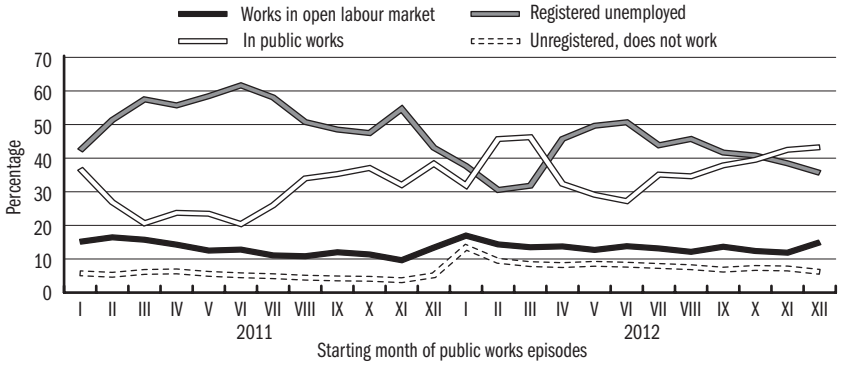
In the case of rapid calculations, the most suitable way of grouping exiting participants is to treat participants starting a public works episode approximately at the same time together.

It is because day 180 measuring involves lots of compromises that it may be best tackled in this way. In the case of unlimited data collection, it is not a specific day after leaving public works but after entering which should be designated for the examination of statuses, or rather a day after entering a related episode of the public employment system. In that way (and by statistically controlling other factors), the comparison of the results would be more realistic. Since it was not feasible in this study, the best choice is (without using multivariate methods) to compare participants starting out at the same time.

Day 180 statuses are broken down according to the month of start in *Figure 2.9.1*. During the two years examined the likelihood of entering the open labour market diverged very little from the average of 13.3 per cent. The better employment prospects of those starting public works at the beginning of the year deteriorates in the case of participants starting later (in accordance with the seasonal characteristics of entrants). The likelihood of entering public works increased strongly in winter and spring, mirrored by a decrease in registering as unemployed.

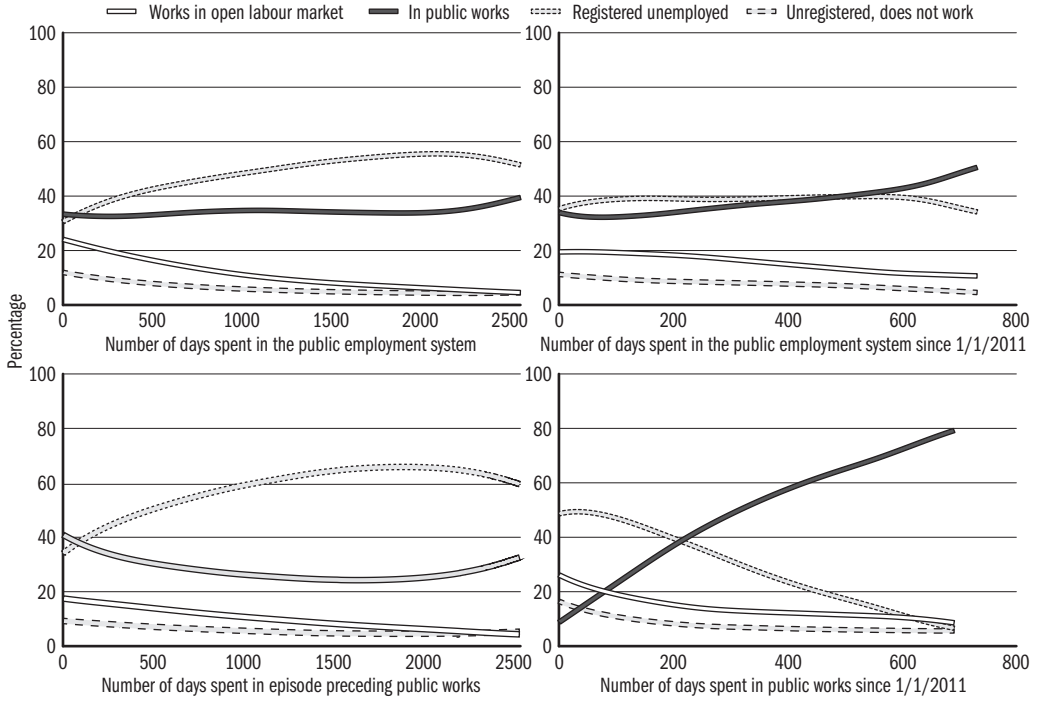
As presented in sub-chapter 2.6, the time spent in the public employment system is strongly related to entry to public works and the same holds for exiting it. *Figure 2.9.2* shows the occurrence of day 180 statuses as a function of four types.

