

FOREWORD

The Hungarian Labour Market Yearbook series was launched in 2000 by the Institute of Economics of the Hungarian Academy of Sciences with support from the National Employment Foundation. The yearbook furnishes the present-day characteristics of the Hungarian labour market and of the Hungarian employment policy, and features an in-depth analysis of a topical issue each year. From the outset, the editorial board has striven to deliver relevant and useful information on trends in the Hungarian labour market, the legislative and institutional background of employment policy, and up-to-date findings from Hungarian and international research studies to civil servants, staff of the Employment Service, municipalities, NGOs, public administration offices, education and research institutions, the press and electronic media.

The research published in the yearbook series should provide a good source of knowledge for higher education on the topics of labour economics and human resources management. The yearbook series presents the main characteristics and trends of the Hungarian labour market in an international comparison using available statistical information, conceptual research and empirical analysis in a clearly structured and easily accessible format.

Continuing our previous editorial practice, we selected an area that we considered especially important from the perspective of understanding Hungarian labour market trends and the effectiveness of evidence-based employment policy. The yearbook has four main parts.

The Hungarian labour market in 2015

Economic trends relevant for the labour market were on the whole favourable in 2015. The Hungarian economy returned to sustained economic growth, with a GDP growth of nearly 3%, compared to 3.6% in 2014. Household incomes continued to increase, leading to an increase in consumption and consequently to the creation of new jobs. The number of persons in employment continued to grow in 2015, although not at the rate of the previous year. The yearly average exceeded 4 million 210 thousand, which was 110 thousand higher than the year before and reached the highest value since the start of the labour force survey in 1992. The employment rate of 63.9% in the 15–64 age group shows a 9 percentage point improvement compared to year 2010, the nadir of the crisis (although nearly 2 percentage points of this are attributable to a decrease in the denominator), closing the gap on the European average.

The favourable results are partly due to significant state intervention. The labour demand of businesses also considerably increased over the past two years.

Companies with at least five employees had to take active steps to fill 1.5 of 100 vacancies. The number of vacancies used as an indicator predicting economic boom (and the number of jobs to be filled) reached pre-crisis levels.

A paradigm shift in addressing unemployment created the segregated labour market of public works participants. Their numbers in 2015 were nearly 200 thousand on average, equal to 25% of the number of those employed in the public sector. Although the social acceptance of public works has improved a lot, forms facilitating reintegration to the open labour market have not yet been established. The pace of labour migration has not slowed down either. The three major target countries continue to be Austria, Germany and the United Kingdom but the structural characteristics of migrants differ according to country. In addition to regional imbalances in supply and demand, more attractive wages abroad greatly contributed to the lack of a qualified workforce in more and more professions in 2015. The unemployment rate decreased significantly in both 2014 and 2015; however, regional differences in this respect have become even more striking. Young adults leaving school education at the age of 16 with at most a lower-secondary qualification emerged onto the labour market in 2015 without any prospects other than the not too attractive public works.

Gross earnings increased by more than 4% in 2015 and the nominal wage reached 245 thousand HUF. The increase was slightly below this in the private sector and it was non-regular wage components, not representing long-term commitment, that were more dynamic. Earnings in the public sector were mainly influenced by the carry-over effect of a salary increase for teachers, in addition to a pay rise for police officers in July and the salary supplement for healthcare and social professionals. Since there were no changes to the rates of income tax and social security contributions, net earnings and gross earnings increased at the same rate, which – together with a 99.9% consumer price index – resulted in a 4.2% increase in real earnings. Family tax relief generated an extra 6 thousand HUF for families on average – according to model calculations, employees with at least three dependents retained 51 thousand more of their gross salaries than those not granted the tax relief.

