



MINISTRY
FOR NATIONAL ECONOMY

The New National Public Employment Programme

Focus

The so-far complicated and, in certain aspects, often lavish system of public employment is about to be replaced by the transparent and financially viable national public employment programme of the government that acknowledges value-creating work. Public employment, which was organized by municipalities, employment centres or traditional state-run municipal public employment programmes will be abolished. Locally, employment centres can work out the new municipal public employment programmes. As a new feature, private enterprises, churches and civic organizations can also be drawn into employing the jobless with multiple disadvantages. The essence of the new national public employment programme is that it offers support through competitions for the creation of new jobs on the basis of a uniform system from the same central resources and with the same regulatory priorities.

Background

The three key employment engines of the Hungarian economy are the export and domestic sector, as well as the public employment programmes. All three segments favour the notion that in Hungary 300 000 new jobs should be created by the end of the government's term, 400 000 by 2015, and 1 million by 2020. Export-oriented enterprises can draw in the foreign capital which boosts the dynamic domestic sector. As these two segments can not engage the large numbers of unskilled people, they could be employed by public employment programmes.

The right to entitlement is determined by a municipality on the basis of social conditions. The benefit is channelled through the municipality. As the law rules, the refusal to take part in a public employment scheme automatically excludes one from further benefits. In the new public employment system, instead of the current so-called availability benefit (AB) from 1 January 2011 there will be a wage replacement benefit (WRB) for the actually able-bodied workforce paid for the

period spent out of work. Wage replacement benefit will have stricter entitlement criteria than availability benefit, and it will require more cooperation from jobseekers.

The new forms of public employment:

- 1. Short-term public employment forms organized by municipalities, churches or civil organizations**

Instead of the former public welfare employment, such short-term public employment programmes will be implemented which can be organized by a (local or minority) municipality, a church or a civil organization, and which can employ poorly educated, socially disadvantaged people who receive wage supplements. The beneficiaries of this kind of allowance must be able-bodied, in working age and they can be employed for up to 4 months part-time, for 4 hours per day. This employment form can facilitate a gradual return to work for the long-term unemployed. The objective of this support is to include people who were either outside the scope of the former public employment system or could circumvent it, and to provide employment for more people than before by a more efficient utilization of the available resources. Municipalities can request the support by a simplified competition application form at the employment centres. The employment centre will decide about payment within 8 days, and also provide workforce. The inclusion of 170 000 people in this programme is possible annually. .

- 2. Long-term public employment programmes organized by municipalities, churches or civil organizations**

It will be made possible to organize long-term public employment programmes for municipalities and institutions, which have been supported within the framework of the former employment systems of public interest, as well as for churches and civil organizations. The aim of this public employment programme is to encourage municipalities to integrate into it the provision of their communities with basic services and the accomplishment of local projects of public interest. Such an employment programme can last between 2 and 12 months, 6-8 hours per working day. The proportion of the support can be 70-100% depending on the economic status and potential of the settlement. Besides wages and contributions, up to 20% of other costs related to employment can

also be required as a subsidy. Such competitions must be submitted to employment agencies and they will be evaluated by the employment centre within 30 days. The inclusion of 15 000 people in this programme is possible.

3. Country-wide public employment programmes

Country-wide public employment programmes can serve as efficient solutions to handle sudden economic changes, labour market anomalies or natural disaster situations. Entire economic sectors can benefit from such comprehensive country-wide public employment projects, resulting in significant profits for the national economy. These programmes will encompass state-owned infrastructure and the management of public assets. Besides the flood and inland waters protection, public road networks, railways and state-owned forests, public employment could be utilized in the field of renewable energy resources and energy efficiency. In case of these programmes, the proportion of support can be up to 100 percent of the costs of labour and contributions, and up to 20 percent of the additional costs. If at least 100 persons are employed, 3 percent of organizational expenses can be financed, too. The support can be provided for up to 12 months. The country-wide, competition-based support can be most optimally utilized for programmes with a duration of one or more years and a flexible work schedule. The competition and evaluation procedures will be organized by the relevant ministry. About 25 000 people can be engaged in country-wide public employment programmes each year.

4. The employment of people receiving wage replacement benefits at private enterprises

Besides the public employment programmes detailed above, private enterprises can also obtain support for the employment of persons entitled to WRB. This new form has a wider scope and can provide the opportunity for the employment of more people than its predecessor. In this case, support can be provided for up to 8 months with the constant precondition that the employer is obliged to continue employing the person in question without additional support for half the formerly subsidized period. The proportion of support can be up to 70 percent of the employee's wages and related contributions paid by the employer. Private enterprises can obtain support after their requests are evaluated at the employment centres, if they are willing to employ a jobless person

entitled to WBR. Depending on the needs of enterprises, the resources secured for this programme make the participation of 9000 people possible.

‘Cornerstones’

- Employment will be more efficient, as by utilizing the same resources, there will be more jobless people employed, depending on the financial potential of the country.
- These programmes stimulate the unemployed to work and municipalities to find value-creating work for them.
- It coordinates the organization and management of public employment by utilizing only one financial resource instead of the earlier 4 or 5.
- Instead of the two former employment forms, there will be two new kinds from which municipalities can select: the short- or the long-term programme. Entrepreneurs can also require public employment support, and the huge-scale country-wide public employment programmes can go on.
- Only those unable to work or who are constantly set back from work are entitled to welfare benefits.
- Those able to work will have obligations when obtaining support.
- The former AB will be replaced by WAB which has stricter entitlement requirements. One must prove that he or she was employed for at least 30 days a year. Those who request it must accept the public work offered regardless of their education or qualifications. Local municipalities can set further preconditions like obliging the applicant to keep the residential area and yard tidy.
- Support can be obtained through competition, but administration will be rationalized.
- In addition to wages, there will be support for other direct costs related to employment like, for example, tools.
- Two-thirds of the competition evaluations will take part locally by employment centres through the employment agencies. A person for a public employment project can only be referred to by a state-run employment organisation.
- Stimulation to work will be more intensive. Taking care of the jobless able-bodied population costs more for a municipality than providing them with work. The regions

and settlements most severely affected by unemployment can take part in a competition for 8-hour public employment projects without sharing the costs.

- With the exception of the short-term public employment programme, there will be professional trainings accompanying each project.
- A public employment programme with a great potential for the national economy is about to be launched which will help 10 000 people to be engaged in public employment. The objective of the programme is that within 3 to 4 years drainage systems will be repaired from municipal irrigation channels to rivers. Additionally, there will be about 10 000 -12 000 more people working at afforestation projects, alongside railways and public roads as well as in public parks.
- The country-wide public employment programmes will provide work for many unemployed people with secondary or higher education, and career starters will be given a special advantage.
- This new system also requires the amendment of the regulation on social welfare and employment.
- The utilization of state support will be under financial control and constantly monitored on the premises.

Conclusion

Approximately 220 000 people will be engaged within the framework of the new National Public Employment Programme. The budget of this programme is 64bn HUF for 2011. However, the distribution of support is not automated.. The programme will only pay support if the applicant can prove that his/her project is meaningful, the costs are reasonable, the increase of workplaces is guaranteed and the entire process can be monitored and accounted for. The operation of the institutions and the maintenance of infrastructure can also be facilitated by engaging the jobless through the cooperation of several settlements and non-profit organizations. Small and medium-sized enterprises can also be drawn into public employment projects. Comprehensive, country-wide programmes can also contribute to the preservation and development of public infrastructure.

Budapest, 21 January 2011.

Ministry for National Economy