Figure 2.9.1: Status of public works participants on day 180 after exiting, broken down by the months of entering public works



Source: Authors' calculations based on the reduced EPWD.

Figure 2.9.2: The raw rates of day 180 statuses after exiting public works as a function of the length of various episodes, non-parametric estimation, 2011–2012



Source: Authors' calculations.

The rate of *employment on the open labour market* decreases with a longer history, whichever indicator is used. That is, the longer the time spent either in the public employment system or in public works, the lower the rate of em-

ployment on the open labour market. The *likelihood of public works participation* increases with time spent in both the public employment system and public works. In the case of the long-term unemployed, it is mainly *re-entry to registered unemployment* that increases with a longer history, but it decreases with time spent in public works. The status *unregistered, not in work* is rare in itself and decreases with time spent in both the public employment system and public works.

Just as in the case of entry to public works, we now examine which characteristics of individuals and the work undertaken are related to the likelihood of day 180 statuses. In the interest of clarity, findings for 2011 and 2012 are merged in *Table 2.9.2*.

Table 2.9.2: The raw rates of day 180 statuses

Factor	Share in population	Works in open labour market	In public works	Registered unemployed	Unregistered, does not work
Total public works episodes	100.0	13.3	34.2	45.8	6.7
Demographic characteristics					
Female	40.5	14.7	29.2	50.7	5.4
Male	59.5	12.4	37.5	42.4	7.7
Age					
Below 25	19.9	16.8	29.0	45.8	8.4
Aged 25–44	52.0	13.6	33.6	46.3	6.5
Over 44	28.1	10.3	38.8	44.9	6.1
Schooling					
Max. eight years of schooling	57.6	8.9	33.6	51.0	6.4
Vocational school	30.4	14.9	37.4	40.7	7.0
Min. secondary school leaving examination (Matura)	12.0	25.6	30.4	36.6	7.4
Fresh graduate	9.1	16.0	27.9	47.3	8.9
Not fresh graduate	90.9	13.0	34.8	45.7	6.5
History of participants in the preceding non public works episode					
Max. 3 months	25.3	16.9	46.6	27.8	8.7
4–9 months	25.1	14.4	36.4	41.8	7.4
Over 12 months	42.4	10.8	26.2	57.9	5.2
Received unemployment benefit	28.0	16.9	39.2	37.8	6.1
Received employment substitute allowance	79.7	11.9	31.5	50.8	5.8
Participated in training	1.2	19.8	35.2	38.2	6.8
Participated in other programmes	1.0	17.8	42.1	34.1	6.0
Characteristics of public works episodes					
Number of work hours					
4 hours	34.5	11.8	19.3	64.3	4.6
6 hours	19.5	15.3	27.6	50.4	6.7
8 hours	46.1	13.7	48.1	29.9	8.3
Undertook undemanding work	51.4	8.7	34.7	50.2	6.3
Undertook demanding work	48.6	18.1	33.6	41.1	7.2

→

→ Factor	Share in population	Works in open labour market	In public works	Registered unemployed	Unregistered, does not work
Sub-programme					
Short	34.8	11.7	19.3	64.3	4.7
Long	45.6	14.8	38.3	39.5	7.4
Countrywide	18.4	12.4	51.7	27.7	8.2
Other	1.4	15.7	36.2	31.6	16.4
Employer					
Municipality	71.5	13.2	31.4	49.3	6.1
Other	28.5	13.6	41.1	36.9	8.4
Participated in training	2.8	8.0	81.5	6.2	4.3
Year of starting episode					
2011	50.1	13.1	28.3	53.4	5.2
2012	49.9	13.6	40.1	38.1	8.3
Exit					
Contract expired	19.4	10.6	37.2	47.1	5.1
Other	12.4	25.9	16.0	43.9	14.2
Unknown	68.2	11.8	36.6	45.8	5.8

Source: Authors' calculations based on the reduced EPWD.

The *likelihood of entering the open labour market* is stronger, while the *likelihood of entering public works* is lower in the case of women, younger participants, those with a higher level of schooling and fresh graduates. It is skilled workers (with a vocational school qualification) that re-enter public works in the highest proportion. *In registered unemployment* there are higher rates of women and the unqualified. The fresh graduate status has little, while age has no, correlation with entry to registered unemployment. In the *unregistered, not in work status* there are relatively more men, young people and those with at least an upper-secondary qualification (Matura).

There is a higher than average chance of entering the open labour market for those who spent a short time in registration, received unemployment benefits and are among the few who participated in an active labour market programme other than public works in the preceding non public works episode. The likelihood of entering public works is surprisingly similar: it only decreases with more than 12 months spent in registered unemployment. It is those in registered unemployment for over 12 months and who received employment substitute that return to registered unemployment in higher than average proportions. Participants spending a very short time – maximum of three months – in registered unemployment have the highest chances of getting into the *unregistered and not in work* group.

