



MINISTRY
FOR NATIONAL ECONOMY

Employment: we are the tail-enders of the EU

Only every second person is active on the Hungarian labour market

Focus

At present one million jobs and, consequently, places of work are missing on the Hungarian labour market. That is why the government committed itself to form a partnership with the enterprises to create them in ten years' time. The creation of one million jobs is necessary so that our extremely low rate of employment, in comparison with the European Union, should belong to the premier league of the EU.

Background

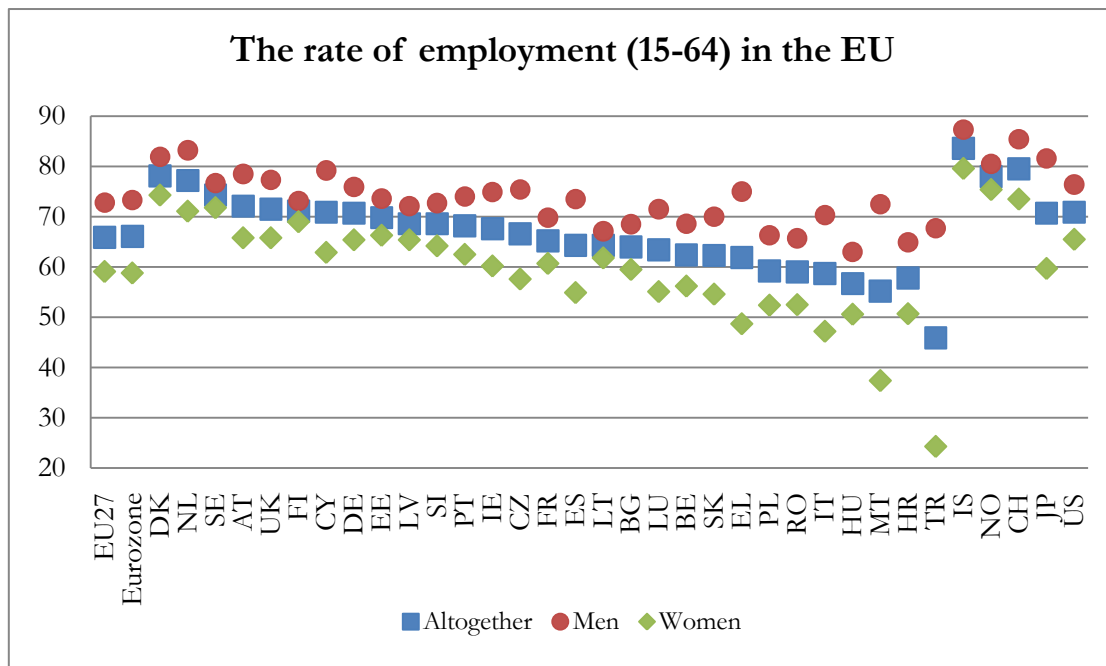
One of the most serious problems of the Hungarian economy is the extremely low rate of activity on the labour market. The Hungarian rate of employment is the second lowest in the EU. With our rate of employment of 56-57% **we only overtake Malta** and greatly lag behind the rate of over 65% in the Czech Republic and Slovenia as well as the 66% average of the EU.

The rate of employment of those aged between 15 and 64 was steadily but moderately increasing till 2003 and after a slight fall it levelled off at 57 percent. Due to the impacts of the crisis, employment decreased and went on decreasing till the first quarter of 2010, to 54.5 percent. At the outbreak of the crisis, between 2008 and the first half of 2009, it was mostly **the skilled labour force** that lost their jobs mainly in the west and north-west parts of the country.

Enterprises adapted to the decreasing demand by setting a limit to their hiring processes to a significant extent. Recession mostly hit the young and those who were about to start their carriers.

With the intensification of the crisis companies that operate in the more developed, industrialised regions (central, west-Transdanubia) announced massive corporate layoffs. Later as the recession was spreading over the other sectors of economy (service sector) from manufacturing, the proportion of corporate layoffs increased in the southern and eastern regions in the country.

'Cornerstones'



A significant fallback can be experienced in the activity of those with **elementary education** in Hungary similarly to that of the other Visegrád countries. Another common feature is the activity of **the young** that is lower than the EU-15 average.

The contribution of the group to the total fallback in the case of those aged **between 50 and 64** is significant in Poland besides Hungary.

The fallback is the greatest in the case of **women of a child-bearing age** in our country.

Flexible employment

Basically the intensification of employment problems in Hungary derives from the inactive layers of society **who abandoned looking for a job**. Only a small part, i.e. hardly **1-2 percent** of the unemployed who has already dropped out of the labour benefit system in Hungary can **go back to the labour market**.

According to international experience, there are very strong correlations between the spread of **flexible forms of employment** and the participation of the inactive groups on the labour market.

The activity rate of the European countries mostly differ on the basis of the fact how many **full- or part-time jobs are available for women**. In Hungary the activity rate is very low and one of our greatest fallback is in the number of women of a child-bearing age.

The situation of the labour market

Regarding **the number of hours worked** Hungary **does not lag behind the other regional levels**. An employee worked the average of approximately 2000 hours annually in 2006. This number is a bit lower in Slovakia and **significantly lower in the well-developed Germany**.

When examining **the level of productivity**, the performance of the Hungarian economy **is not behind that of the V-4 countries, either**. What is more, Hungary is almost the first in producing the highest value per hour. Of course, this number is **a lot higher in Germany** as work with higher added value is dominant there.

In our country employees produce similar values per hour as in the competitors' countries and also work the same amount of hours so **regarding these segments there is no fallback** in our economy relative to our competitors. However, if we have a closer look at the **activity rates**, we can find the **reason for our fallback** there: extremely few people are active on the labour market.

Labour Market Fund (LMF)

The objective of LMF is the integration and management of the funds that are connected to employment, unemployment and the development of the training system.

LMF ensures the support of the job-seekers, assistance to them in finding a job, social security for the employees of the companies that are to be wound up and the development of the training system.

LMF incorporates the following subparts:

- **Solidarity subpart:** it covers job-seeking supports, the costs of setting these supports and those of looking for a job, postage rates that are connected to the benefits and finally assistance in employing those who were hit by the layoff procedures of the crisis instead of granting them with unemployment benefits.
- **Employment subpart:** it basically raises funds to assist employment and ensures financing the support of labour market services provided by non-governmental organisations.
- **Training subpart:** it ensures contributions to the costs of special training regarding practical training at schools or beyond the school systems. Furthermore, it also serves as the source of assisting the development of practical training and the support of adult training.

- **Wage guarantee subpart:** it ensures funds to pay the outstanding wages and salaries for the employees of an economic organisation that is to be wound up and whose revenues are not sufficient for this purpose.

Conclusion

The Hungarian rate of employment is the second lowest in the EU-27. With our rate of employment of 56-57% we only overtake Malta and greatly lag behind the rate of over 65% in the Czech Republic and Slovenia as well as the 66% average of the EU. Our greatest fallback is in the case of the young, those with elementary education and women of child-bearing age. In our country employees produce similar values per hour as in the competitors' countries and also work the same amount of hours so regarding these segments there is no fallback in our economy relative to our competitors.

Budapest, 19 February 2011.

Ministry for National Economy