

Csaba Makó: The Role of Labour and Management under the Change in the Labour Market and Employment Structure

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1. Recent Trends in Employment, Unemployment and Wages in Hungary

Since 1992, systematic labour market survey has been carried out on the issues such as rate of activity of the population, employment, unemployment, regional differences and income distribution in the Hungarian economy by the “National Labour Market and Research Office” in cooperation with the Central Statistical Office.

The present analysis of the Hungarian employment profile is based on the latest comprehensive report, which surveys the situation of the year 2001. The labour market report was published in 2002.(1)

1.1. Low Activity Rate and the Weak Integration of Women and Aged People into the Labour Market

The economically active population of Hungary is of cc. 4 millions, with this figure the country is occupying the bottom position both in comparison to the EU (15) and to the so-called Candidate Countries (CC). (For example, in 2000, Hungary along with Italy took the last position.) Hungary has disadvantageous position especially in integrating women and the aged population in the labour market. It is necessary to mention that the key middle employment target of the European Union is to keep women and old population within the labour market.

1.2. Employment

The Hungarian employment belongs into the category of low-employment level in comparison to the CC countries. In 2000, among the 11 candidate countries, the following six countries had higher level of employment in comparison to Hungary: Cyprus, the Czech

Republic, Romania, Slovenia, Estonia and Lithuania. Comparing the gender composition of the employed population, we may say that the share of males was in 2001 of 62.1 per cent, which is 10 per cent lower than the EU (15) country's average (72.5 per cent). In the case of female, the employment rate is of 48.5 per cent, which is lower than that of the EU (15), showing a value of 54 per cent.

Evaluating the sector distribution of employment, the share of agriculture is declining within the employment from 6.5 to 6.2 per cent. The share of industry increased in the employment from 33.8 to 34.2 per cent. The share of employment in the largest employer sector of service increased only modestly: from 59.6 to 59.7 per cent, from 2000 to 2001.

Comparing the "*public*" versus "*competitive*" sectors, one third of people are employed in the public sector and two-third in the competitive one. 2001 was the first year when the level of employment has been decreasing for the first time since 1991, due to the decline in the number of entrepreneurs in the country. Within the so-called competitive sector, 70 per cent of the workforce is employed in the firms employing more than 5 persons and more than one million are working in the business organization employing maximum 4 persons.

The results of the national census of 2001 indicate that annually the labour market absorbs 10 – 18 000 immigrants, besides annually 1 per cent foreigner is working in the county with working permit. The majority of foreigners working in the country are working mainly in the building industry, retail trade, hospitality sectors and in the agriculture in form of seasonal employment. Hungary is monitoring systematically - from 1993 - the rate of Hungarians wishing to work abroad. Intention of Hungarian to work abroad is rather modest and the majority of them has university degree.

1.3. Unemployment

The level of unemployment has continuously been decreasing since 1994, the unemployment rate decreased from 6.4 per cent in 2000 and to 5.7 in 2001. The Hungarian unemployment rate is favorable *in comparison to the EU (15)*: the unemployment rate in Spain, Greece and Italy is above 10 per cent. Among the Candidate countries, the unemployment rate of more than 10 per cent is not rare, and in 2000, only Cyprus had lower unemployment rate, compared to Hungary. The number of registered unemployed – which is higher than the number of the active job seekers – is continuously decreasing. Their number was of 26 400 in 2001, this number is less than that of in 2000. (2000: 390 500, 2001: 364 100) Less than half (46.1 per cent) of registered unemployed was female and a little more than one fourth of them was looking for employment for the first time.

The *size of the registered unemployed* is shaped by the following two tendencies. Firstly, due to the decreasing period of unemployed since 2000 (the period of the unemployed allowance decreased from 300 to 270 days) more than 710 000 persons do not belong to this category, receive “social allowance” instead of unemployment aid. Secondly, due to important lay offs, 680 000 persons increased the number of registered unemployed. The level of the unemployment allowance has decreased in comparison to the average wage. In 2001, the amount of the unemployment allowance was less than one fourth of the average wage.

Regional differences both in employment and unemployment did not visible change in 2001. For example, the unemployment rate was in the most developed regions (Western Transdanubia and the Central Hungarian Regions) smaller than 5 per cent and the unemployment rate was in the two less developed regions (Northern Hungary and Northern Great Plain) between 11 and 12 per cent. In the last year, due to the “flight” of the Foreign Capital from Hungary to other countries characterized by lower wages (e.g. Ukraine, Russia, Romania, etc.) the indicator of unemployment worsened in several regions (Central Trans. - Danubia, South Trans – Danubia, Northern Hungary, Southern Great Plain) and national level, too. See in detail the Table 1.