As for the characteristics of public works, it is mainly the number of work hours, the complexity of work undertaken, participation in training and the circumstances of exit that have an impact on the likelihood of entering the open labour market. Participants of six-hour public works are in the highest proportion in the open labour market; however, nearly half of people working eight hours a day in public works re-enter public works. While 64 per cent of participants working four hours a day in public works

become registered unemployed, this is the case for only 30 per cent of those working eight hours a day. The correlation is the opposite for those unregistered and not in work.

A similar proportion of participants undertaking simple, undemanding and more complex, demanding work enter public works. A higher proportion of the latter exit to the open labour market, while the former tend to return to registered unemployment. As for entering the open labour market, there is a smaller share of participants from short-term and countrywide programmes and a larger share of participants from long-term programmes. As for entry to public works, the situation is just the opposite. It is especially worth noting that three quarters of the few public work participants that also participated in training re-enter public works.[3] There is no significant difference according to the start of programmes. However, participants terminating their public works contract by mutual agreement before its expiry are extremely likely to find employment on the open labour market.

The raw effects presented earlier do not take into consideration the possible correlation between individual factors. For example there are more participants with an upper-secondary qualification among women than among men (17 per cent and 8 per cent respectively) and twice as many among those under 25 (20 per cent) as among the ones over 44. As seen earlier, women and young people have higher than average chances of finding employment on the open labour market soon after leaving public works and be there at the time of monitoring. Nevertheless, because of the above correlation it is possible that the good employment prospects are only applicable to the qualified participants and women and young people only perform well because of the *composition effect*.

In order to exclude this effect, a multivariate discrete choice model may be used and correlate the four different statuses of day 180 with the above characteristics. As the possibilities examined include all possible outcomes, but there being no information available on them concerning choices, a multinomial logit model was used for the sake of simplicity in order to calculate average marginal effects comparable to raw differences in likelihood.

Comparison of *Table 2.9.3* and *Table 2.9.2* reveals that the effects of many factors examined previously are similar to the earlier findings. These include individual characteristics such as gender, age and educational attainment (the latter is in interaction with the "Fresh graduate" status in the estimation). There is a strikingly strong likelihood of finding the younger participants, the more qualified ones and women in employment on the open labour market on day 180. It is remarkable that the raw advantage of fresh graduates becomes a disadvantage here – the apparent impact is due to age and better schooling.

3 In the two years of the research, the extensive training campaign characteristic of the winters of 2013–2114 and 2014–2015 had not yet started (see *Subchapter 2.8*).

Table 2.9.3.: Average marginal effects gained from multinomial logit estimation. Outcome variable: day 180 status

	Works in open labour market	In public works	Registered unemployed	Unregistered, does not work
Demographic characteristics				
Male	-0.0200***	0.0511***	-0.0432***	0.0121***
Age: 25–44	-0.00939***	0.0281***	-0.0163***	-0.00242**
Age: 44–	-0.0340***	0.0495***	-0.0106***	-0.00492***
Schooling: vocational	0.0300***	0.0148***	-0.0416***	-0.00315***
Schooling: min. upper-secondary qualification	0.0836***	-0.0114***	-0.0709***	-0.00126
Fresh graduate	-0.0116***	-0.0163***	0.0234***	0.00447***
History of participants in the preceding registration				
Registered for 4–11 months	0.0648***	-0.0784***	-0.0167	0.0304***
Registered for 12+ months	-0.198***	0.144***	0.178***	-0.125***
Number of days spent in the public employment system	-3.03e-05***	-2.47e-05***	5.90e-05***	-4.09e-06***
Number of days spent in public works	0.000188***	0.000569***	-0.000795***	0.0000377***
Participated in training	0.0462***	-0.00306	-0.0493***	0.00614*
Participated in other programmes	0.0183***	0.0848***	-0.0976***	-0.00553
Number of unsuccessful placements	0.00374***	-0.0191***	0.0106***	0.00480***
Received unemployment benefits	0.0372***	0.0442***	-0.0721***	-0.00936***
Received employment substitute allowance	-0.0139***	-0.0317***	0.0571***	-0.0114***
Characteristics of public works episodes				
Undertook undemanding work	-0.0360***	0.0148***	0.0211***	6.28e-05
Work hours: 6	0.00231	-0.00658***	-0.0117***	0.0159***
Work hours: 8	-0.0113***	0.0473***	-0.0587***	0.0227***
Length of episode, week	-0.00193***	0.00334***	0.000983***	-0.00239***
Employer: municipality	0.00456***	0.0177***	-0.0226***	0.000324
Attended training in public works	0.0258***	0.198***	-0.230***	0.00589**
Exit: other	0.0812***	-0.104***	-0.0110***	0.0340***
Exit: unknown	0.00994***	-0.00811***	-0.00603***	0.00420***

