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Assessment of the implementation of  
the European Commission  
Recommendation on **active  
inclusion**

*A Study of National Policies*

**Hungary**

*Social Europe*

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Assessment of the implementation of the  
European Commission Recommendation on  
**active inclusion**

**A Study of National Policies**

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**COUNTRY REPORT - HUNGARY**



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## Summary

Hungary has not designed a comprehensive active inclusion strategy *per se*, although of course policy elements relating to the 3 strands of active inclusion can be found. The term itself is not used in the Hungarian context either. Although not planned as an integrated strategy, elements belonging to the 3 strands are highlighted in policy documents; however, the successful implementation of proposed plans should be further enhanced. While especially work incentives and also the idea of making work pay is more emphasised recently, it goes parallel with a significant decrease of the value of income support, the labour market discrimination of certain groups (primarily women with small children, the Roma and older workers) is still significant, while the planned improvement to increase the quality and the availability of services is not fully implemented yet. The active inclusion related policy elements are integrated into national policy making and are mostly in line with EU expectations and guidelines. However, as far as it can be judged, vertical policy coordination among local and regional authorities has not been characteristic. Although the strategies are harmonised with one another, the active participation of relevant stakeholders seems to be quite limited and dominantly at most formal. Policy makers see the need for integrated implementation; however, in practice only certain elements have been implemented.

Although the transformation of the public work system, the reform of the system of social benefits and the restrictions of the disability pensions are expected to lead a number of people in active age back to the labour market, thus out of poverty, however so far neither employment figures nor poverty indices have improved significantly, on the contrary, these latter clearly worsen. The large numbers employed in public work and also a high proportion of supported new vacancies have a detectable positive impact on national employment figures.

The adequacy of benefits can be questioned: their value is decreasing and the criteria for take-up are getting stricter and more work-oriented. Although the pronounced emphasis on work incentives since 2009 and conditionality may well generate labour supply, by itself it cannot generate labour demand. Resources are linked to activation and the incentive to work element has been increased, however, income support can be considered to be insufficient, and increasingly so. The discretionary power of local governments facilitate discriminatory practices. Public work is the most dominant segment of employment policy efforts targeting those excluded from the labour market, although its effectiveness in promoting employment in the primary labour market is highly questionable.

While the majority of financial resources in employment policy is spent on public work, there is less left for trainings, rehabilitation programs, significant contribution allowances, although these latter are proved to be efficient in promoting labour market participation. A significant element of employment policy are decentralised active labour market programmes, which have been reinforced recently. The number of those receiving job seeking allowance decreased dramatically over the past year as in September 2011 the maximum duration of this provision was decreased to 3 months. As compared to 2011 the proportion of those without any provision grew by 6.5% to comprise half of the registered job seekers (277 000 people).

The availability and affordability of public transport (e.g. by supporting local/community solutions to facilitate commuting) is a key element in improving employment levels and create an inclusive labour market in the countryside, and it is not in the focus of attention of policy measures at present in Hungary.

## 1. Integrated comprehensive strategies

Hungary has not designed a comprehensive active inclusion strategy *per se*, although of course policy elements relating to the 3 strands of active inclusion can be found. The term itself is not used in the Hungarian context either: a Google search for the Hungarian translation of the term primarily yields hits pointing to EU policy documents and guidelines. Although not planned as an integrated strategy, elements belonging to the 3 strands are highlighted in policy documents; however, the successful implementation of proposed plans should be further enhanced. While especially work incentives and also the idea of making work pay is more emphasised, it goes parallel with a significant decrease of the value of income support, the labour market discrimination of certain groups (primarily women with small children, the Roma and older workers) is still significant, while the planned improvement to increase the quality and the availability of services is not fully implemented yet. Public work is a very dominant segment of employment policy efforts targeting those excluded from the labour market, although its effectiveness in promoting employment in the primary labour market is highly questionable.

### 1.1 Comprehensive policy design

The Hungarian employment level is very low in European comparison, and its increase has been a major target for years of various governments. In the rhetoric of the new Orbán government, to increase the employment level with 1 000 000 workers is still the declared prime objective, a solution to a number of fundamental problems. Policy makers consider employment to be the best way out of poverty (including child poverty) in the long run. So the main challenge is the increase of labour market participation, especially with regards to certain disadvantaged groups, such as the low-skilled, the elderly (50+), young career starters, women with small children, and the disabled. Targeted measures focus primarily on these disadvantaged groups. Several structural reforms have been introduced to promote employment in the long run, to make work attractive for the inactive. The structural reforms affected 1. the pension system, 2. the disability pension system and 3. the social benefit system. As a major element, work incentives have been strengthened to improve long-term sustainability and increase labour market participation.

Since the transition the pension system has gained a role in tackling social problems: there has been a high inflow rate into disability schemes and a widespread use of early retirement options, thus measures have been introduced to raise the effective retirement age to improve the sustainability of the system and increase employment. So as to achieve this, the following steps have been made:

- withdrawal of early pension schemes;
- phasing out early pension-like benefit and disability pension-like benefit (transitional rules);
- changing disability pensions to rehabilitation benefits and simplifying the system (reducing the number of benefit types to two)<sup>1</sup>;
- strengthening employability aspects and the role of vocational rehabilitation (focus on remaining work capacity);
- persons with reduced work capacity may receive labour market services and can claim the newly introduced Rehabilitation Card (it provides social security contribution exemption for the employer) so as to support their labour market integration.

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<sup>1</sup> See also section 1.4.



According to the government, the benefit system did not encourage work and kept the active population permanently away from the labour market. The aim of the reform has been: to provide work opportunity for the long-term unemployed/inactive instead of social assistance to improve long-term sustainability and promote employment (the best way out of poverty). The new system offers two types of assistance: for those who are capable of work (in 2012 called employment substituting benefit) and for those who are not (called regular social assistance) so as to provide increased work incentives, improved efficiency of social assistance and to strike a better balance of individual rights and responsibilities.

In order to activate those capable of work, three directions have been outlined in the Hungarian Work Plan<sup>2</sup>: (1) the promotion and reinforcement of employment in the open labour market: through active labour market policies (ALMPs), tax/contribution allowances, increasing labour market flexibility; improving competitiveness of the labour force, enhancing LLL participation, job creation etc. (2) strengthening the social economy, social cooperatives – temporary form of employment, aimed to lead to open labour market in the long term (3) public works – for those who currently cannot find a job in the first two pillars the state provides for their temporary employment.

To strengthen active labour market policies, to support activating measures aimed at successfully integrating job-seekers into the open labour market, the government claims to have reinforced services and supports available for job-seekers. The government strengthens ALMPs which deliver positive results by reallocating available ESF resources to the most successful ESF co-funded programmes implemented by Public Employment Service (PES) and non-governmental service providers. They introduced decentralised, comprehensive labour market programmes for the employment of disadvantaged people (SoROP 1.1.2 and 1.1.4) The main target groups are the low-skilled, young career starters, older people (50+), and parents returning to the labour market after parental leave, those at risk of long-term unemployment including the Roma.

Regarding the development of the Public Employment Service, its capacity and effectiveness is to be strengthened (SoROP 1.3.1).

To increase the flexibility of the labour market, a new Labour Code (in effect from July 2012) promotes flexible forms of employment and flexible workplaces, ease the return of young parents to the labour market and support companies to flexibly adjust working hours. Employers should employ part-time employees with a child under 3 returning from parental leave upon request of the employee. There is a contribution allowance available for employers after the employment of those returning from parental leave. The new features of the Labour Code include among others the extension of trial period for new employees from 3 to 6 months; enhancing the flexibility of working time by extending the possibilities of short-time and overtime (36-44 hours); the employer's unilateral discretion to offer paid leave instead of complement for employees working extraordinary overtime. Trade unions and experts fear of growing insecurity for the employees.

To tackle youth unemployment the government continues existing measures: targeted tax allowance for employers who employ young career starters (START programme), strengthens ALMPs with young job-seekers being a specific target group, and support the acquisition of work experience. New planned measures, co-funded by ESF are a programme supporting business start-ups for young people (18-35) (financial support for starting an enterprise, supporting the acquisition of entrepreneurial skills, professional counselling and mentoring); an internship-type programme facilitating

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<sup>2</sup> Accepted by the government on May 24 2011. Magyar Munka Terv  
[http://www.kormany.hu/download/e/a7/40000/Magyar\\_Munka\\_Terv.pdf](http://www.kormany.hu/download/e/a7/40000/Magyar_Munka_Terv.pdf)

the transition of young people from education to employment with wage subsidy, support for mentoring, counselling; supporting employment programmes of NGOs for the labour market integration of young people, in particular disadvantaged career-starters.

An on-going modernisation of the education and training system aims to improve skills of the labour force, by the development of vocational and adult training (new legislation), improving the quality and labour market relevance of vocational training to increase competitiveness (preparatory vocational training may begin in the 9th grade, rules of vocational examination have changed), by strengthening the dual practical training elements, increasing the role of national chambers of commerce, by continuing the development of career guidance system and several adult training programmes (co-financed by ESF) for low-skilled disadvantaged adults aimed at acquiring basic or vocational education responding to labour market needs, for the development of language and IT competences and in-company trainings to foster adaptability of companies (resources have been raised).

So as to foster job creation, the government intends to improve business environment, support technology development, support job creation at SMEs (especially if disadvantaged people are employed) - national resources for this purpose doubled compared to 2011. Targeted social security contribution tax allowances are provided to employers to boost labour demand for certain disadvantaged groups. The most important tax reliefs targets are young career starters (START programme since 2005 ~38 000 persons monthly), people registered as job-seekers for more than 3 months, or those returning from parental/care leave (START Bonus programme as of 2012 ~50 000 persons monthly) and disabled workers (2012). As of 2013, in the framework of the Job Protection Plan, employers' social security contributions will be significantly reduced in case of employing the most disadvantaged less competitive people.

## **1.2 Integrated implementation**

Policy makers see the need for integrated implementation; however, in practice only certain elements have been implemented. Although the pronounced emphasis on work incentives and conditionality may well generate labour supply, by itself it cannot generate labour demand. The significant decrease of available provisions worsen social exclusion. The promised improvement of the services of the PES cannot yet be supported by empirical evidence, although it is an established target that job-seekers are to receive a personalised integrated set of services (labour market services, wage subsidies, support for self-employment, general and vocational training, etc.)