In Focus

In 2015, *In Focus* addresses the issue of international migration. The decision was based on the series of events of recent years: while a few years ago it was the number of Hungarian emigrants increasing steadily from a considerably low level, since 2015 it has been the wave of refugees arriving in Europe that turned the spotlight on international migration and the role Hungary plays in it. International migration becomes deeply embedded in the labour market processes of the countries concerned: it has an impact on the level and structure of employment as well as on relative wage levels. When analysing emigration, the labour market related motivation of the decision to emigrate as well

as the short and long term consequences are to be considered. Immigration, on the other hand, raises the question of what impact a (potentially) large influx of immigrants has on the employment and wage levels of the residents of the recipient country. Most of the studies of the publication deal with processes directly affecting Hungary.

The introductory study of *Ágnes Hárs* provides an overview of emigration, return migration and immigration by investigating the Hungarian situation in a regional context, comparing it to the situation in the other new EU member states. The main finding of the statistics-based analysis is that although Hungary joined the east-west migration of Europe with some delay, after a significant increase it has now achieved a medium emigration level, which is, however, not balanced by immigration.

The two major chapters following the introductory study examine emigration from and immigration to Hungary separately. The second chapter, on emigration, contains studies with varied approaches and data sources, which predominantly present consequences in an indirect way. (Expected) Impacts on the labour market may be inferred from the extent and dynamics of emigration as well as the social composition of the emigrants. These factors are investigated by several studies of the publication. *Endre Sik* and *Blanka Szeidl* present the changes in emigration intentions, i.e. the so-called migration potential. Studies by *Zsuzsa Blaskó* and *Irén Gödri* as well as *Ágnes Hárs* and *Dávid Simon* focus on completed migration. While the former presents the social and demographic composition of the wider population emigrating from Hungary relying on several data sources, the study by *Ágnes Hárs* and *Dávid Simon* analyses in detail, on the basis of the Labour Force Survey, the composition of a smaller but important group of migrants – those undertaking employment abroad. A special and, in respect of social consequences, significant group among the people undertaking employment abroad consists of those who leave their family, including underage children at home. The number of families involved in this type of migration is specified in the boxed text by *Zsuzsa Blaskó* and *Laura Szabó*.

Studies focusing on a specific professional section of the labour market instead of a heterogeneous group further deepen the understanding of the expected impacts of emigration on the labour market. The two studies on the migration of doctors (analysed by *Ágnes Hárs* and *Dávid Simon* as well as by *Júlia Varga*) provide a detailed and accurate picture of how, and as a result of what factors, doctors emigrated from Hungary over the past decade and a half. The boxed text by *Moreb Christian* focuses on the Hungarians that have emigrated to the United Kingdom, presenting the main trends of migration from Hungary to the United Kingdom and the labour market characteristics of Hungarian immigrants living there.

Apart from detrimental effects, migration may also have positive impacts on the countries of origin. These include earnings sent home by emigrants,

which are often significant at national level as well as the human capital accumulated by migrants abroad and then invested on return at home. The analysis by *László Kajdi* presents the changes in the volume of money sent home by Hungarian emigrants whilst also covering the difficulties of measuring it. *Ágnes Horváth* gives a summary outline on the return migration to Hungary and provides the main conclusions of research undertaken in other countries of the region in this field. The same issue is addressed in the boxed text by *Judit Kálmán*, which reviews the international findings on public policies supporting return migration.

The third chapter discusses immigration and the impacts on the labour markets of recipient countries. Studies describing Hungarian tendencies rely on the data from the census. *Irén Gödri* identifies the factors affecting the labour market opportunities of immigrants to Hungary and how these opportunities differ between the various groups of immigrants. Her analysis reveals that the labour market indicators of immigrants in Hungary do not lag behind those of the Hungarian population – moreover, due to the composition (mainly due to higher educational attainment) of the group, they even exceed them. The findings are further interpreted by the boxed text by *Róbert Károlyi*, which states that this difference in employment is explained not only by the composition of the migrant cohort but also by the specific impact of some of their characteristics on the labour market. The boxed text by *János Köllő* reveals that – although the labour market advantage of immigrants in the 15–64 age group over the Hungarian population is the exception rather than the rule in Europe – when examining a broader age group, the increasing number of immigrants decisively contributed to the significant increase in employment in several European countries before the crisis.