Heteroskedasticity-robust and clustered standard errors.
The multinomial logit coefficients were calculated using the complete sample, while average marginal effects were calculated using a 5-per-cent sample due to being highly resource-intensive.
The month of measurement and the number of participants exiting at the same time are included as control variables in the regression but are not presented in the table. Variables describing the client group of the registering employment centres at the time of the measurement in terms of educational attainment, long-term unemployment, and rate of cash benefits are also included.
Significant at a level of ***1 per cent, **5 per cent, *10 per cent.
Source: Authors' calculations based on the reduced EPWD.

As for the history of participants, the 4–11-month registration period has a positive correlation with the probability of finding employment in the open labour market and a negative correlation with entering public works – as opposed to longer and shorter registration periods. Logically, this implies that the only way of significantly increasing the probability of finding employment

in the open labour market and at the same time not increasing the probability of entering public works is not to increase the time spent in public works and to fix the time spent in the public employment system (as well as all other factors). If the time spent in public works does not change, longer episodes spent in the public employment system have a positive correlation with the probability of returning to registered unemployment, while the length of public works episodes has a negative correlation with entry to registered unemployment and a positive correlation with the other outcomes. Attending training has a positive correlation with leaving the public employment system and especially with employment on the open labour market, while participation in other programmes positively correlates with the probability of entering public works. It is the first time we are able to see that unsuccessful[4] job placements have a positive correlation with employment on the open labour market and negative correlation with public works. The length of the public works episode negatively correlates with the likelihood of finding employment in the open labour market and positively correlates with the likelihood of public works. When controlled for other factors, the effect of training received in public works is not selective: it only reduces the probability of registered unemployment but increases the probability of all other statuses. The rate of participants exiting before the expiry of their contract, for "other" reasons, in employment in the open labour market is significantly above the average and only a very small part of them re-enter public works. The month of measurement and the number of participants exiting at the same time are included in the regression but are not presented in the table. The former indicates a clear employment advantage in summer and a peak of entry to public works at the end of winter and in spring, partly at the expense of registered unemployment.

After leaving public works, participants have to make a decision on either trying their luck on the open labour market or returning to one of the branches of the public employment system, including public works.

*

Having observed the significant and slightly increasing rate of entry to public works, this sub-chapter has examined which individual and program-level factors correlate with the various statuses seen half a year after exiting.

The first observation has been that experience in the system is multiply related to the direction of exit. The likelihood of entry to public works correlates differently with times spent in the public employment system and in public works. In the case of participants who have been registered unemployed or within the employment system for years, the probability of entering public works decreases with the length of both experiences. However, similar experience gained between 2011 and 2013 clearly increases the probability of en-

4 Successful job placements also include public works participation, which has a positive effect on public works by definition, therefore they are excluded here.

try to public works and slightly reduces the probability of entry to the open labour market. Therefore it seems that *public works retains fresh entrants but does not retain the long-term registered unemployed*. At the same time, an active relationship with other (not public works related) sections of the public employment system (related to training and cash benefits) seem beneficial to entering the open labour market, while a passive relationship (which only increases the time spent in the system) only results in re-entering registered unemployment.

The second observation is that *certain individual factors have a strong positive impact on re-entering public works*. These include the lack of a higher-level qualification and age. The latter cannot be "improved" but schooling can be. However, this has a remarkable effect. In the current regime, some of the participants with vocational qualifications have better prospects not only in the open labour market but also in public works – the reasons for this are unclear. Although training programmes not necessarily raising educational attainment clearly encourage exit from registered unemployment, training provided during public works episodes is more closely related to entry to public works than to entry to the open labour market – the same holds true for other programmes except for apparently more efficient training unrelated to public works.

The third observation is that *the conditions of public works* have a considerable impact on the day 180 status. Participating in *public works for long hours and for a long time obviously have a negative impact on the probability of entry to the open labour market and a positive impact on the probability of return to public works*. Although work undertaken at municipalities correlates positively with both employment on the open labour market and with public works, its relationship with the latter is an order of magnitude stronger. On the whole, if someone enters public works, the weaker the attachment to it, the higher the chances of exit are. However trivial this observation seems, it is of significance because of the contradiction between the aim of public works and the way of its implementation.