Between 2008-2011 more than 58 000 disadvantaged job-seekers have been involved in ESF co-financed comprehensive labour market programmes, 35% stayed in employment 180 days after completion of programme. For the period between 2011-2015 more than 100 000 disadvantaged job-seekers are planned to be involved in the programme; for this purpose approx. 86 billion HUF /301 million EUR is available (nearly twice than in previous period). An additional 20 billion HUF /70 million EUR is planned to be allocated (pending on ongoing amendment of the Social Renewal OP).<sup>3</sup>

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<sup>3</sup> Calculated with a 285HUF/EURO rate

As of 2013 the government plans the introduction of new tax credit targeting the low-skilled to support the employment of those furthest from the labour market.<sup>4</sup>

There are smaller scale targeted labour market and training programmes for the particularly disadvantaged (Social Renewal ESF OP priority 1 and 5).

The development of the social economy is an ESF co-funded programme.

There is a new public work scheme combined with training/competence development to provide jobs also for long-term unemployed/inactive people who are not able to enter to the primary labour market. The proclaimed aim of the public work program is to promote long-term integration to the competitive labour market through activation (temporary job in a protected work environment) and support to acquire basic competencies. The amount of public work wage is higher than that of social assistance, but lower than the official minimum wage.

In order to facilitate better administration, there is a common database of the PES and local governments to follow persons eligible to social assistance. The planned number of participants in public work in 2012 is 200 000 people.

For the activation of those not capable of work, the beneficiaries of regular social assistance have to co-operate with the family assistance service. The allowance is conditioned on co-operation, and the co-operation agreement is concluded between the beneficiary and the service about the integration programme of the beneficiary. Its elements are training programmes, mentoring services and skills improvement programmes.

### **1.3 Vertical policy coordination**

The related policy elements are integrated into national policy making and are mostly in line with EU expectations and guidelines. However, as far as it can be judged, vertical policy coordination among local and regional authorities has not been characteristic.

### **1.4 Active participation of relevant actors**

Although the strategies are harmonised with one another, the active participation of relevant stakeholders seems to be quite limited and dominantly at most formal. As to our best knowledge, organisations representing those affected by poverty and social exclusion have not been or only have partly been consulted in the development, implementation and evaluation of strategies. Recently a wide-scale protest (a series of demonstrations between July 1 – 5 in Budapest ) against changing disability pensions to rehabilitation benefits has been announced, organised by a number of NGOs, among others the umbrella organisation, the National Alliance of Associations of the Physically Disabled (MEOSZ) , to call the attention of the national and international public to the “inhuman government interventions affecting former disability pensioners, gravely sick people and those living with disabilities”, considering the abolishment of disability pension unacceptable.<sup>5</sup> They claim that the new provision replacing the former one is often only 28 000 HUF/month which is not enough for bare survival, let alone medication and seeking employment. The revision of the health status of the recipients of the provision in practise often proves to be very unfair, leaving a number of people in desperate situations.

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<sup>4</sup> After the submission of the present report the government announced that as of 2013, in the framework of the Job Protection Plan, employers' social security contributions will be significantly reduced in case of employing the most disadvantaged less competitive people (the 5 target groups include young people under 25 and career starters; older people (above 55); the low-skilled; the long-term unemployed; and mothers wanting to re-enter the labour market after parental leave)

<sup>5</sup> See for example: [http://nol.hu/belfold/demonstracio\\_a\\_rokkantak\\_es\\_elesettek\\_jogaiert](http://nol.hu/belfold/demonstracio_a_rokkantak_es_elesettek_jogaiert)

Until 2011 the National Interest Reconciliation Council (OÉT) represented the interests of employers and employees, e.g. they agreed with the government on the amount of the minimum wage. In 2011, despite significant protest on the side of trade unions<sup>6</sup>, the Government reorganised the framework for social dialogue. The tripartite consultation system (the National Interest Reconciliation Council) has been replaced by a multi-lateral structure involving also, in addition to the employers' and workers' organisations, the representatives of the chambers, the civil society as well as those of the scientific sector and the historical churches. This consultative council, the National Economic and Social Council is supposed to cover all the broad social and economic policy issues instead of a fragmented structure consisting of various parallel and overlapping consultation fora. The council should help with its proposals, opinions and analysis the decision making on the most important economic and social policy measures. However, several people considered this change to be anti-democratic, and also the operation of this council-as far as it can be judged based on available information – is often quite formal: the National Economic and Social Council containing representatives of employee and employer organisations, NGOs, scientists are usually consulted, but often with very short notice and with no substantial feedback.

To consult labour market related issues, in February 2012 the Standing Consultative Forum between the private sector and the Government has been established (Versenyszféra és a Kormány Állandó Konzultációs Fóruma).

## 2. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

In May 2012 the number of registered job seekers was 534 600 based on data from the PES. Only 11% of job seekers (59 000) received job seeking allowance (27.4%, 159 900 people in 2011), and half of them (277 000 people) received no cash provision whatsoever (as compared to 41.4%, 243 300 people in 2011). Almost another half, more than 230 000 received the minimal amount of employment substitute benefit of 22 800 HUF. 60% of new jobs in May was supported by the state. The number of those involved in public work was well above 100 000 (in April 102 000 based on data from the CSO). One quarter of job seekers have been looking for a job for more than a year. The number of those receiving job seeking allowance decreased dramatically over the past year as in September 2011 the maximum duration of this provision was decreased to 3 months. As compared to 2011 the proportion of those without any provision grew by 6.5%, and that of those receiving some kind of a social provision by 8.5%. Registered job seekers dominantly (2/5) still have only primary school degree or less, and another third has vocational education. During the past 3 years both the number of those with tertiary and secondary education increased among job seekers.<sup>7</sup>

Although the transformation of the public work system, the reform of the system of social benefits and the restrictions of the disability pensions are expected to lead a number of people in active age back to the labour market, thus out of poverty, however so far neither employment figures nor poverty indices have improved significantly, on the contrary, these latter clearly worsen. Although the relative poverty rate remained almost the same, but under decreasing amount of the threshold, the rate of those living in severe material deprivation increased (from

<sup>6</sup> [http://mszosz.hu/site.php?data%5Bfunction\\_id%5D=7&data%5Bid%5D=920](http://mszosz.hu/site.php?data%5Bfunction_id%5D=7&data%5Bid%5D=920)  
<http://www.origo.hu/itthon/20110616-rendvedelmi-es-szakszervezeti-tuntetesek-junius-16en-kik-es-miert.html>

<sup>7</sup> 2012. June 21:  
[http://www.portfolio.hu/gazdasag/munkaugy/felmillio\\_allaskereso\\_toredeke\\_kap\\_munkanelkuli\\_jaradekot.169079.html?utm\\_source=index\\_main&utm\\_medium=portfolio\\_box&utm\\_campaign=portfoliobox](http://www.portfolio.hu/gazdasag/munkaugy/felmillio_allaskereso_toredeke_kap_munkanelkuli_jaradekot.169079.html?utm_source=index_main&utm_medium=portfolio_box&utm_campaign=portfoliobox)

17.6% in 2008 to 21.6% in 2010), and people living in households with very low work intensity remained stable (12% in 2008, 11.8% in 2010). The rate of children living in households with very low work intensity has grown from 11.1% in 2008 to 13.8% in 2010 which is still the second highest amount among the Member States.”<sup>8</sup>

The adequacy of benefits mentioned can be questioned: their value is decreasing and the criteria for take-up are getting stricter and more work-oriented. In 2012, neither the NRP nor the NSR tackles the problem of undeclared work, although the significant rise of the minimum wage may increase it.

There is clearly a need for access to enabling and individually tailored services, but significant improvements have not been experienced so far. The present obligation for jobseekers prescribes only a monthly visit to the Employment Service and seems quite inadequate to provide the necessary support for finding a job. Although the capacity building of the National Employment Service is mentioned in the NRP, the details are still not shared.

## 2.1 Adequate income support

Since 2008, regarding adequate income support, both the values in real terms have decreased, and the conditions of the provisions also have become stricter. Thus briefly one could say, that resources are linked to activation and the incentive to work element has been increased, however, income support can be considered to be insufficient, and increasingly so.

Since 1 July 2006 significant changes have been introduced in the eligibility criteria of assistance and the method of calculating its amount. The double income condition (family and personal) was eliminated, and the benefit was transformed into family support.<sup>9</sup> The minimum income scheme has been significantly modified from 2009 in the framework of the “Pathway to work” program - it has been formulated as a priority objective that persons capable of working, permanently unemployed, receiving social allowance should participate to a greater extent than before in some form of public work to enable them to obtain regular labour income and get closer to the world of labour. The modification of the social law from 2009 on differentiates the system for those active-aged and disadvantaged in the labour market. Regular social assistance became only one type of local government’s provisions. The persons in active age on the labour market could obtain entitlement to benefit for persons in active age instead of regular social allowance. In accordance with the new rule, there are two groups of persons entitled to benefit for persons in active age. (1) Persons capable of performing work, who can be involved in public work, or in case of lack of work, are entitled to availability support. (2) Persons incapable of performing work, therefore, cannot be compelled to perform work; due to their social standing they are entitled to social

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<sup>8</sup> NSR Pp. 2-3.

<sup>9</sup> The amount of assistance was determined on the basis of the per capita income in the household of the applicant. Non-employed persons of active age were eligible for assistance, if in their families the income per one consumption unit does not reach 90% of the minimum old age pension (as opposed to the former figure of 80% until 2006). The amount of assistance varied, it is the amount necessary to supplement the income of the family up to the eligibility threshold (90% of the minimum old age pension, in 2008 25 650 HUF); thus poorer families were entitled to higher amounts of assistance. Those persons were eligible for regular social assistance that were unemployed, actively looking for a job and no longer eligible for insured unemployment benefit. Just as in case of other unemployment benefits, eligibility was conditional on the proof of active labour market status. One could be awarded the assistance if, for 1 year before the application and for the entire duration of the disbursement of the assistance, he cooperated with the competent labour centre. An amendment in 2005 relaxed previous conditions in that persons who applied for regular social assistance following disbursement of the nursing benefit, child care grant, child care benefit, regular social benefit or other social assistance needed to prove cooperation of 3 months rather than 1 year.



allowance<sup>10</sup>. Persons capable of performing work, who could be involved in public work, or in case of lack of work, were entitled to *availability support* (RÁT). Persons who belonged to this scope were obliged to report to the Public Employment Service (PES) for registration, under cooperation with the PES enter into a job-seeking agreement, and complete such agreement as well as to take part in public work. Special cooperation rule was stipulated for young people under 35 who had not completed the 8th class of the primary school. In their case, with a view to preventing the form of life as beneficiary of aids from becoming permanent, the key form of fulfilling the obligation to cooperate was not public work, but attending training (this rule has been abolished from January 2011). The monthly amount of the availability support was fixed, its extent, irrespective of the number of members and composition of the family, was equal to the current smallest monthly old-age pension. Performing undeclared work resulted in termination of the benefit regarding both groups of persons. A further element of the programme was to ensure the possibility for reviewing the certification of employability. If a person entitled to benefit for persons in active age is qualified ineligible by the employment health service, the regulation provides opportunities for the employer to initiate revision of the opinion at the body that provides employment health care special service. In 2010 a restriction was introduced: only one person in a family could be eligible for the benefit for persons in active age, except for the case when two claimants are entitled to different cash benefits (one person is entitled to availability support, the other to regular social assistance). The availability support was replaced in 2011 by the so-called wage supplement benefit (BPJ), which could be disbursed only to individuals who can certify at least 30 days of employment each year (participation in a public work scheme, seasonal work performed in the framework of simplified employment or work performed in any other form) and satisfy the other requirements of local governments specified in local bylaws, e.g., keeping the direct residential environment in order. From 2009 until 2011 local governments were not authorized to establish further eligibility criteria, although the media often reported such local intentions.

