



Employment and labour market conditions are favourable in Hungary

The new Labour Code, new public work programme and employment boosting measures:

Key objectives of the new Labour Code - which was adopted by parliament in December 2011 and the provisions of which enter into force on 1 July 2012 - are to increase competitiveness in line with new economic requirements and claims of employees as well as to establish a differentiated regulation. The new law aims to create the most flexible labour market regulation possible. To this end, the document reduces state intervention and -- parallel to defining guarantees for employees -- it intends to offer a significantly larger scope for civil law-based regulation than before.

One key measure is the **system of incentives** established by the Széll Kálmán Plan, **the support of investments by micro-, small and medium-sized enterprises aimed at job creation** as well as the **Start public work programme**. Thereby from 2012 a new type of public employment system was introduced by which the state organizes temporary employment schemes for people who cannot profit from their physical and mental skills but are eager and able to work. Therefore -- instead of welfare benefits -- via the public employment system they can receive much higher wages.

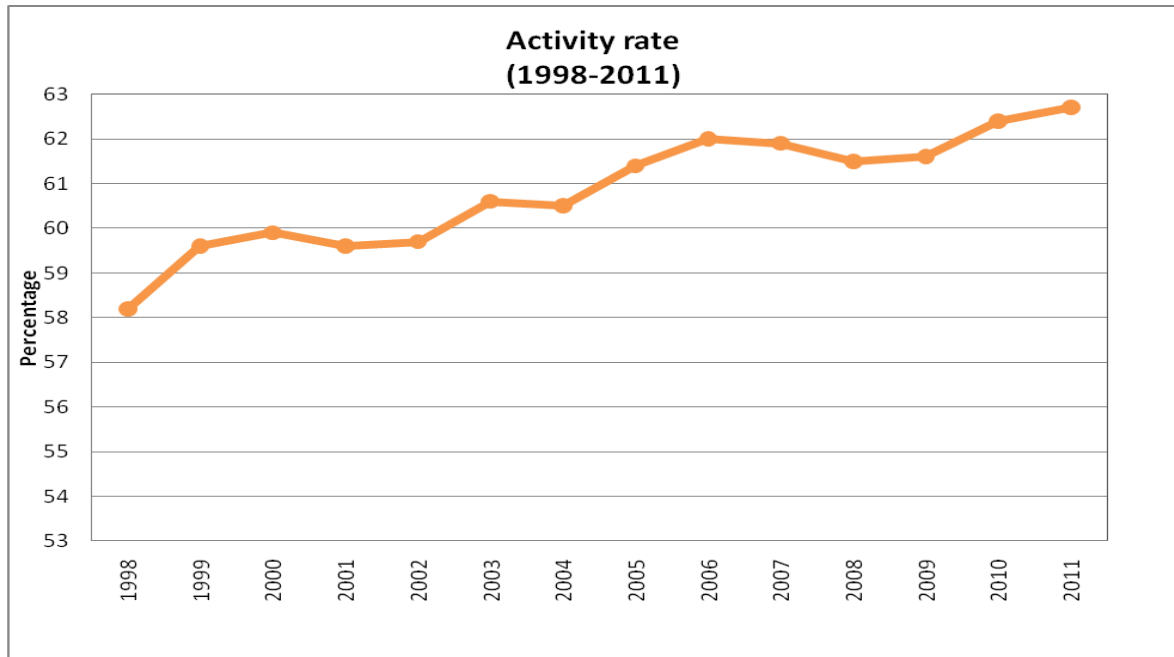
The **new public work programme** basically aims to introduce a principle which focuses on the work-centered attitude of the economy, society and the state, and which can help boost employment rate which is currently considered low compared to the EU. The **system, which complements the social welfare system based on welfare considerations, better motivates people to seek a job** and it will utilize existing support schemes. One example is the channeling of EU funds to public employment programmes (including communal work) and investing available resources in self-sustaining projects. Via **communal work projects** large numbers of people can be offered employment **in order to achieve goals which provide added value**. The programme supports personalized communal work, by which **public work employees** create added value -- in individual work phases, **as part of a supply chain** -- for which demand from the central administration can be secured.