As mentioned before, the findings herein are descriptive. They do not reveal cause and effect relationships and do not make suggestions on which currently implemented Hungarian active labour market programme would be able to more efficiently perform the social welfare, activating and developing tasks of public works. However, it is possible to conclude that, granting financial benefits to the unemployed, allowing them to search for jobs for nine months and providing training for them in the meanwhile as well as limiting the daily hours of work in and the length of public works have positive correlations with finding employment in the open labour market. And that is the stated aim of public works. Exploring the exact mechanism of the correlations may be a topic of future research.

Annex 2.9

In order to adjust and expand the day 180 status, the daily database described above has been used. It contains the status (within the public employment system) of all persons, who have at one time participated in a branch of the system. It enables identifying if someone was in public works or registered unemployment on a given day. Aligning this information with the end of the public works episode, it may be verified whether it corresponds to the result of the monitoring. There is complete correspondence in 2012, which proves that the monitoring procedure is reliable. For the whole of 2011, the day 180 statuses "works in the open labour market" and "in public works" were determined on the basis of the new information. The starting point was the latter, since it is completely reliable: if someone is in public works in the database, it supersedes the data contained in the monitoring system. Persons found in employment according to the monitoring and indicated as not in public works according to our data are classified as "works in the open labour market". Works mistakenly registered as employment in the open labour market are corrected as public works.

According to the rule and as seen in *Table A2.9.1*, only 2011 figures are adjusted: public works figures to a greater extent, while open labour market figures to a lesser extent. This is due to the nature of registration and adjustment. The differences in figures before 1 September 2011 are explained by the lack of public works status registered at the National Tax and Customs Administration – it was not registered as a separate piece of information whether or not someone was in public works. The reason for the errors occurring until the end of 2011 is unclear; however, sources of errors and uncertainties disappeared after 2012.

However, it does not hold true for work on the open labour market; its adjustment raises further questions. Apparently the increase in the number of public works participants is bigger than the decrease in the number of persons on the labour market. It is only possible if in the case of some public works participants the Tax and Customs Administration did not even register the fact that they were working. It draws attention to the fact that while public works figures may be completely adjusted (accepting the data of the National Labour Office and now the Central Office for Administrative and Electronic Public Services as reference data), it is not possible in the case of open labour market figures. As a result, the number of persons working on the open labour market is probably underestimated by the monitoring system (and our analysis).

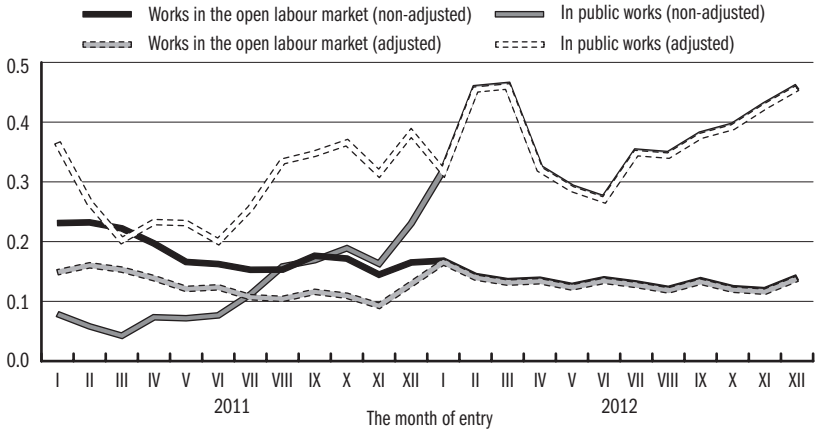
The impact of adjustment on relative indicators (exit rates) in the time series of the starting months of episodes is shown in *Figure A2.9.1*. It is conspicuous, that the trend and seasonal changes of earlier (erroneous) day 180 statuses of 2011 become realistic, similarly to 2012 (the adjusted data series are shown by a dashed line).

Table A2.9.1: Exit from public works and finding employment in the open labour market or in public works within 180 days after exiting – original and adjusted headcounts (persons)