The eligibility to benefit is still established by the local government and remained means-tested, but the individuals concerned have to take part in job search more actively, co-operating with the competent employment office as job seekers. The mandatory 30 days of work, required for the eligibility to the wage supplement benefit may also be performed with public work, seasonal work and other voluntary work in the interest of the public parallel to other earning activity. This enables anyone who intends to fulfil the eligibility criteria to do so in a year, according to the government. It is a major change compared to the previous practice that in the public work system the obligation of the beneficiaries is not just to accept the job possibility offered by the Public Employment Service (PES), but anyone capable of working has to perform some work in one form or another, otherwise they lose eligibility to the wage supplement allowance. The administration of the move between different unemployment schemes, the transfer of payments and the task of sanctioning a refusal to co-operate are shared between the job centres and the organizations employing public workers. One important structural change was that the 'Pathway to Work' programme called for closer co-operation between job centres and local governments, which work together in building a shared employment and welfare database containing all the relevant personal details of the participants. In order to increase the employment of participants of the 'Pathway to Work' scheme, private sector employers were also involved in the programme since February 2010.<sup>11</sup>

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<sup>10</sup> However, it can be debated, that the participation in public work really leads to enhanced integration in the labour market.

<sup>11</sup> Cseres-Gergely, Zs. and Scharle, Á. (2010), *The Hungarian Labour Market in 2008-2009*. In: In: Fazekas K., Lovász, and A. Telegdy, Á. (eds). *The Hungarian Labour Market – Review and Analysis 2010*.

One has to note however, that very often the cooperation with the PES has been and often still is only a very formal expectation and does not promote the employability of those affected. The wage supplement benefit equalled the lowest amount of old-age pension (28 500 HUF, unchanged since 2008, that is 98 EUR). Since 2011 September 1. this provision is called employment substitute benefit (foglalkoztatást helyettesítő támogatás) and its monthly amount was further decreased, it is only 80% of the lowest amount of the minimum pension: HUF 22 800 (EUR 79). Persons incapable of performing work are entitled to regular social assistance (health impaired, people who will reach retirement age in 5 years, as well as persons who bring up a child under 14, and the attendance of the child at an institution providing daily care is not ensured. Furthermore, the competent municipality may set other conditions in its local decree connected to the family circumstances, health or mental status of the claimant, in which case the person entitled to benefit for persons in active age is defined as a person incapable of performing work. Only one person in a family is entitled to the benefit for persons in active age. The only exception is when one member of the family is entitled to regular social assistance and the other member to employment substitute benefit. The assessing of the entitlement and the amount of the assistance based on the income projected to the consumer unit instead of the previous income per capita. The consumer unit is the rate which shows the structure of consumption within a family. The first major member of the family and the disabled child's rate is 1.0 while the ratio of the companion (spouse) and a child is lower (0.9-0.7). The amount of support is variable and supplements the family's effective total income to the limit of the entitlement. From 2012 on the monthly sum of the regular social assistance is the difference between the sum of the family income limit and the total income of the family, but cannot exceed the 90 % of the minimum wage for public employment (HUF 71 800) reduced by personal income tax, health insurance and pension contributions on condition that in case a family member of someone entitled to regular social assistance is entitled to employment substitute benefit, the former cannot exceed the difference of the 90% of the net wage for public employment and that of the employment substitute benefit. The family income limit is equal to the sum of family consumption units multiplied by the 90% of the lowest amount of minimum pension. The maximum amount of this provision is HUF 42 326 (EUR146). In case there is a family member who receives employment substitute support, the maximum amount of regular social assistance is HUF 19 526 (EUR 67).

The 'Pathway to Work' scheme reduced the number of registered unemployed and improved the employment rate because the participants' unemployed status is suspended for the period while they are performing public work. After the reassessment of eligibility for Regular Social Assistance in the first half of 2009 only one in seven claimants continued to receive it. However, the number of Regular Social Assistance recipients stopped to decrease in the second half of the year; it was approximately 37,600 in August, 2010. At the same time, the number of those receiving Availability Support was on the rise over the whole period and exceeded 202,000 in April, 2010, even though in 2010 the restriction (one person from a family could be eligible for the availability support) excluded approximately 35,000 people from the system. The number of participants in public works projects increased continuously to reach almost 110,000 in August 2010.<sup>12</sup>

There have been public work projects in Hungary since the 90s, but until 2009 they did not involve more than 15-20 000 people a year. The "Pathway to work" program introduced in 2009 by the Hungarian Socialist Party government extended significantly this pool, involving almost 100 000 in public work projects. The new Fidesz government further extended the program and in 2011 apr. 148 000 people were

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<sup>12</sup> Based on data provided by the Ministry of Interior in 2010.

involved while for 2012 the planned numbers are around 200 000 and based on the budget proposal for 2013, probably 250 000.<sup>13</sup>

The major criticism regarding the Pathway to work program was that it did not promote the production of real value, only the increase of the numbers of those employed, the financial resources needed were underestimated and the system cannot be financed; it does not take into account the regional differences of the labour market, does not really promote reintegration, a lot of people did not get to work, material expenses were not financed only salaries and their costs. The aims of the program are acceptable: to provide job opportunities for a growing number of the unemployed, to simplify procedures and decrease the burdens of local governments, to finance material expenses and thus facilitate best practices, to provide a major role for job centres in organising and sustaining public work, SMEs could be among the supported.

In the framework of the "Pathway to work" program, when the former pool of social assistance recipients was divided into those capable and not capable of work, the low amount of the availability allowance (RÁT) for the first group was decided taking into account the possibility of 3 month full time public employment at a minimum wage level. which, even without taking into consideration of the inflation and price rises, for most availability allowance (RÁT) recipients resulted is a significantly more yearly income than in 2011, as most of the recipients of the wage supplement benefit (BPJ) can only participate in public work for short duration (1-4 months) and part time (often 4 hours), thus while working, it also provides almost the same (very low) amount of income as the benefit itself. As could be seen above, in 2012 these provisions were further decreased.

With these measures, the Government encourages the more efficient and intensive job search, and its intention is to reduce the duration of unemployment period and of the number of long-term unemployed as well. For those permanently outside of the labour market (who will not find jobs either in the primary or in the transitory labour market), the Government's intention is to offer public work opportunities to break long-term benefit dependency.

The discretionary power left in some cases to the municipalities concerning the modalities of implementation of the measure allow different treatment to similar cases. Who to employ in the public work programmes? There is no enough work for everyone, it makes a great difference who is employed in which program (cleaning the streets or work in the office), for how many hours, as even the daily 8 hours of employment pays only 47 000 HUF a months, but several people are employed in 4-6 hours. If the offered job is refused, or the public employment is terminated due to the individual's fault, the provision is taken away. In order to be entitled again to the benefit, the claimant must fulfil the eligibility conditions, and needs to cooperate with the Public Employment Service. The duration of the cooperation cannot be longer than one year, thus this can be the longest period while the claimant is excluded from the social system. The discretionary nature of the provision gives way to further discriminatory practices and other offences against the poor, the Roma<sup>14</sup>: the local government decides whether it would like to apply the condition of „decent (organised) living arrangements („rendezett lakókörnyezet“)<sup>15</sup>, and any job offered

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13 *Tovább erősít a közmunkával a kormány.* In: *Portfolio.hu* 2012. 06.23.

[http://www.portfolio.hu/gazdasag/munkaugy/tovabb\\_erosit\\_a\\_kozmunkaval\\_a\\_kormany.169139.html](http://www.portfolio.hu/gazdasag/munkaugy/tovabb_erosit_a_kozmunkaval_a_kormany.169139.html)

14 *The local government of Gyöngyöspata, ill-famed for its ethnic conflicts and right-wing mayor has just recently been fined for making public workers work on private lands*  
<http://www.origo.hu/itthon/20120622-vissza-kell-fizetni-a-tamogatast-gyonygospatanak.html>

15 [http://jogtalanul.blog.hu/2011/12/13/juhasz\\_oszkar\\_a\\_hatso\\_ajton\\_menekult](http://jogtalanul.blog.hu/2011/12/13/juhasz_oszkar_a_hatso_ajton_menekult)



must be taken regardless of the qualifications of the person, who should provide certification of at least 30 days of employment in 2011. Especially the evaluation of the criterion of decent (organised) living arrangements is highly doubtful and certain localities try to regulate most personal matters as well.<sup>16</sup>

The following table summarises current figures for minimum wage, minimum pension etc. One has to note, that the minimum subsistence level calculated by the Central Statistical Office for 2011 for a couple and 2 children was 243 429 HUF, per person 83 941 HUF, 106.6% of that of the previous year (in 2010 217 570 HUF (730 EUR) and 75 024 HUF (252 EUR) respectively).<sup>17</sup>

**Table 1. Summary of some basic income types<sup>18</sup>**

	HUF/month	HUF/week	HUF/day	HUF/hour
Minimum wage 298/2011. (XII.22.) Korm.r. 2. § (1) bek	93 000 (321 EUR)	21 400 (74 EUR)	4280 (15 EUR)	535 (1.8 EUR)
Guaranteed minimum wage* 298/2011. (XII.22.) Korm.r. 2. § (2) bek..	108 000 (372 EUR)	24 850 (86 EUR)	4.970 (17 EUR)	621 (2.1 EUR)
Wage for public employment 170/2011.(VIII.24.) Korm.r. 1.§ (1) bek..	71 800 (247 EUR)	16 525 (57 EUR)	3 305 (11.4 EUR)	-
Guaranteed wage for public employment* 170/2011.(VIII.24.) Korm.r. 1.§ (1) bek.	92 000 (317 EUR)	21 175 (73 EUR)	4 235 (15 EUR)	-
Minimum old-age pension 168/1997. (X. 6.) Korm. rend. 11. §	28.500 (98 EUR)			
Job seeking allowance (for maximum 90 days) 1991. évi IV. tv. 27.§ (3) bek.	60% of the labour market contribution base, maximum 100% of the effective minimum wage when the provision starts: 93 000 HUF (321 EUR)/month, 3 100 HUF(10.6 EUR)/ day			
Regular social assistance (RSZS) 1993. évi III. tv. (Szoc. tv.) 37.§ (1), (4) bek. 63/2006. (III.27.) Korm. rend. 17/B. § (2) bek.	The monthly sum of the regular social assistance is the difference between the sum of the family income limit and the total income of the family, but cannot exceed the 90 % of the minimum wage for public employment (HUF 71 800)reduced by personal income tax, health insurance and pension contributions on condition that in case a family member of			

<sup>16</sup> Dr Czomba Sándor: Közfoglalkoztatás 2011.