Table 1 Rate of unemployment in the EU regions (NACE II) in Hungary: 1993-2002(%)

Regions	1993	1995	2000	2001	2002
Central Hungary	9.8	7.3	5.3	4.4	4.1
Central Trans – Danubia	12.4	10.8	4.9	4.4	5.2
Western – Trans – Danubia	8.9	6.8	4.3	4.3	4.1
South – Trans - Danubia	12.7	11.9	7.8	7.9	8.0
Northern Hungary	15.9	15.8	10.2	8.7	9.0
Northern Great Plain	14.6	13.6	9.3	8.0	8.0
Southern Great Plain	12.2	9.2	5.2	5.6	6.4
Total	11.9	10.2	6.4	5.9	6.0
Maximum	15.9	15.8	10.2	8.7	9.0
Minimum	8.9	6.8	4.3	4.3	4.1

Source: Laky Teréz (2002) Op.cit.: p.165., Teréz Laky (2003) Magyarországi munkaerőpiac, 2003, (Hungarian Labour Market, 2003), Budapest: *Employment Office – National Employment Fund*,

Both the economic and employment policy aiming at diminishing the regional differences in employment is not efficient. The internal mobility (migration) of the Hungarian labor force is rather weak. The foreign (FDI) and the Hungarian investments creating new jobs are attracted by the regions having excellent infrastructure and not by the underdeveloped regions of the country. Table 2 shows, the Hungarian unemployment rate in comparison to those of CCs.

Table 2 *Unemployment Rate in the Candidate Countries (CC) in 2000 (%)*

Countries	Unemployment rate (According to ILO definition)				
	Unemployment rate	Male	Female	Below 25 years*	Durable unemployed**
Bulgaria	16.2	16.6	15.8	10.2	9.5
Czech Republic	8.8	7.3	10.5	7.5	4.3
Estonia	13.2	14.7	11.6	8.5	6.3
Hungary	6.6	7.2	5.8	4.6	3.1
Latvia	14.1	15.0	13.2	8.2	7.9
Lithuania	15.6	17.9	13.1	10.1	8.2
Poland	16.3	14.6	18.3	13.4	7.3
Romania	7.0	7.5	6.4	7.4	3.4
Slovakia	19.1	19.4	18.6	16.5	10.3
Slovenia	6.9	6.8	7.1	6.1	4.3
Cyprus	4.9	3.2	7.4	4.0	1.3
Average	11.7	10.8	12.3	6.7	7.4

Source: Laky Teréz (2002) Op.cit.: pp. 99.

* In % of the 15 – 24 year old population.

** In % of 15 – 64 year old population.

Summarizing the key indicators of the Hungarian labor market between the first quarter of 2002 and the first quarter of 2003, we may say that in the first half of 2003, 4 145 000 persons were integrated into the labor market. The number of employed persons was 3 892 000, and that of unemployed was 253 000, representing 6.1 per cent of unemployment rate. In comparison to the same period the previous year (2002), the number of the economically active population increased by 58 000, and the number of the inactive population decreased by 72 000. In an international comparison, the low activity rate of Hungary increased by 0.9 per cent in the population of 15 – 74 year old age group. See in detail the next Table!

Table 3 *Main Indicators of the Hungarian Labor Market (2)*

Indicators	1st half of 2002.		1st half of 2003	
	15 – 74 year old population		number of working age population*	
No of employed population (in 1000)	3 853 800	3 891 700	3 820 800	
Number of unemployed (in 1000)	232 800	253 000	251 600	
Number of economically active population (in 1000)	4 086 000	4 144 700	4 072 400	
Number of inactive population (in 1000)	3 678 100	3 605 800	2 257 300	
Activity rate	52.6 %	53.5 %	64.3 %	
Unemployment rate	5.7 %	6.1 %	6.2 %	
Rate of employment	49.6 %	50.2 %	60.4 %	

Source: Labor Report: January – June, 2003., Budapest: *Central Statistical Office*, p. 7.

1.4. Wages

Wages in 2001 increased more intensively than in the previous years, due to the significant central wage increase in the public sector. Between 2001 and 2000 the annual wage increase was 22.4 per cent in the public sector and 16.3 per cent in the competitive sector. The gross monthly wage was 103 600 HUF (1 HUF=1.9 Yen) in 2001, and net wage made out 64 900 HUF. Gross, net wages, price index and real wages see Table 4!