Year/starting month	Number of exiting participants	On day 180 after exit				
		Works	In public works		In open labour market	
			original	adjusted	original	adjusted
2011						
I	14,928	4,624	1,175	5,490	3,449	2,257
II	21,011	6,097	1,219	5,621	4,878	3,422
III	26,130	6,914	1,109	5,345	5,805	4,068
IV	32,555	8,800	2,389	7,657	6,411	4,601
V	32,914	7,821	2,360	7,687	5,461	4,060
VI	24,413	5,834	1,868	4,947	3,966	3,076
VII	20,890	5,527	2,334	5,393	3,193	2,287
VIII	23,224	7,237	3,680	7,819	3,557	2,477
IX	23,242	8,022	3,924	8,137	4,098	2,753
X	20,604	7,429	3,893	7,593	3,536	2,306
XI	10,705	3,294	1,745	3,391	1,549	1,019
XII	15,197	6,008	3,499	5,841	2,509	1,997
2012						
I	1,969	960	629	629	331	331
II	66,924	40,113	30,585	30,585	9,528	9,528
III	50,394	30,032	23,290	23,290	6,742	6,742
IV	21,916	10,075	7,090	7,090	2,985	2,985
V	16,013	6,666	4,653	4,653	2,013	2,013
VI	13,876	5,676	3,777	3,777	1,899	1,899
VII	19,862	9,544	6,965	6,965	2,579	2,579
VIII	14,840	6,933	5,141	5,141	1,792	1,792
IX	17,501	9,009	6,640	6,640	2,369	2,369
X	15,998	8,257	6,305	6,305	1,952	1,952
XI	11,529	6,310	4,942	4,942	1,368	1,368
XII	13,109	7,859	6,021	6,021	1,838	1,838

Source: Authors' calculations based on the complete EPWD.

Figure A2.9.1: The difference between the adjusted and non-adjusted day 180 public works and open labour market statuses



Source: Authors' calculations based on the complete EPWD.

2.10 WHERE DO PUBLIC WORKERS WORK?

JÁNOS KÖLLŐ

One of the frequently mentioned objectives of public works is to reintegrate the unemployed into the labour market. As to what constructions serve this objective best, depends on whether the unemployed are capable of finding a job and able to integrate without external assistance. If labor demand is high and the unemployed – once they try – easily find their place in genuine work organizations, then the system should be constructed in such a way as to promote entry into market jobs, e.g. by public works remuneration set below the minimum wage, by enforcing active job-seeking and periodically testing readiness for work. If, on the contrary, no jobs are available and integration is hopeless, then public works should be offered as a program of poverty relief, with government-created jobs, offering respectable breadwinning.

However, these are extreme cases, disregarding the heterogeneity of unemployed people and of labour markets. Even if limited in numbers, market jobs are available also for public workers in most regions of the country.[1] Moreover, it is certainly true that there is an *élite* among public works participants whom the employers could profitably employ once they gained direct information about them. While a carrot-and-stick approach to public works and poverty relief need not require that public works participants work in genuine business organizations, together with co-workers employed on a market basis, a policy promoting transition from public to market work can hardly be successful without such a requirement.

According to the data analyzed below the vast majority of Hungarian public workers – especially the unskilled – work in separated public works units. This tendency is stronger in depressed labour markets, suggesting that the considerations mentioned above are put in practice by local governments and labor offices. At the same time the level of segregation depends not only on the state of the labour market, but strongly affected by the regional proportion of Roma people.

Data and estimation

Starting with 2011, the Wage Survey of the National Labour Office (abbreviated in Hungarian as NMH) differentiates public works participants from other employees. In the survey, the units of observation are the geographically distinct branches of firms, so the percentage share of public workers can be defined per site. The Wage Survey is a linked employer-employee data set providing information on the persons working in the firm. In this chapter we use year 2013 data on the public sector, where individual data is available for all employees working at the given site.[2] We observe 116,559 persons, 89%

1 The 24,195 public workers examined in Subsection 2.5 entered market jobs 54,833 times between 2003 and 2011.

2 This is true to institutions whose accounts are administered by the Treasury.

of the 131,104 public works participants reported by the Hungarian Central Statistical Office (*KSH,* 2013, p. 32). The deviation is due to slight differences between the sampling methods and the target groups covered.

Firstly we observe the percentage share of public workers per site, and repeat the analysis for unskilled employees (those with primary education or less). Secondly, we estimate – by limiting our calculations to unskilled workers – how the percentage of public workers at the site correlates with the rate of local unemployment.

The correlation between local unemployment and the share of public workers at the site is trivial if further factors are disregarded. If there are many unemployed people, then there are many potential public workers, and the expected share of public workers is high, especially if unemployment is high because few institutions in the settlement are suitable to employ public workers. Thus, besides the rate of local unemployment we will also control the equation for the percentage of public workers within the local population. The question is if we can still find a correlation between the rate of local unemployment and the percentage of public workers within a site.

Furthermore, we assume that the share of public workers within a branch depends on the size of the branch (a high percentage is less likely in an institution employing many people) and the size of the settlement (in a small village it is difficult or impossible to mix public workers with 'genuine' employees).

Finally, we have sufficient empirical knowledge to expect correlation between the extent of segregation and the percentage of Roma people in the population.

The data on the size of branches and the share of public workers is derived from the Wage Survey conducted in May 2013.