[www.ngm.gov.hu/data/cms2085431/czomba\\_prez\\_1026s.ppt](http://www.ngm.gov.hu/data/cms2085431/czomba_prez_1026s.ppt)

<sup>17</sup> [http://www.berbarometer.hu/main/berminimumok/2011\\_minimalber\\_berminimum\\_letminimum.pdf](http://www.berbarometer.hu/main/berminimumok/2011_minimalber_berminimum_letminimum.pdf)  
Létmimum 2011, KSH <http://www.ksh.hu/docs/hun/xftp/idoszaki/letmin/letmin11.pdf>

<sup>18</sup> [http://www.szocionet.hu/modszertani\\_informaciok/modszertani\\_hirek/2011-08-26/mi\\_mennyi\\_2011\\_szeptember\\_1-jetol.html](http://www.szocionet.hu/modszertani_informaciok/modszertani_hirek/2011-08-26/mi_mennyi_2011_szeptember_1-jetol.html)

	<p>someone entitled to regular social assistance is entitled to employment substitute benefit, the former cannot exceed the difference of the 90% of the net wage for public employment and that of the employment substitute benefit. The family income limit is equal to the sum of family consumption units multiplied by the 90% of the lowest amount of minimum pension.</p> <p>Maximum amount: HUF 42 326 (EUR146)</p> <p>In case on having a family member who receives employment substitute support, the <b>maximum amount of regular social assistance is HUF 19526(EUR 67)</b></p>
<p>Employment substitute benefit 1993. évi III. tv. (Szoc. tv.) 35.§</p>	<p>The monthly amount of the employment substitute benefit (foglalkoztatást helyettesítő támogatás) is 80% of the lowest amount of the minimum pension: HUF 22 800 (EUR 79)</p>

\* Guaranteed wage is for employees with at least secondary education or qualification levels.

To summarise, the present system is getting further away to be called a minimum income scheme especially in 2 regards: it is decreasingly true, that these provisions ensure basic needs at minimum standards, plus the discretionary element (“tidy living environment”, regulated in local government decrees and also evaluated locally) is increasing, which further limits the availability of such assistance. The regulation has a punitive tone and includes some harsh sanctions: regardless of educational level one has to accept the job offered – if not, one is denied provision for 1 year, the same is true if one is fired from the job. One also has to accept jobs far away from one’s place of residence.

Even when the “Pathway to Work” program was introduced in 2009 it was debated, that the participation in public work really leads to enhanced integration in the labour market.<sup>19</sup> By way of the criticism of the regular social assistance, four years ago, the low eligibility ceiling and the low benefit amount were mentioned reasoning, that the minimum pension (since 2008 28 500 HUF, at present apr. 98 EUR) is not tied to the minimum subsistence level. The minimum pension was well below the Central Statistical Office relative minimum subsistence level indicator already when it was introduced, and it has been getting further away ever since, especially so since the outbreak of the crisis. The real value of the minimum pension in 2008 was 65,8% of that in 1990.<sup>20</sup> Thus there may be serious doubts about how much such a sum could guarantee to „ensure basic needs at minimum standards of living”. The truth of this criticism framed 3 years ago proved to be right as reflected by the worsening trend of poverty indices.

<sup>19</sup> See among others Scharle Ágota: Foglalkoztatás, intézményrendszer és foglalkoztáspolitikai In: Társadalmi riport 2008 Eds: Kolosi Tamás-Tóth István György P.: 257-290. or also an interview with labour market expert Köllő János, in HVG 2009.01.21 Downloaded from [http://hvg.hu/hetilap/200904\\_Kollo\\_Janos\\_munkaeropiaci\\_szakerto\\_A\\_szakmu/page2.aspx](http://hvg.hu/hetilap/200904_Kollo_Janos_munkaeropiaci_szakerto_A_szakmu/page2.aspx)

<sup>20</sup> Nyugdíjasok, nyugdíjak 2008, <http://portal.ksh.hu/pls/ksh/docs/hun/xftp/idoszaki/regioik/orsz/nyugdij08.pdf>, p. 23.

The current system provides a minimal, at most survival level for the recipients, but its volume is not enough for full participation in society<sup>21</sup>, and the system is not an unconditional safety net, but conditional on a several criteria.

## 2.2 Inclusive labour markets

A general reduction of social security contribution was implemented from 01.07.2009 in order to release the burden of relatively high labour costs on employment. The government started to modify the tax and benefit system from July 1st 2009 on to decrease the costs of labour, which are very high in Hungary in a European comparison. As crisis management focused on the "increase and preservation of labour demand, in 2009, more than one third of all expenditures, 60 billion HUF was spent on the reduction of labour costs: the employers' social security contribution rate decreased by 5 percentage points up to twice the minimum wage. The reduction was extended to all wage levels in 2010, which, together with the abolishment of the lump-sum health contribution, resulted in a revenue loss of around 225 billion HUF. Such an across the board cut in the social security rate was not targeted, since by design it affects all jobs, not only those that need to be saved. Thus it implies a substantial deadweight loss and is extremely costly as well. However, it may be justified as a temporary crisis management tool or if it fixes a structural distortion."<sup>22</sup>

In his First Government Action Plan the Prime Minister Orbán Viktor focused on two things: the introduction of new tax system (significant tax cuts and radical simplification in the tax system) and job creation. Business taxes were reduced from 19 to 10 percent, and the graduated income tax system was replaced from 2011 on by a uniform flat tax of 16 percent on all incomes claiming to make work pay for those who work more. The new system has no tax exempt zone for the poorest, and is combined with significant tax reductions dependent on the number of children in the family. It seems these new measures above all profit those families where the parents work, and especially those, whose income is above the average.

In a study prepared on the minimum-wage regulation in Hungary and its impact on employment, with particular respect to the 2000s<sup>23</sup> the author tried to demonstrate that „even though Hungary's minimum wage, if assessed by its ratio to average and/or median full-time earnings, does not appear particularly high by international standards, in light of Hungary's excessively low relative rate of employment among the least schooled it might rightly be regarded as unreasonably high<sup>24</sup>. This diagnose should become particularly evident once one takes into account that, in sharp contrast to established rules elsewhere, a significantly higher wage floor is in effect for those with lower secondary schooling. Abolition of this legally guaranteed premium over the minimum wage as well as more moderation in minimum wage adjustments are thus

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21 The problem is, that in general, average income levels are very low in Hungary (the lowest in Europe following Romania and Bulgaria in 2009 - 4 631 EUR or 7 207 PPS, only 23% of the average of the EU-27.), and what is more, it is the only country in the EU where from 2005 to 2009 the average income decreased both in EUR and in PPS.21. So as to make work pay, the government decided to widen the gap between work-related income and social provisions, but this, on the one hand logical and understandable move directly leads to the inadequacy of benefits and provisions as even recipients of them cannot avoid extreme poverty if without work.

22 The Hungarian Labour Market 2011. p.69.

[http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

23 Gabor R. Istvan: A magyar minimálbér-szabályozás és foglalkoztatási hatása, különös figyelemmel 2000-től napjainkig. Prepared at the request of the PES Budapest, 2011. October 14.p. 6.

24 See above, p. 13. The amount of the Hungarian minimum wage almost increased 10-fold between 1992-2011, from monthly 8 000 HUF to 78 000 HUF in 2011. Its real value however increased 6.5 times and since 2002 both the gross and the net real value of the minimum wage stagnates. As compared to the minimum subsistence level its decreasing from 2006, from its 104% to its 93% and its net amount never exceeded 90% of the minimum subsistence level. In international comparison it is among the lowest.

highly recommended.” The author would argue against the regional differentiation of minimum wage, but would support the regional normative differentiation of contributions to be paid for those employed on minimum wage. Now the government considers a reduced minimum wage for career starters to thus enhance their employment.

Targeted ALMPs to improve employability and helping the adaptation of the population to labour market needs:

In order to help inactive / unemployed people, decentralised complex programmes for the employment of disadvantaged people are in place (SROP 1.1.2). These programmes are aimed at improving the long-term labour market prospects of certain disadvantaged groups. The programmes are co-funded by ESF and implemented by the PES and support the labour market integration of disadvantaged inactive / unemployed people by offering them individualised, complex labour market services and training. The main target groups of the programme are the following: low-skilled people, young career starters, older people (50+), parents returning to work after parental leave, those who became unemployed after September 2008 (as a consequence of the crisis) and at last, a target group specific to the region which is being decided at territorial level (e.g. this may include people with obsolete skills, long-term unemployed, etc.). This way the programme can be shaped to respond to local circumstances and may contribute to reduce territorial disparities. In the framework of the programme, target groups can be offered the following kinds of supports or services: support for training; employment supports; support for self-employment; labour market services, provision of labour market information; employment, career, rehabilitation, job search, psychological and local employment counselling; training and skills development, supporting activities (e.g. mentoring), reimbursement of costs of employment related medical examinations / training related aptitude tests.

A specific ESF co-funded project (SROP 1.1.1) focuses on supporting the rehabilitation and employment of people with changed working capacity to improve their employability and promote their integration in the labour market through personalized services and complex support.

Targeted contribution allowances (START schemes operating since 2005.<sup>25</sup>) are offered for the employment of disadvantaged people. As of 2011, entry criteria into the Start Extra programme (which was started in 2007) have been loosened to include all job-seekers above the age of 50 looking for job at least for 3 months (previously only those job-seekers were included who were above 50 and also long-term (>12 months) unemployed). The measure shall contribute to increase demand for older workers through decreasing non-wage labour costs. In the first year of employment, social security contribution after the disadvantaged employee is reduced by 27% (exemption), while in the second year by 17%. ‘Start Region’ scheme for example, linked to the ‘Pathway to Work’ programme, was introduced on January 1, 2009.<sup>26</sup> This extended the subsidies provided by the Start Extra scheme to employers hiring those claiming Availability Support. If the worker comes from a disadvantaged small region, then the employer is fully exempt from social insurance contributions for up to

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<sup>25</sup> The Start Cards Programme was initiated in 2005 to encourage employers to hire young career starters then it was complemented by the launch of the Start Plus and Start Extra schemes which focused on other disadvantaged groups (people returning from parental leave and the long-term unemployed). Under the Start Card, Start Plus Card, Start Extra Card schemes the participating employers may enjoy cuts in social security contributions.