The literary review by *Katalin Bördös*, *Márton Csillag* and *Anna Orosz* summarises the findings of surveys into the impact made by immigrants on the employment rate and wage levels of employees within the recipient countries. According to these, the short-term impact of immigration on the labour market is insignificant and there are mainly positive effects in the long run. The analysis of international data by *Dániel Horn* and *István Kónya*, examines the relationship between cultural and economic assimilation. The survey of 16 countries confirms the conclusion prognosticated by the study of *Irén Gödri*: linguistic assimilation is an important predictor of the labour market success of immigrants. In the final study of *In Focus*, *Judit Tóth* presents and explains the most important legal terms emerging in the discourse on migration.

When compiling *In Focus*, the aim was to present the ever-changing tendencies of migration up until a time as close as possible to the date of publication. In several cases it entailed the analysis of data which had only just emerged at the beginning of 2016. In other cases, however, the authors had to go back to the census of 2011 in order to get answers for some questions. This of course raises

the question of the timeliness of data but we decided to include these analyses because of the importance of the issues addressed.

The studies included in the publication do not directly reflect on the refugee crisis that Europe currently faces for the following two reasons. The studies of *In Focus* analyse the impact of migration on the labour market and in this respect it is irrelevant whether the immigrant wishing to find employment in a country arrives as a refugee or as an economic migrant. On the one hand, the expected impacts on the labour market are similar in both cases and they are determined by the same factors – consequently, the conclusions of the studies of *In Focus* investigating the conditions of the integration of immigrants also apply to the labour market integration of refugees. On the other hand, as mentioned before, the publication focuses on movements that are relevant for the labour market and concern Hungary. And the majority of refugees arriving in Europe either bypass Hungary or, even if they arrive in the country, most do not wish to settle down and find employment here.

Changes in labour policy tools (May 2015 – March 2016)

There were no significant changes in the policies affecting the labour market between May 2015 and March 2016. The most significant change in the institutional system is that a new client profiling system was introduced in 2016, which is expected to help to better target labour market programmes. A more significant government measure, which is, however, only announced as a plan is the transformation of vocational secondary schools into vocational “gymnasia” and vocational schools into vocational secondary schools – which would entail the decrease in the share of general knowledge subjects and would, in this way, limit opportunities to access higher education.

The budget of public works, the largest labour market programme, continued to increase in 2016. There were slight amendments made to the programme in order to raise the number of participants obtaining jobs on the open labour market. To further support this trend, the wages of public works participants has not changed, while the minimum wage was raised by 5.7 per cent in January 2016 (at the time of near-zero inflation). Finally, new active labour market programmes, primarily financed from EU funds, have been launched for supporting the long-term unemployed and young job seekers in finding employment. However, the public funding of NGOs assisting the rehabilitation of disabled job seekers has not been resolved and thus these services will be accessible to fewer clients from 2016 onwards.

Statistical data

This chapter, in the same structure as in previous years, provides detailed information on the major economic tendencies, the characteristics of the population, labour market participation, employment rate, unemployment, inactivity, wag-

es, education, labour demand, regional imbalances, migration, labour relations and welfare benefits as well as an international comparison of selected labour market indicators of the period since the political changeover.

The data presented here have two main sources: on the one hand, the regular institutional and population surveys of the Central Statistical Office – the Labour Force Survey, institution-based labour statistics, and the labour force account; on the other hand, the register of the National Employment Service and its data collections: the unemployment register database, short-term labour market forecast, wage tariff surveys, and the Labour Relations Information System of the Ministry for National Economy. More information is provided on these data sources at the end of the statistical section. In addition to the two main data providers, the Central Administration of National Pension Insurance has provided the data on old age and disability pensions and assistance. Finally, some tables and figures are based on information from the online databases of the Central Statistical Office, the National Tax and Customs Administration and the Eurostat.

All tables and figures can be downloaded in Excel format following the links provided. All tables with labour market data published in the Hungarian Labour Market Yearbook since 2000 are available to download from the following website: http://adatbank.krtk.mta.hu/tukor_kereso.

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