We measure unskilled unemployment by the percentage of unemployed and inactive people, aged 15–59, with a primary education background, within the respective population, taking into account that the majority of people with such an education, if non-employed, is not actively searching for a job.[3] The indicator defined in this way will be referred to as "unemployment", for the sake of brevity. Data of such detail is available only from the census, which reflects the situation in October 2011. The resulting bias is insignificant because big changes in the relative situation of settlements were unlikely to occur between October 2011 and May 2013. The same applies to the size of settlements, which is also taken from the 2011 census.

The occurrence of public works per settlement was measured using the register of the National Labour Office. The variable in the equation is the number of public works episodes started in 2013 per one thousand inhabitants.

The percentage of the Roma is also taken from the 2011 census. In this case we can rely only on district-level (NUTS-4) data because the Central Statistical Office prohibited the releasing of settlement-level indicators in

3 In the third quarter of 2013 only 25% of the unskilled population neither in employment nor in education were searching for a job actively, and thus considered unemployed in the Labour Force Survey (Author's calculation).

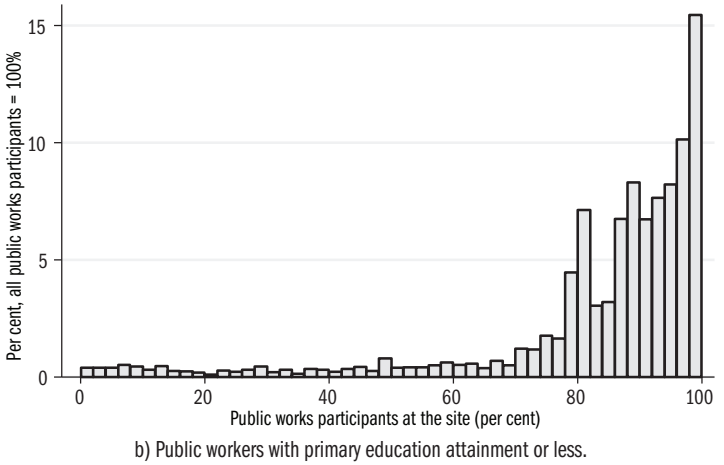
the form of a database. The changes over time must have been similarly insignificant.

With whom do public workers work?

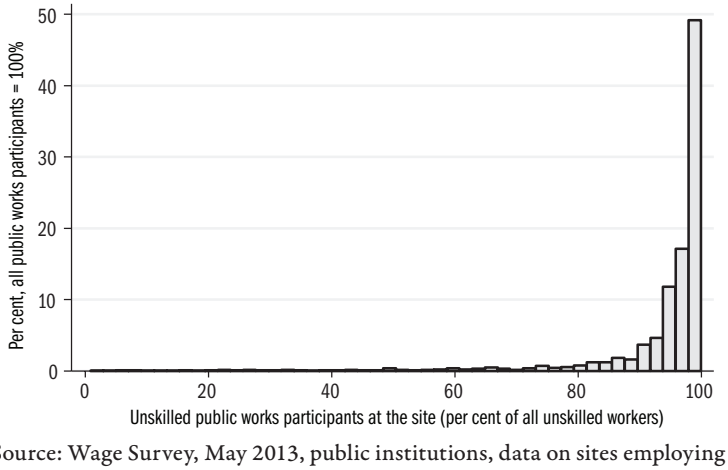
Histogram a) of Figure 2.10.1 shows the share of public works participants within public sector establishments. In the majority of cases the shares were above 80%, with an average of 79.8% and a median of 88.2%. Less than one quarter of the public workers were employed at a site where their share fell short of 75%. In 40% of the cases the percentage of public workers employed at the site exceeded 90%.

Figure 2.10.1: The share of public workers within public sector establishments, May 2013 (density function, per cent)

a) All public workers. Number of observations: 116,569 public workers at 4,532 sites



b) Public workers with primary education attainment or less.
Number of observations: 86,995 unskilled public workers at 3,459 sites



Source: Wage Survey, May 2013, public institutions, data on sites employing at least one public worker.

Data related to unskilled workers show an even more extreme picture: the average share of public workers working within the branch amounted to 93% with a median of 98%. In 36% of cases all unskilled employees observed at the site were public works participants.

The within-branch share of public workers and local unemployment

The regression results are shown in *Table 2.10.1*. The degree of segregation of unskilled public workers is, as expected, stronger in small settlements and small sites and in municipalities where there are many unskilled public workers. Local unemployment and the number of Roma has a strong influence even after controlling for these factors.