<sup>26</sup> Article 41, Act CVIII of 2008 on the Amendment of Certain Social and Employment Regulations.

3 years with the condition that the hiring of the new disadvantaged worker increases the workforce of the company and this is maintained for the duration of the subsidy.<sup>27</sup>

A programme of the National Employment Fund (OFA) as well as the decentralised programme for the employment of disadvantaged people (SROP 1.1.2. project) were aimed at stimulating labour demand (supporting job creation and job retention). These programmes provided support to companies which decided to employ workers laid off by another employer. Besides, a central programme was also launched by the ministry in order to support the management of crisis situations as well as restructuring in the labour market which was implemented in a decentralized way by regional employment offices (the budget for the programme amounted to 500 million HUF (1 678 000 EUR in 2010).

Direct job creation by the government can also be cited among measures which enhance labour demand. Public work became a significant measure in 2009 in Hungary with the launch of the so-called 'Pathway to work' programme presented in the previous section, aimed at assisting the long-term unemployed, capable of working to take part in some form of public employment. Municipalities played a key role in the implementation of this programme and organized community work activities mainly locally in sectors like maintenance, water management as well as health and social services. As a consequence, the number of people employed in public work, public service and community work gradually increased from 2008 and reached its peak in 2010, when more than 186 thousand people were involved in these types of employment. In 2010, the new Government revised the 'Pathway to work' programme. A tender/application procedure replaced the practice of an open-ended budget estimate for public work in previous years. A part of those involved in public work are offered training opportunities enabling them to obtain a vocational qualification. The Public Employment Service (PES) acts as a brokering agent also in the case of public works, which means that people can enter public work only through the PES. Part of the budget allocated to public work has been used as a wage subsidy for enterprises employing people on social allowance. Public employment programmes have been simplified and rationalised in 2011 in order to involve as many participants as possible (222 thousand participants have been involved until the end of September). Extension of public work is planned for 2012 (pilot-projects were launched already in 2011) to provide employment opportunities for those outside the labour market ("Start munkaprogram"). According to the new system launched in 2012, all people with working capacity and pushed out of the labour market temporarily or permanently and who cannot be offered a job by an employment centre, have to do public work offered for them for 4-8 hours a day. In case they do not complete the task or they cannot be offered a job, the social benefits, disbursed to them shall not achieve the amount they could have earned by public work.<sup>28</sup>

Approximately 10% of the employees take part in professional training within the framework of the national public employment programme, through this will be improved the individual's labour market competitiveness, and they will be able to

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27 Frey, M. (2010), *The Legal and Institutional Environment of the Hungarian Labour Market*. In: Fazekas K., Lovász, and A. Telegdy, Á. (eds). *The Hungarian Labour Market – Review and Analysis 2010*. pp: 179-223.

28 *The primary purpose of short-term public employment is to provide temporary jobs for those who are permanently poorly educated, socially disadvantaged and are entitled for the working capacity to preserve / regain order and who are excluded from the labour market. In their cases, the daily four-hour period and the 2-4 month period of work gives an opportunity to guide them back to the world of work. The longer-term public employment provides support mainly in the skill and value-creation performance of the work provided daily from 6 to 8 hours, between the periods of 2 to 12 months. The public employment in this form intends to provide the local government to create job opportunities for those who are unemployed for longer period. In addition, to the priority of carrying out public tasks is to create new value by supporting the work of employed job seekers.*



more easily find a job on the open labour market in the future through their competencies gained in the public employment during the professional education and practice.

As to the direction of change in active labour market policies (see Table 2): „resources were directed from the existing schemes to the provision of job retention subsidies and extension of the public works schemes. These programs involved an additional 110 thousand workers while all other programs were cut and the staff of the public employment service (PES) was curtailed by 5 per cent. The government’s efforts were clearly directed at keeping employment as high as possible, even at the cost of reducing active support for the unemployed.....”<sup>29</sup>

**Table 2. Flows to ALMPs and staffing of the PES 2006–2009<sup>30</sup>**

	2006	2007	2008	2009	Change in 2009
Job retention subsidies	7,390	3,843	3,040	52,027	48,987
Public works	66,403	63,098	63,100	123,754	60,654
Wage subsidies <sup>b</sup>	58,931	43,501	52,349	41,677	-10,672
Training, retraining	56,883	47,735	79,080	74,308	-4,772
Start your own business	5,667	4,861	7,127	5,607	-1,520
Other	7,235	4,336	13,764	3,354	-10,410
PES staff	4,306	3,931	4,017	3,825	-192
PES local office staff	3,946	3,624	3,688	3,518	-170

<sup>a</sup> The figures relate to cumulative annual inflows to the given program. Data on stocks and/or the duration of support are not available except for public works.

<sup>b</sup> These subsidies are targeted at the long-term unemployed, mothers returning from childcare leave and school leavers.

Sources: *KSH* (2010), p.27, data provided by the PES and the Treasury. Data on the PES staff were provided by the Budapest Institute of Public Policy Research, and are based on the annual budgets of Hungary

As to the transformation of ALMPs: at the beginning of the crisis “the increase of about 110 thousand people in the number of workers benefiting from job preservation subsidies and public works programmes was achieved at the expense of other employment support programmes (wage subsidies for those returning to work from unemployment or from maternity leave and for new labour market entrants, training programmes and business start-up support). The neglect of these active employment tools – especially of training – was virtually unique to Hungary among both the EU and the OECD countries. Also unique was the Hungarian decision to reduce substantially the staff of the Public Employment Service. The strategy of short-time employment substantially reduced the number of job separations in several countries. In Hungary, slightly less than 1 per cent of employees participated in such a programme, which is about the average international level but the efficiency of this tool proved to be far

<sup>29</sup> *The Hungarian Labour Market 2011*. p.61.

[http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

<sup>30</sup> *The Hungarian Labour Market 2011*. p.62.

[http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

lower in Hungary than its average efficiency in other countries.”<sup>31</sup> The share of those benefiting from active employment schemes was merely 13 per cent.<sup>32</sup> There was a significant increase in the number of unemployed workers not receiving individual support.<sup>33</sup> Now again the emphasis is not on job preservation but on public work.

From 2010, employers in the public sector were obliged to allow parents returning to work after parental leave to work part-time instead of full-time if they want to. In 2011, this obligation was extended to the judicial sector and from July 2012 to the whole private sector as well. As for the private sector, from 2011 a new contribution allowance has been introduced. The aim of the measure was to promote part-time employment of parents with young children returning to their previous job after parental leave. Employers have to meet the following requirements to be entitled to the allowance: they have to employ part-time their former full-time employee who returns to work from parental leave, and besides, they also have to employ another person part-time (so the former job of the parent returning to work will be shared by two persons). As of January 2011, employers entitled to this allowance should pay only 20% social security contributions after both workers employed part-time (instead of 27%) for min. 1, max. 3 years.

Another important measure was the transformation of unemployment benefit provisions in order to provide more incentives to work (shortening the maximum length of unemployment benefit (from 270 to 90 days) by eliminating the second tier of the current system (job search benefit, previously max. 90 days) and shortening the first period (job-search allowance) as well as applying stricter conditions for eligibility: e.g. now 10 days of insurance period correspond to one day of job search allowance (previously only 5 days of insurance period corresponded to one day of job search allowance), the reference period has been increased from 4 to 5 years and the minimum period spent in employment has been slightly decreased from 365 days to 360 days). The level of this provision has also been changed (the max. level has been reduced to the lowest daily compulsory wage from the previous 120% of minimum wage).

In 2009 sick care leave was decreased to 60% from the former 70% and its amount was maximized. In 2011 the maximum amount of sickness allowances has been decreased from the four times of minimum wage to the double of that.

Financial incentives are already in place to enhance labour demand towards older workers. The 50+ age group is a distinct target group of ALMPs, and the ESF-funded complex labour market programmes focusing on the employment of disadvantaged people (SROP 1.1.2). A specific ESF co-funded project (SROP 1.1.1) focuses on supporting the rehabilitation and employment of people with changed working capacity to improve their employability and promote their integration in the labour market through personalized services and complex support. Since 2007, in the framework of an ESF co-funded scheme contribution allowances are offered for the employment of disadvantaged people. Long-term unemployed above the age of 50 are included among the target groups of the programme since 2007 (Start Extra scheme). As of 2011, the target group of the Start Extra scheme has been extended to all job-seekers above the age of 50 looking for job at least for 3 months. The measure contributes to increase demand for older workers through decreasing non-wage labour costs. In the first year of employment, social security contribution after the disadvantaged employee is reduced by 10 ppt, while in the second year by 7 ppt. Until

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<sup>31</sup> *The Hungarian Labour Market 2011 p. 194*

<sup>32</sup> *The Hungarian Labour Market 2011 p. 195*

<sup>33</sup> *The Hungarian Labour Market 2011 p. 194*

the end of 2010, more than 17 thousand people aged 50-64 had been employed in the framework of this programme.

Apart from the above already mentioned SROP 1.1.2. program, another programme targeting young people is the so-called 'Start programme' which promotes the labour market entry of young people by providing contribution allowance. The allowance intends to ease the acquisition of work experience for career starters by reducing the employment-related costs for employers in case they employ a young career starter who has a START card. The Start card is issued by the National Tax Authority upon the request of the young career starter. The card can be issued only once. The programme is funded by the Labour Market Fund. Based on the results of the programme we can evaluate it as successful: since the launch of the programme (end of 2005) more than 190 thousand young career starters with start cards have been employed. On the other hand some experts argue that only those young people found employment who could have done so without the card as well, and by this method this tool often supported multinational companies and could not really reach disadvantaged young people.<sup>34</sup>

Beside these measures other programmes have also been implemented in recent years which promoted training of unskilled young people. For example, the 'One step forward' programme' (co-funded by ESF) improved the employability of participants by offering opportunity to people with low or no skills to acquire basic qualification (which is a pre-requisite of vocational education and training) or to develop skills which respond to labour market needs. Out of the more than 20 thousand participants involved in the 2nd phase of the programme, almost 4000 people were young people aged 15-24.

Besides, in order to tackle skill mismatches in the long run and promote the acquisition of adequate skills which match the requirements of the modern labour market, an ESF co-funded programme was launched in 2010 with the objective of forecasting labour market needs and anticipating restructuring processes.

So as to increase the employment of people with disabilities, the rehabilitation contribution payable by employers was increased by 5 times in 2009.