Table 4 **Gross, net and real wages: 1989 - 2001**

Year	Gross wage (HUF/capita/month)	Net wage (HUF/capita/month)	Price index (previous year=100.1 %)	Real wage (%)
1989	10 571	8 165	117.0	99.9
1990	13 446	10 108	128.9	94.3
1995	38 900	25 891	128.2	87.8
1998	67 764	45 162	114.3	103.6
2000	87 645	55 785	109.8	101.5
2001	103 558	64 915	109.2	106.4
2002	122 453	77 607	105,3	113.6

Source: Laky Terez (2002) Op.cit.: p.179., Laky Teréz (2003) Op.cit.: p. 144.

Minimum wage increased from 25 500 HUF (2000) to 40 000 HUF in 2001 and 53 000 HUF in 2004 according to the latest agreement among the government, employers and trade unions. Due to the impact of the minimum wage increase, the wages increased more rapidly in the category of micro firms, employing from 5 to 9 persons. Surprisingly the wage increase was modest in the category of large firms employing more than 1000 persons. In this relation it is worth noting that the level of wages in this category of firms is substantially higher (73 per cent higher). The other impact of the minimum wage increase: the wage gap between the females and the males is decreasing, because the minimum wage increase influences positively the females' wage in the low – paid sector, where women are employed in greater number in comparison to the males.

Comparing the wages according to level of education and gender, the following patterns were identified: employees having university degree earn 3.5 times higher wages than the

employees having only primary education. Among the persons having university degree, males earn 3.5 times higher wages than females, because among the males the share of managers is higher than among the females.

Table 5 illustrates the wage levels by size of the business organizations.

Table 5 *Wage Levels by Size of Organisations*

Size category of organizations	Gross average wage (HUF/capita/month)	Previous year = 100 %
5 – 9 persons	65 708	129.7
10 –19 persons	70 684	118.5
20 – 49 persons	84 785	117.2
50 – 99 persons	100 744	116.8
100 – 199 persons	110 873	115.6
200 – 249 persons	113 277	118.7
250 – 299 persons	113 169	117.0
300 – 499 persons	131 537	117.4
500 – 999 persons	121 641	115.3
1000 and mores	127 788	112.4

Source: Laky Terez (2002) Op. cit.: p.183.

2. Atypical Forms of Employment: Part-Time, Self-Employed and Seasonally Employed

Following the changing needs of employers (changing demand for labor), the forms of employment (e.g. duration of work, employment and the location of work with the diffusion of tele-work) are changing continuously. In the European Union the following three forms of employment were systematically monitored: part-time, fixed term and self-employment. The share of these forms of employment is changing by countries, but is increasing by year. At the end of the 1990`s, these forms of employment represented 43.9 per cent of employment. The share of these forms of employment is much lower among the Candidate Countries, however,

among these countries we could identify significant differences. For example, the higher share of self-employed in Poland and Romania could be attributed partly to the high rate of family firm in agriculture and partly to the small business operating in the repair and service services. However, the share of part-time employees is low with the exception of Romania, Latvia and Poland. The share of part-time workers is especially low in Slovakia and Hungary. The share of the “fixed-term” employees is low in all the candidate countries. Unfortunately, in Hungary, no special policy was elaborated to speed up the diffusion of the atypical form of employment to integrate the inactive population into the labor market. See Table 6 on the diffusion of atypical forms of employment in the Candidate Countries.

Table 6 *Atypical Forms of Employment in the Candidate Countries: 2001*

Countries	Part time employees	Self employed	Fixed term contract employee
	Share among the employed population (%)		
Bulgaria	no data	14.7	n.d.
Czech Republic	5.4	14.5	6.9
Estonia	6.7	8.1	2.1
Hungary	3.6	14.6	5.8
Latvia	10.8	10.6	5.7
Lithuania	8.6	15.9	3.1
Poland	10.6	22.5	4.2
Romania	16.4	22.5	4.2
Slovakia	1.9	7.8	3.7
Slovenia	6.1	11.2	10.8
Ex-socialist countries	9.4	20.6	4.4
Cyprus	8.3	21.4	7.9

Source: Employment in Europe, 2001, p. 110-136.