According to expectations, public work programmes as temporary economic policy instruments aimed at boosting employment on the primary labour market will reach a top participation rate in 2012-2013. By the extension of public work programmes in 2012 and 2013 there will be a total increase of 4.3 percent and 5.4 percent, respectively, in the public sector. On the level of national economy, as a consequence of the muted increase of hiring in the private sector and the (temporarily) greater increase in the public sector, the number of employed will be more than 1 percent higher in 2012 and more than 2 percent higher in 2013. The low number of public work employees in 2011 and the increasingly grim employment outlook continue to signal lacklustre labour market demand. On the other hand, parallel to the temporary increase of the participants of public work programmes and after that the recovery of economic growth and corporal profitability the private sector will likely hire more and more working age jobseekers.

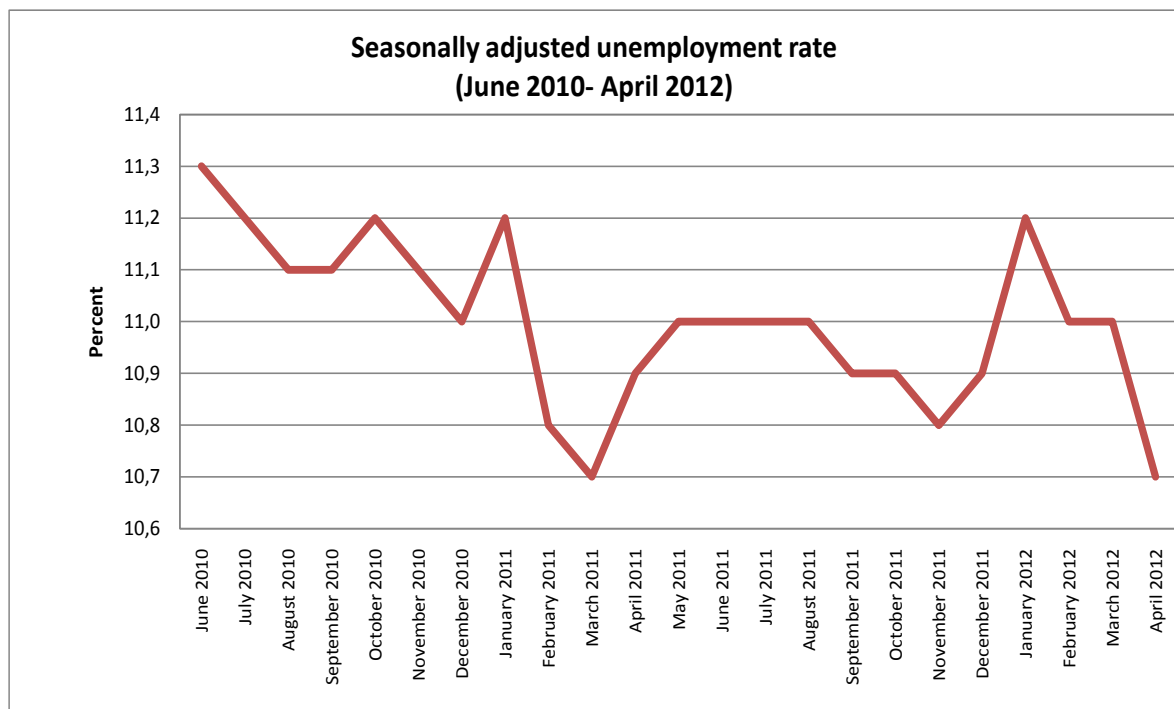
The initial signs of an improving trend: increasing economic activity and declining unemployment

The **rate of activity in Hungary** measures the proportion of the employed and active jobseekers (that is, the economically active) to the total number of able-bodied population. As the below chart demonstrates, activity rate in the past two years has been rising steadily and the rate 63.5 percent in the first quarter of this year is the highest figure of the past ten years.



(Source: CSO)

The seasonally adjusted unemployment data of the past one year and half also signal a favourable trend. This development can be observed in the below chart:

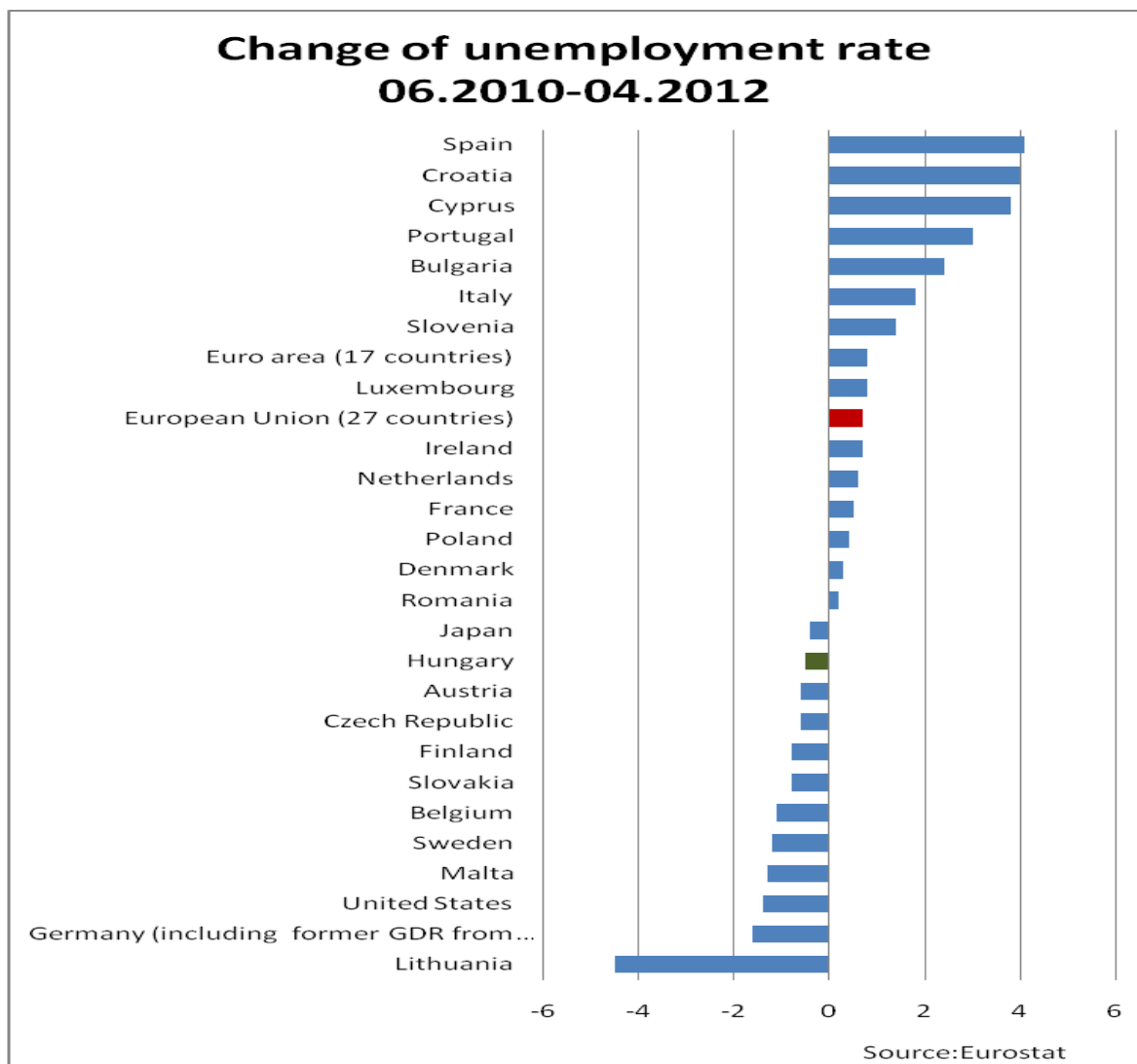


(Source: Eurostat, NGM)

As the above chart implies, albeit parallel to certain extremes, but in the past one and a half or two years there was a significant downward tendency in unemployment rate statistics.

If the two endpoints – that is, the rate of unemployment between June 2010 and April 2012 – are shown as a difference and it is compared to labour market trends prevalent in other EU countries, the following situation is the result:

The below chart gives a clear indication that Hungary in a regional comparison shows a favourable position as far as the change in unemployment is concerned, as in the past almost two years – while unemployment was rising significantly in the periphery of the euro-zone but also in several developed Western European countries (France, Netherlands, Denmark) – in Hungary it could decline.





In the Széll Kálmán Plan 2.0 the government calculated with the following favourable trend and outlook regarding employment, unemployment and the rate of activity:

	2011	2012	2013	2014	2015
Increase of the number of employed (15-64)	0,8	1,2	2,2	3	3,4
Unemployment rate	10,9	10,9	10,3	9,5	8,9
Activity rate (%)	62,9	63,8	65,1	67	69,4

(Source: Széll Kálmán Plan 2.0)

Budapest 14.06.2012.

Ministry for National Economy