The government's very important goal is to improve the quality and strengthen the labour market relevance of vocational education and the relationship between vocational training and the economy. In order to improve the chances of school drop-outs on the labour market, the government introduced the early start of vocational training at grade 9 which will be mandatory from the school year 2012-2013. This regulation makes it possible that after finishing grade 8 of the elementary school pupils can directly enter a vocational training course and they can complete it earlier by acquiring the practical skills of their profession at grade 9-11 when they are particularly susceptible to learning. However, the interventions in the field of education have been extensively debated. The decrease of the compulsory school age from 18 to 16 years, according to a number of experts, will have a very negative influence on disadvantaged children<sup>35</sup>, and the proposed solution of putting them on the labour market does not seem to be a realistic option in current circumstances. The alteration of vocational training system with the aim of providing more practical hands-on experience may also lead to a very limited and too specific training of the young people involved and as their basic skills will not be developed, later on their

<sup>34</sup> Szabó Brigitta: *A méret a lényeg*. In: *Népszabadság* 2012. 06.27.

<sup>35</sup> See, among others, for example: *Ennél nagyobb kárt nehéz elképzelni Népszabadság* 2012 Jan. 22., [http://hazaeshaladas.blog.hu/2011/11/03/privat\\_sarok\\_a\\_tankotelezettsegi\\_korhatar\\_leszallitasanak\\_v\\_arhato\\_hatasairol](http://hazaeshaladas.blog.hu/2011/11/03/privat_sarok_a_tankotelezettsegi_korhatar_leszallitasanak_v_arhato_hatasairol), <http://eduline.hu/cimke/tank%C3%B6ttelezets%C3%A9g+korhat%C3%A1r>, <http://www.tanszabadsag.hu/blog/teteles-valaszok-vi-tankotelezettseg-korhatar-hat-allaspont/>, [http://nol.hu/lap/forum/20120328-az\\_underclass\\_fele](http://nol.hu/lap/forum/20120328-az_underclass_fele)



capacity to adapt to new work environments will be even more limited, some experts argue.<sup>36</sup>

The fraction of Hungarians participating in adult training is one of the lowest in Europe and on-the-job training is particularly infrequent (Bajnai et al. 2009).<sup>37</sup> Yet, after the outbreak of the crisis „the Hungarian government’s policies were primarily aimed at keeping employment as high as possible. ... Apart from financing the benefits of a growing number of entitled job losers, the government cut all other programs aimed at assisting those, who actually became unemployed. Cutting the expenditures on training was all the more painful as enterprises cut their own outlays anyway. There was much talk about the need for training and retraining during the crisis but the number of people actually participating in training fell substantially. According to the LFS the annual average stock of participants in adult training fell from 92 to 73 thousand while the number of those receiving on-the-job training fell from 53 to 37 thousand.”<sup>38</sup>

**Table 3: Number of participants in trainings as an active labour market tool and other training forms<sup>39</sup>**

<b>Number of participants</b>	<b>2008</b>	<b>2009</b>
Training as an active tool	40102	34471
Employment Fund Training Framework	37000	30700
One step forward I-II*	93249	18804
Social Renewal OP 1.1.2 training	16962	19700
„Pathway to Work”, training	-	3700
County level/regional programs	1007	364
National Employment Fund Programs	3644	235
Crisis management programs	-	268
<b>Training participants total</b>	<b>191 964</b>	<b>108 242</b>
<b>From this training as an active tool as a % of participants</b>	<b>20.9</b>	<b>31.8</b>

36 See, among others, for example: Ennél nagyobb kárt nehéz elképzelni Népszabadság 2012 Jan. 22., [http://hazaeshaladas.blog.hu/2011/11/03/privat\\_sarok\\_a\\_tankotelezettsegi\\_korhatar\\_leszallitasanak\\_v\\_arhato\\_hatasairol](http://hazaeshaladas.blog.hu/2011/11/03/privat_sarok_a_tankotelezettsegi_korhatar_leszallitasanak_v_arhato_hatasairol), <http://eduline.hu/cimke/tank%C3%B6telezetts%C3%A9g+korhat%C3%A1r>, <http://www.tanszabadsag.hu/blog/teteles-valaszok-vi-tankotelezettseg-korhatara-hat-allaspont/>, [http://nol.hu/lap/forum/20120328-az\\_underclass\\_fele](http://nol.hu/lap/forum/20120328-az_underclass_fele)

37 Munkaerőpiaci tükör 2011, p. 47.

38 The Hungarian Labour Market 2011. p.60. [http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

39 Frey Mária: Aktív munkaerő-piaci politikák komplex értékelése a 2004-2009. közötti időszakban-Szintetizáló tanulmány (Önkormányzati felméréssel kiegészített változat) Készült a Foglalkoztatási és Szociális Hivatal megbízásából, a TÁMOP 1.3.1 „A foglalkoztatási szolgálat fejlesztése az integrált munkaügyi és szociális rendszer részeként” c. kutatási program keretében Budapest, 2011. augusztus. p. 13

**Table 4: Participants involved in ALMMs regulated inside and outside the Employment Act and the PES<sup>40</sup>**

Number of participants	2008	2009
Total number of those involved in traditional active tools	191197	132240
<b>Those involved in active tools regulated outside the employment act and PES</b>		
Training	151862	73771
Wage subsidies and contribution allowances	70363	84811
Support to become an entrepreneur	163	403
Public work	59207	117683
Job preservation		81739
Total	472792	490647
Traditional active tools as a % of participants	40.4	27.0

The National Action Plan for Social Inclusion 2004-2006 set the goal of increasing the proportion of people aged 25–64 years participating in education and training to 10% by 2010. Broadening access to training – particularly for low-skilled and disadvantaged people, such as older workers or disabled persons, as well as in disadvantaged regions – was among the priorities. Nonetheless, the results of various research studies suggest that the level of participation in lifelong learning activities is still very low in Hungary, especially among persons with low qualifications.

Several non-profit organisations provide services to enhance the reintegration of long-term unemployed and other marginalised groups to the labour market. Apart from labour market services they also provide training and human resources development and employment for them. These organisations play a key role in the realization of programs financed by the EU structural funds. On the other hand, in several cases, for all their extended and invaluable experience in this field is based on the quite insecure and short-term project funding, so it is almost impossible for them to plan in advance and think strategically.<sup>41</sup>

As to health issues, in Hungary new types of work-related risks have not been examined scientifically yet. This is the reason why there are no strategies of prevention of such work-related risks as stress, harassment, and other work-related abuses. The NSR 2012 puts among others more emphasis on the health dimension: "Compared to the National Reform Programme submitted last year, health aspects will hopefully be represented in a more explicit way, particularly as regards the improvement of the health status and the employability of the labour force".<sup>42</sup> In the NSR one can read that "a programme designed to improve health and safety at the work place and the development of labour inspections may also be launched in 2012"<sup>43</sup>, but there is no information on the size of the proposed target group.

40 Frey Mária: *Aktív munkaerő-piaci politikák komplex értékelése a 2004-2009. közötti időszakban-Szintetizáló tanulmány (Önkormányzati felméréssel kiegészített változat)* Készült a Foglalkoztatási és Szociális Hivatal megbízásából, a TÁMOP 1.3.1 „A foglalkoztatási szolgálat fejlesztése az integrált munkaügyi és szociális rendszer részeként” c. kutatási program keretében Budapest, 2011. augusztus. p. 16-17.

41 *Quality in work and employment – Hungary*  
<http://www.eurofound.europa.eu/ewco/studies/tn0612036s/hu0612039q.htm>

42 NSR 2012 p 4.

43 NRP 2012 p. 26.

## 2.3 Access to quality services

Regarding access to quality services, the institutional and professional background for those programs are missing in several regions and small settlements, especially there, where the situation is the most grave. For example regarding the services of the PES, in disadvantaged settlements the proportion of the more expensive psychological counselling and mentoring services in 2009 was even smaller than the otherwise also very low national average, although it must have been even more needed.<sup>44</sup> The situation has not improved substantially during the past years. As authors comment in the most recent Labour Market review, "Although the crisis clearly placed an extra burden on the Public Employment Service, the government failed to boost the resources required for the operation of its job centres. ... The allocation of extra resources would have been justified simply by the task of dealing with claims and applications. Added to this, a crisis substantially raises the risk of long-term unemployment, which could be forestalled by putting more tools and attention in the service of maintaining job seeking activity."<sup>45</sup> The capacities of the public employment service had been insufficient even before the crisis: their budget for operating costs was half of that in countries with a similar unemployment rate (e.g. in Finland and Sweden). Staff levels in the branch offices serving the unemployed barely changed between 2004 and 2007, and even decreased in 2009 – while the number of registered unemployed increased, and the scope of duties of the branch offices widened.<sup>46</sup> The PES staff was actually cut by nearly 200.<sup>47</sup>

Data have shown that although PES offers placement and employment services for anyone requesting their assistance, the great majority of PES clients are unemployed usually with multiple disadvantageous backgrounds. Although a growing, by now very substantial proportion of registered job seekers receive no provisions, it is believed by PES employees that their main cause for staying registered is mostly their expectation that they will receive temporary financial assistance or future permanent benefit and not the prospect of any possible placement they could receive from the PES. In 2005 the Management by Objective (MO) system was introduced into the Hungarian PES. „MO indicators showed that Hungarian PES employees worked very hard to find the best work places for their clients. In spite of their efforts the number of declared vacancies was continuously decreasing as shown by the analysis of the years 2004-2009. This unfortunate fall in the number of available placements was due to the decrease of declared primary labour market workplaces... Less frequently were primary workplaces found through PES, its share fell below 20 % in 2009. It is statutory in Hungary to declare new vacancies to PES. However there is no punishment if the employer 'forgets' to do so...the majority of the workplaces declared for PES were badly paid, represented unhealthy working conditions or were cancelled before fulfilment. The role of private job agencies has increased during the whole period, and PES has mainly become the supplier of public work places. The ratio of successful placements in public workplaces rose high above 80%. Using MO indicators to study employment services (employment and psychological counselling, information services, mentoring etc.) it was found that the activity of PES in this area is not as energetic as in placements. The delivery of employment services can be done

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44 Berde Éva: *Az Állami Foglalkoztatási Szolgálat munkaerő-közvetítésének és munkaerőpiaci szolgáltatásainak vizsgálata 2004 és 2009 közt. A tanulmány a TÁMOP 1.3.1 „A foglalkoztatási szolgálat fejlesztése az integrált munkaügyi és szociális rendszer részeként” című kiemelt program keretében készült.* Budapest, 2010. July. P. 8.

45 *The Hungarian Labour Market 2011.* p.35.

[http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

46 *The Hungarian Labour Market 2011.* p.71.

[http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

47 *The Hungarian Labour Market 2011.* p.63.