Unfortunately, we have not any systematically collected data on the union coverage of part-time, temporary or dispatched workers in Hungary. To improve the unionization rate in the atypical sectors is one of the most important challenges for the trade union movement

3.1. Presence of Trade Unions in the Workplaces in Hungary (3)

In spite of the fact that more than one decade passed after the collapse of the state – socialist political and economic regime, we have very few reliable information of the opinions of employees on the role of trade unions. The first comprehensive survey on the presence and functions of trade unions was carried out within “section of question” dealing with working time and shift in the Labor Force Survey (LFS) of the Hungarian Central Statistical Office in 2001. The next survey will be carried out in 2003. (Unfortunately, high none-response rate decreased the reliability of the results.) According to 37.3 per cent of the respondents, trade union is functioning in their workplace, 47.8 per cent of the interviewed said that trade unions do not work and 14.9 per cent could not answer this question. The presence of the trade unions is rather economic sector specific. For example, 71 per cent in the agriculture and 72 per cent in the retail sector were not aware of the presence of trade unions. The rate of this type of answer was even higher in sectors such as building industry (78 per cent) and in the hospitality sector (81 per cent). In all these sectors, the presence of the micro and small firms is high and the Hungarian trade unions not yet developed nor use an efficient strategy to organize employees in this size – category of the business organizations. The highest rate of unionization is characterizing sectors like the public service and transport, post and telecommunication. In these sectors, 63 per cent of people surveyed were aware of the presence of the trade unions. This high answer rate was found in the energy sector, too. Summarizing the answers, we may say that 40 to 45 per cent of employees are working in work places where they in principle have a chance to be union members. 19.7 per cent of the interviewed persons (615 000 persons) indicated that they belonged to a trade union organization. The share of women, among the organized labor, is slightly higher (22.4 per cent) compared to males (17.3 per cent). The share of the trade union members is higher in the following sectors: transport, telecommunication, postal service, education (40 per cent) and in the health and social care sectors (34 per cent). The largest collective actions (demonstrations) have been organized in these sectors in the last years. The majority of union members, belongs into the age category of 40 to 54, among the young employees the unionization rate is rather low. It is interesting to know, that among the white-collar employees the rate of the union members is higher than among blue - collar employees.

The role of trade unions is not well known among the people interviewed, more than every second interviewed did not know the unionization rate and two third of them estimated higher

then the real unionization rate. Relatively low rate of employees assessed positively the role of trade unions. More than one third could not estimate the role of trade unions. Only 13.5 per cent had positive opinion on the trade unions. 36.1 per cent could not formulate any opinions and 31.8 per cent had contradictory opinion on the activities of the trade unions in Hungary. Interviewed employees with positive opinions on the trade unions were found in the sectors, where trade unions have organized collective actions in the last years. In this relation, it is interesting to note that more than half of the respondents (54 per cent) said that the Collective Agreements (CA) have positive impact on the wages, but according to the 46 per cent CA has no positive influence on the wages. Similarly, more than every second interviewed said, the CA has positive influence on the working conditions and according to 46.2 per cent, there is no relation between the quality of working conditions and the presence of the collective agreements.

The next table illustrates the opinions of employees by various economic sectors on the role of trade unions.

Table 7 *Opinions of Employees on the Role of Trade Unions (%)*

Sectors	Favorable	Unfavorable	Mixed	No opinion	Total
	on the trade union activities				
Agriculture, forestry, fishing	5.1	13.3	24.0	57.6	100.0
Mining	13.0	27.0	40.2	19.9	100.0
Manufacturing	11.5	18.9	31.6	38.0	100.0
Electricity, gas and water supply	19.2	19.3	37.0	24.5	100.0
Building industry	7.0	15.5	26.3	51.2	100.0
Whole sale, retail sale, repair	9.1	17.5	30.2	43.2	100.0
Hotels, restaurants	10.0	17.6	21.1	51.3	100.0
Transport, storage, communication	20.4	17.3	36.8	25.6	100.0
Financial services	10.8	14.9	34.5	39.8	100.0
Real estate, business services	11.6	19.1	32.3	37.0	100.0
Public administration,	17.0	17.0	33.5	32.6	100.0

defense					
Education	20.2	23.2	36.0	20.5	100.0
Health care, social work	16.8	26.7	33.1	23.4	100.0
Other services	7.7	21.0	25.7	45.6	100.0
Total	12.4	18.1	31.1	38.3	100.0

Source: Műszakrend, munkarend, szervezettség (Shifts, Working Order and Interest Representation), Budapest: *Central Statistical Office*, p.39