Table 2.10.1: The within-branch share of public workers and local unemployment –regression results

Dependent variable: The share of unskilled public workers within unskilled employees (logarithm)[a]

	Coefficient	t-value
The share of unemployed and inactive people, aged 15–59, with primary school attainment in the settlement (logarithm)[b]	0,2469	6.23
Public works episodes started by unskilled workers per thousand unskilled inhabitants in the settlement (logarithm)[c]	0,0035	2.50
Size of the site (persons)[a]	–0,0012	4.89
Square of the size of the site /1000	0,0004	2.18
Population of the settlement (thousand persons)[b]	–0,0366	9.26
Square of the population of the settlement	0.0006	8.45
The share of Roma (district-level, logarithm)[b]	0,0716	5.68
Constant	0.0979	3.60
R^2	0.1717	
Number of sites	3,378	

Sample: Public sector work-sites employing unskilled public workers
[a] Wage Survey 2013, public sector.
[b] Census, 2011
[c] National Labour Office public works register, 2013. In municipalities where no episode started (421 cases), we imputed a value of ln(0.5/1000)

The coefficient of local unemployment is a rounded 0.25, meaning that a 10% difference in unemployment shifts the share of public workers by 2.5%. The standard deviation of the unemployment rate is 12% around an average of 57%, which anticipates a difference of 3%. The predicted share of unskilled public workers employed in branches operating in the first (works) decile of municipalities is 87% while it is 64% in the tenth (best) decile. This is an economically significant difference: for the median site (21 persons) 3 and 8 "genuine" employees for 18 and 13 public workers, respectively.

A 10% increase of the share of Roma within the population implies a 0.7% higher share of public workers within the site. A one standard deviation difference in the percentage of Roma makes an effect of 0.8%.[4] However, this

4 For descriptive statistics of estimation sample see *Table A2.10.1* in Appendix 2.10.

effect is weak and statistically not significant where unemployment is high and public workers – either Roma or not – are in any event difficult to employ in market jobs (*Table 2.10.2*).

Table 2.10.2: The effect of the district-level share of Roma on the within-branch share of public workers at different levels of unemployment – regression results

Quintiles of work-sites by local unemployment levels	Coefficient	t-value	Number of sites
First and second quintiles (low unemployment)	0.061***	3.35	1,317
Third quintile (medium unemployment)	0.128***	4.02	682
Fourth and fifth quintiles (high unemployment)	0.036*	1.88	1,379

Dependent variable: Logarithm of the share of public workers at the work-site. Explanatory variables: logarithm of the district-level share of the Roma, and the control variables in Table 2.10.1.
Significant at the level of ***1%, **5%, *10%.
Source of data: see note to Table 2.10.1

The degree of segregation is significantly higher where low unemployment is coupled with a high percentage of Roma. The effect is strongest where unemployment is at a medium level, exactly the locations where it would be the most advisable that public workers get into direct contact with potential employers and co-workers, and this is particularly true in the case of a discriminated minority.

Conclusions

Less than one quarter of public workers are employed at a site where their percentage share remains below 75%. As much as 36% of unskilled public works participants work in an institution where their share is 100%. Their share amounts to a mean of 93% and a median of 98%. The vast majority of these people have no opportunity to meet colleagues employed with a work contract.

Segregation works against reintegration since it offers no opportunity to employers to gain first-hand information regarding the readiness to work and performance of the public works participants. This outcome is unavoidable in regions where finding a market job is hopeless. The question in these areas is rather how a remuneration below the minimum wage can be justified and why arbitrary calls to do public works are allowed. Efforts in these municipalities should clearly be targeted at poverty relief which presupposes a low but decent remuneration and access to temporary (illegal) work, household production, subsistence farming and gathering.

Data shows that in the more fortunate regions of the country segregation – as expected – is lower than the average, though also strong, which could hardly be changed without a revision of the whole concept of public works. Remuneration below the minimum wage seems dysfunctional in this case,

too, because in a work organization different payments for the same job cannot be sustained for longer periods of "probation".

Our estimations suggest that segregation is stronger in regions more densely populated by Roma people and shows that it is also true for identical levels of unemployment and identical numbers of public workers in the settlement. In a prosperous environment it hampers reintegration, while in a depressed environment it makes breadwinning more difficult for a minority whose primary interest would indeed be to cross the gateway "from the world of benefits to the world of work".

Appendix 2.10

Table A2.10.1: Descriptive statistics of the estimation sample

Variable	Mean	S.D.
The within-branch share of unskilled public workers (all unskilled workers=100)	81.6	25.4
The share of unskilled unemployed and inactive people in the settlement's unskilled population (aged 15–59, per cent)	58.2	12.3
Public works episodes started by unskilled public workers per thousand unskilled inhabitants in the settlement (head count)	293.3	979.9
Size of the site (number of workers)	58.3	147.9
Population of the settlement (thousand persons)	3.11	9.21
Percentage Roma (district-level, per cent)	16.7	11.5

Note: The calculation of logarithms is based on proportions instead of values expressed in per cent.

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