[http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket\\_2011\\_onefile.pdf](http://econ.core.hu/file/download/HLM2011/TheHungarianLabourMarket_2011_onefile.pdf)

by PES itself or could be outsourced. PES employees have such a huge workload that they very rarely can afford time to give longer services to their clients. However the administrative workload related to outsourcing is also so high that many PES employees still prefer giving these services themselves. Outsourcing activities could be financed by the Labour Market Fund or by European Union programmes. Taking into consideration the available budget the latter is comparable in magnitude with the former. However the design and performance of labour market services in EU programs is usually inadequately planned and organised, which will need more attention in the future."<sup>48</sup>

There has been three waves of data collection on the awareness of Hungarian society and economy of the existence of the Public Employment Service (PES) during 2010 and 2011, its market share on the job search market as well as satisfaction with its work and various activities. „In the case of the third wave we have experienced a further rise in the satisfaction level of the population with PES services, despite the fact that the economic circumstances have not improved and there is a substantial feeling of insecurity. The negative satisfaction level trend of corporations has reversed, and a significant improvement has been registered. One element of the more favourable opinion may be that those affected regard the organizational changes as adequate, even though they are not necessarily aware of all the details. Satisfaction with PES personnel has also improved, both among the population and employers, with satisfaction levels reaching the values measured in the previous waves in the case of the general population, while in terms of the employers, exceeding them. PES personnel have adapted to the increased workload, and the simplification of administration has accelerated work, and although the number of clients per employee has increased permanently, clients do not perceive that as an inconvenience. Still, population satisfaction with PES' intermediary role continues to be fairly low.”<sup>49</sup>

So as support the reconciliation of work and family life and to raise the labour market participation of women with small children who often cannot work due to the lack of child care facilities esp. for children under 3, in the framework of the Regional ERDF OPs crèches and day care services are being established or renovated in all regions. Funding from the Social Renewal ESF OP supports flexible child-care facilities for children under 3 at local level and at workplaces as of March 2012.

As to services related to housing: among the few specific measures intended to alleviate or prevent the negative consequences of the crisis the Government published its Action Plan for Home Protection in May 2011, a multi-pillar programme.(e.g. fixed exchange rate, State National Asset Management Company, temporary eviction moratorium – now lifted,) was established. From 1st September 2011 the system of gas- and district heating subsidy was ceased and a broadened system of home maintenance support was introduced, the upper limit for entitlement has been increased from an income of 150% of the minimum pension to 250%, which can be used not only for heating, but also for other types of home maintenance costs. The debt management service is a continued housing support provided to persons in need.<sup>50</sup> Social housing projects, vaguely mentioned in the NRP, would be most

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48 Berde Éva: *Az Állami Foglalkoztatási Szolgálat munkaerő-közvetítésének és munkaerőpiaci szolgáltatásainak vizsgálata 2004 és 2009 közt. A tanulmány a TÁMOP 1.3.1 „A foglalkoztatási szolgálat fejlesztése az integrált munkaügyi és szociális rendszer részeként” című kiemelt program keretében készült.* Budapest, 2010. July. Pp.9-10.

49 *Az NFSZ ismertségének, a felhasználói csoportok elégedettségének vizsgálata* Készült: a TÁMOP 1.3.1. kódszámú kiemelt projekt 3.2. alprojektjének keretében a TÁRKI Zrt. kutatásaként Zárótanulmány. Budapest, 2011. december 15. p. 12.

50 Herpai Balázs: *A lakossági díjhátralékok alakulása egy felmérés tükrében. (Utility debts as reflected by a survey)*In: *Esély 2010/6* Pp:22-40

needed, not only for the homeless<sup>51</sup> but lots of others, partly those who are losing their own housing due to foreign currency and other debts.

### 3. Financial Resources

#### 3.1 National resources

The structural reforms (revision and transformation of early pension and disability pension and that of social provisions) on the one hand aimed to restore the sustainability of the system and on the other, to enforce the make work pay principle. The motivation behind these measures was to increase the difference between active earnings from work and passive benefits from the state, so to give stronger incentives to work, and also, at least as important, to reach saving.

Active labour market tools are primarily financed from the National Employment Fund (previously called Labour Market Fund) and partly from EU funds. The PES in 2010 used 22.7 billion HUF, a 2.6 billion more than in 2009, whereas 15.3 billion less than in 2008. From the decentralised part of the Labour Market Fund in 2010 the biggest proportion was spent on supporting labour market trainings (more than 7.2 billion HUF).<sup>52</sup>

The growing dominance of public work projects is criticized not only from a professional, but also from a financial point of view: the extension of public works to promote employment of groups excluded from the labour market "detectably sips away financial resources available for any other support interventions"<sup>53</sup>. In 2009 83 % of the employment policy budget was spent on public work and a same proportion was planned for 2010.<sup>54</sup> Köllő János economist<sup>55</sup> in late 2011 called attention to the fact that based on the proposed budget for 2012 the government intends to involve the whole pool of permanently unemployed people into public work..<sup>56</sup>

The analysis of the expenditures of the National Employment Fund (previously called National Labour Market Fund), which gains its resources mainly from contributions and to a lesser extent, from the budget, also supports this above statement, in 2012 42% of its resources is spent on public work.

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51 As to the penalisation of homelessness see the previous report.

52 Tajti József: Az aktív foglalkoztatáspolitikai eszközök legfontosabb létszámadatai 2010-ben.  
[http://www.google.hu/url?sa=t&rct=j&q=&esrc=s&source=web&cd=72&ved=0CDQQFjABOEY&url=http%3A%2F%2Fwww.afsz.hu%2Fresource.aspx%3FResourceID%3Dstati\\_foglalk\\_politikai\\_eszk\\_2010&ei=u7bMUN6oL1eetAa6q4GQAQ&usg=AFQjCNG7I5pxvZkEgTepDCYuuLbym-B7nA&bvm=bv.1355325884,d.Yms&cad=rja](http://www.google.hu/url?sa=t&rct=j&q=&esrc=s&source=web&cd=72&ved=0CDQQFjABOEY&url=http%3A%2F%2Fwww.afsz.hu%2Fresource.aspx%3FResourceID%3Dstati_foglalk_politikai_eszk_2010&ei=u7bMUN6oL1eetAa6q4GQAQ&usg=AFQjCNG7I5pxvZkEgTepDCYuuLbym-B7nA&bvm=bv.1355325884,d.Yms&cad=rja)

53 <http://www.hirextra.hu/2012/03/06/komolyak-a-munkahelyi-egyenlotlensegek/>

54 <http://www.hirextra.hu/2012/03/06/komolyak-a-munkahelyi-egyenlotlensegek/>

55 [http://www.nol.hu/lap/mo/ez\\_tulajdonkeppen\\_az\\_elo\\_halal](http://www.nol.hu/lap/mo/ez_tulajdonkeppen_az_elo_halal)

56 [http://nol.hu/belfold/20111008-kozmunokban\\_az\\_osszes\\_segelyezett\\_](http://nol.hu/belfold/20111008-kozmunokban_az_osszes_segelyezett_)

**Table 5: Expenditures of the National Employment Fund (previously called National Labour Market Fund), in million HUF<sup>57</sup>**

	2011	2012	2013
Employment and training support	25 873.2	25 988.3	27 000
Support for vocational and adult training	27 921.2	23 482.8	27 500
<b>Job seeking provisions</b>	<b>124 604.7</b>	<b>57 000</b>	<b>59 000</b>
<b>Public work (Start work program)</b>	<b>59 735.5</b>	<b>132 456.3</b>	<b>153 779.8</b>
Social Renewal OP 1.1. labour market services and support	19 713.3	37 511.7	35 000
Social Renewal OP 1.2. Normative support to enhance employment	9 774.8	8 500	11 000
Employability and adaptation EU co-financing	3 970.7	6 967	16 279.6
Complementary employer support	0	21 000	0

While the majority of financial resources in employment policy is spent on public work, there is less left for trainings, rehabilitation programs, significant contribution allowances, although these latter are proved to be efficient in promoting labour market participation. "In 2011 participants involved in active labour market tools was 391 800, which is an insignificant decrease (0.,8%) as compared to 2010. However the proportions of the various active labour market tools changed significantly, primarily thanks to the new public work program. Thus last year (2011) the number of those involved in public work was 45% higher than in 2010, but essentially the same magnitude of decrease can be observed in the number of participants of various training and wage subsidy programs. One third less participated in programs to start up businesses and almost one fifth less was involved in smaller tools".<sup>58</sup>

Also, experts call attention to the fact that by this restructuring the targeting of the Employment Fund also changed: while previously with the job seeking allowance it supported the basically active population segment that just temporarily lost their job, the target group of public work is usually the long-term unemployed and those living on social provisions. There is a risk that in case of job loss and due to the extremely short period of job seeking allowance those in the first group easily become members of this second.<sup>59</sup>

### 3.2 Use of EU Structural Funds

EU funds are extensively used to support the development and implementation of measures related to the active inclusion strategy. At the end of 2008 the government and the National Development Agency decided to reallocate funds of the operative programs of the New Hungary Development Plan "to cushion the impacts of the crisis, retain jobs and begin to prepare for the period after the crisis"<sup>60</sup>. 51 billion HUF from the Social Infrastructure OP and 60 billion from the Transport OP was reallocated by the permission of the EC to the Economic Development OP. The aim was to "to make

57 Tovább erősít a közmunkával a kormány. In: *Portfolio.hu* 2012. 06.23.

[http://www.portfolio.hu/gazdasag/munkaugy/tovabb\\_erosit\\_a\\_kozmunkaval\\_a\\_kormany.169139.html](http://www.portfolio.hu/gazdasag/munkaugy/tovabb_erosit_a_kozmunkaval_a_kormany.169139.html)

58 Munkaerő-piaci helyzetkép a Nemzeti Foglalkoztatási Szolgálat adatai alapján, 2011 p. 22. [www.afsz.hu/resource.aspx?ResourceID=full\\_afsz\\_eves\\_2011](http://www.afsz.hu/resource.aspx?ResourceID=full_afsz_eves_2011)

59 Tovább erősít a közmunkával a kormány. In: *Portfolio.hu* 2012. 06.23.

[http://www.portfolio.hu/gazdasag/munkaugy/tovabb\\_erosit\\_a\\_kozmunkaval\\_a\\_kormany.169139.html](http://www.portfolio.hu/gazdasag/munkaugy/tovabb_erosit_a_kozmunkaval_a_kormany.169139.html)