Summarizing the briefly presented role of labor and management under the change of labor market and employment structure, we may say that the unemployment rate in Hungary rather modest in comparison both to the group of EU (15) and to the Candidate Countries. However, the activity rate of the Hungarian population equals to that of the countries having the lowest activity rate. Among the atypical forms of employment, we made distinction between part-time, self-employed and fixed-term contract employees. In the group of the ex-socialist countries – with the exception of the fixed-term contract employees – Hungary has lowest indicator than the average. Finally, the unionization rate is rather unequal by industrial sector and the opinions on the union activities are varying according to the mobilization intensity of trade unions, which is stronger in sectors such as transport, health care and education. Unfortunately, trade unions do not cover employees working in the forms of atypical forms of employment. In these fields the so-called regulatory reform of employment is still missing in the Hungarian practice.

References

- (1) Laky Teréz (2002) Munkaerőpiaci tükör, (Labour Market Supply and Demand), Budapest: *Foglalkoztatási Intézet, Kutatási Iroda (Employment Institute, Research Office)*, p. 220.(in Hungarian)
- (2) Laky Teréz (2003) Magyarországi munkaerőpiac, 2003, (Hungarian Labour Market, 2003), Budapest: *Foglalkoztatáspolitikai Hivatal – Országos Foglalkoztatási Közalapítvány, (National Employment Office – National Employment Fund)*, p. 166 (in Hungarian)
- (3) Labor Report – January – June 2003, Budapest: *Central Statistical Office*, p.49.(in Hungarian)
- (4) Műszakrend, munkarend, szervezettség (Shifts, Working Order and Interest Representation), Budapest: *Central Statistical Office*, p. 49.(in Hungarian)

Table 1 Employment share (%) by size-classes, 1998

<u>Country</u>	<u>Share of</u>			<u>Share of</u> <u>SMEs</u>	<u>Share of</u> <u>large firms</u>	<u>Total</u>
	<u>Micro-</u> <u>(0-9)</u>	<u>Small</u> <u>(10-49)</u>	<u>Medium</u> <u>sized</u>			
	<u>firms</u>					
<u>Hungary</u>	<u>36</u>	<u>14</u>	<u>17</u>	<u>67</u>	<u>33</u>	<u>100</u>
<u>EU</u>	<u>34</u>	<u>19</u>	<u>13</u>	<u>66</u>	<u>34</u>	<u>100</u>

Table2. Employees covered by collective agreements by sectors (branch)

Sector ¹	Employees covered by collective agreements		Total number of employees		Estimated “unadjusted rate of collective bargaining coverage” (UCBC) (%)	
NACE A+N	27,292	26,391	144,121	140,575	18.9	18.8
NACE C	7,438	3,860	18,000	12,812	41.3	30.1
NACE D	344,025	309,410	860,163	886,849	40.0	34.9
NACE E	76,953	74,024	79,164	78,954	97.2	93.8
NACE F	17,631	16,640	201,161	207,725	8.8	8.0
NACE G	63,717	86,882	401,865	418,457	15.9	20.8
NACE H	24,327	23,267	106,539	117,035	22.8	19.9
NACE I	177,619	151,221	277,539	279,471	64.0	54.1
NACE J+K	61,558	53,895	224,624	234,551	27.4	23.0
NACE L	26,770	24,096	277,645	273,100	9.6	8.8
NACE M+N+O	261,226	259,687	661,416	643,728	39.5	40.3

Source: Neuman (2002:3).

¹The contents of the NACE codes are as follows: agriculture, hunting and forestry, fishing = NACE A and B; mining and quarrying = NACE C; manufacturing = NACE D; electricity, gas and water supply = NACE E; construction = NACE F; wholesale and retail trade, repair of motor vehicles, motorcycles and personal household goods = NACE G; hotels and restaurants = NACE H; transport, storage and communication = NACE I; financial intermediation, real estate, renting and business activities = NACE J and K; public administration and defence; compulsory social security = NACE L; education, health and social work, other community, social and personal service activities = NACE M, N, O.

Table 3. Collective bargaining by company size (1998)

Size categories of firms (number of employees)	Share of companies with collective agreements
5–20 persons ¹	0.1%
20–49 persons	1.1%
50–299 persons	11.7%
300–499 persons	46.4%
500–999 persons	67.3%
1000 and more	75.4%

Source: Neumann (2002:6).

¹Data on collective bargaining are often not available in the case of firms employing less than four persons.