60 <http://www.nfu.hu/content/3114>



use of EU funding in a way that enables the protection of the highest possible number of jobs threatened on account of the crisis. One of the pillars is the 1400 billion HUF packages, which attempts to strengthen Hungarian small and medium enterprises by directly applying crisis management tools (the reason why these enterprises need to be protected is that they provide over two-thirds of jobs in Hungary). The package includes measures, such as, the New Hungary Micro-Credit, the opportunity to receive a higher rate of advance payment, or the newest scheme, namely, the 4+1-day programme, which may help salvage jobs at risk through the combination of a shorter working week and one training day financed from EU funding. We have also launched an interest funding programme for the SME sector, which sector is particularly exposed to decline in orders and lack of liquidity; moreover, the new refinancing credit and venture capital programme is also already running. The other pillar is the 1800 billion HUF package, which fundamentally influences the crisis via the building industry employing large numbers of workers.”<sup>61</sup>

#### 4. Monitoring and evaluation

As to my best knowledge, there is no systematic monitoring of the implementation of the active inclusion recommendation and the impact of the measures in its complexity, but of course several elements/measures of active inclusion have been monitored and evaluated.<sup>62</sup>

The PES evaluates the efficiency of the most significant active labour market tools since 1994 with a monitoring system developed for this purpose. The analysis every half year focuses on those in labour market training, support to become self-employed, in wage support in public work. The methodology of the monitoring changed in 2009 regarding its IT background and the methodology of follow up (its

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61 Formerly available on the website of the National Development Agency (see previous footnote), now (2012. 12.14) available at <http://en.magzrt.hu/index.php/news-blogger/33-hungarys-development-policy-over-the-past-five-years-a-european-success-story>

62 After the submission of the present report the Hungarian Labour Market 2012 was published including a whole chapter on the topic of evaluating active labour market programs (see: [http://econ.core.hu/file/download/HLM2012/TheHungarianLabourMarket\\_2012\\_Infocus.pdf](http://econ.core.hu/file/download/HLM2012/TheHungarianLabourMarket_2012_Infocus.pdf)). Based on this, most successful active measures include wage subsidies, support for self-employment and training programmes. Detailed analyses show that in comparison to job-seekers, who have not received any support before (i.e. control group), probability of finding a job for participants of labour market training programmes or those who received support for self-employment is somewhat higher, while for those receiving wage subsidy the probability is significantly higher. However, deadweight and substitution effects distort these results somewhat. Taking these into account and also the relatively high unit cost linked to wage subsidies, the effectiveness of these measures is almost the same. All of them show significantly better results than previous public work schemes which resulted in fewer opportunities for participants to enter the labour market. The study evaluates as successful also a smaller scale comprehensive labour market programme providing personalised development, training and wage subsidy targeted at long-term unemployed.

Besides, after the submission of the present report another piece containing relevant information has been published: *From Pensions to Public Works - Hungarian employment policy from 1990 to 2010* (Eds: Fazekas K. \_ Scharle Á.) [www.budapestinstitute.eu/uploads/emp\\_pol20\\_hu.pdf](http://www.budapestinstitute.eu/uploads/emp_pol20_hu.pdf)

„according to the sparse data and empirical research available, active labour market programmes implemented with the aim of reducing unemployment have not proved very effective in increasing employment. Often it is not the most vulnerable who benefit from labour market programmes that improve employability; job centres do not consistently enforce sanctions against those who refuse to accept a job or training (partly because these sanctions are too strict and would have adverse effects); the supply of placement and rehabilitation services is limited and patchy; and many of the jobs created under job-creation initiatives or wage subsidies would have been created anyway. The increasingly popular public works schemes do not support entry to the labour market, but instead create a 'revolving door' between benefits and casual labour – the majority of the unqualified unemployed sooner or later find themselves in this dead-end street” p. 26

extension to 6 months after completion). The main indices are the proportion of those still at work after a given time period and also the calculated costs.<sup>63</sup>

The interventions targeting the improvement of the services of the Public Employment Service have been quite extensively evaluated and also in the framework of measure 1.3.1. of the Social Renewal OP 3.2. project apart from collecting data on the services of PES, important aspects of employment policy have also been analysed.<sup>64</sup> Several such studies called attention to the lack and also the need for regular and systematic data collection so as to evaluate the quality and effectiveness of measures in depth.

The National Development Agency had an evaluation prepared on the modernisation of the Public Employment Service carried out in the framework of measure 1.2 of the Human Resource Development OP and continued in measure 1.3.1. of the Social Renewal OP.<sup>65</sup> The main conclusion of the evaluation was that some basic achievements were made, among others the national introduction of a unified, integrated information technology system, the creation of a self evaluation system to increase organisational consciousness, and interior architectural modernisation of offices where clients are received. Developments had significantly increased the reintegration chances of job seekers into the primary labour market. Based on 2008 data it meant that as compared to the average 440 000 registered job seekers 5%, that is 19 000 can be employed, 1440 of which due to the introduction of new measures. However, achievements can only be judged by indirect methods as there had been no data collection during the program which would facilitate direct measurement, which hinders the optimal realisation of the program, the evaluation of its results and experiences, the identification and correction of mistakes and thus ultimately the efficient operation of the PES. To overcome these gaps neither the PES nor the project organisation has the required research and analytic resources.

The analysis of the impact of social provisions on employment<sup>66</sup> shows that in Hungary social transfers cannot compensate social inequalities due to the lack of income. Public work became an important element of Hungarian activation policy, but other measures of employment integration are also needed in the interest of those farthest from the labour market. Reforms are needed to assure better targeting and higher quality of employment and social services as well. The employment integration should be a shared task of the actual public employment services and of the family counselling centres. Their funds and personnel should be utilized in strong co-operation. This analysis also comes to the conclusion that keeping social provisions at such a low level plus the significant increase of the minimum wage (to compensate for the modification of the tax system) may lead to the decrease of legal employment and the deepening of poverty, and although public work does have a place among ALMPs, the whole support system of those excluded from the labour market should not be dominantly based on it.

The analysis of the data from measure 5.3.1. of the Social Renewal OP indicates that besides the lack of education two other factors hinder employment, namely personal difficulties (lack of self-esteem, sickness, permanent disability etc.) and also the lack

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63 For the latest such analysis see: 2010. évben befejezett főbb aktív foglalkoztatáspolitikai eszközök hatékonyságának vizsgálata [http://nfsz.munka.hu/engine.aspx?page=afsz\\_stat\\_fobb\\_aktiv\\_eszkozok](http://nfsz.munka.hu/engine.aspx?page=afsz_stat_fobb_aktiv_eszkozok)

64 Several such studies can be found on the webpage of the National Employment Service, esp. regarding the period 2004-2009. See: [http://www.afsz.hu/engine.aspx?page=full\\_tamop\\_131](http://www.afsz.hu/engine.aspx?page=full_tamop_131)

65 Cseres-Gergely Zsombor és Scharle Agota: AZ ÁLLAMI FOGLALKOZTATÁSI SZOLGÁLAT MODERNIZÁCIÓJÁNAK ÉRTÉKELÉSE. Budapest, 2010. július 5. [http://www.google.hu/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CE0QFjAA&url=http%3A%2F%2Fwww.nfu.hu%2Fdownload%2F30137%2FBI\\_AFSZ\\_modernizacio\\_ertekeles\\_100705.pdf&ei=1PDrT-TGfYrNsgb57ezRBQ&usq=AFQjCNGpqtz4PZdwyOVYxfl-mZBnoy4oCQ&sig2=PS00XUupSII0e2HIIdiGSLw](http://www.google.hu/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CE0QFjAA&url=http%3A%2F%2Fwww.nfu.hu%2Fdownload%2F30137%2FBI_AFSZ_modernizacio_ertekeles_100705.pdf&ei=1PDrT-TGfYrNsgb57ezRBQ&usq=AFQjCNGpqtz4PZdwyOVYxfl-mZBnoy4oCQ&sig2=PS00XUupSII0e2HIIdiGSLw)

66 A szociális ellátás foglalkoztatásra gyakorolt hatása. (TÁMOP 1.3.1 projekt V. részfeladat) by Mózer Péter, Simonyi Ágnes. Arco-bis Kft, Budapest. 2011. October 31. p.96.



of previous work experience. These people cannot change their inactive status without outside help. In their case the first step towards employment should be motivating programs, supporting services that promote independent living and entrance into the labour market, to later join traditional training and employment programs and employment services<sup>67</sup>

There has been an evaluation of the first year of the „Pathway to work” programme, published in a special edition of a social policy journal, *Esély*<sup>68</sup>.

## 5. Recommendations

### 5.1 Priority actions to be taken at national level to strengthen / develop integrated comprehensive active inclusion strategy

The level of social provisions has been further decreasing since 2008. Furthermore, due to the modifications of the tax system, the income situation of those employed, being in the lower income brackets, especially if having no children in the age groups when tax allowance is given for them, is worsening just as well. This worsening trend is reflected in the poverty indices, and taking all information into consideration, even without recent income data one should expect a further deterioration both in the scale and depth of poverty, which should be stopped.

Planned measures should be assessed *ex ante* and then *ex post*, regarding their social impact; implemented fully, and also, the implementation should be monitored.

Although it is justified and important to increase work incentives, it is just as important to provide means for at least bear survival, and making employment a real option for those who could work by, among others, securing necessary services for that (transport, health care, PES etc.)

### 5.2 Priority actions to be taken at national level to strengthen policies / measures under each of the 3 active inclusion strands

Regarding social provisions, local discretionary elements should be eliminated as they give way to discrimination<sup>69</sup> and make recipients completely defenceless.

Public work should not be such a dominant element of labour market tools as it is very expensive and its effectiveness to contribute to employment in the primary labour market has not been supported by evidence.

The prescribed cooperation with either the Family Support Centres or the PES should not be only a formal exercise but a framework of mutual, substantial, tailor-made procedure. For that the HR capacities of the affected organisations should be significantly improved (which has been planned, but has not been fully implemented).

The availability and affordability of public transport (e.g. by supporting local/community solutions to facilitate commuting) is a key element in improving employment levels in the countryside, and it is not in the focus of attention of policy measures nowadays.

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67 *A szociális ellátás foglalkoztatásra gyakorolt hatása. (TÁMOP 1.3.1 projekt V. részfeladat) by Mózer Péter, Simonyi Ágnes. Arco-bis Kft, Budapest. 2011. October 31. p.96.*

68 *Esély 2010/1. <http://www.esely.org/index.php?action=mutat&id=129>*

69 *[http://jogtalanul.blog.hu/2012/05/30/ez\\_pofara\\_megy](http://jogtalanul.blog.hu/2012/05/30/ez_pofara_megy)*

So as to enhance mobility and also to prevent masses of people from becoming homeless, measures to revive and extend the social housing sector should be urgently implemented, on a massive scale.

### **5.3 Actions to be taken at EU level**

A report could be requested from member states describing the organisational cooperation/links between institutions/actors playing a part in various segments of active inclusion. This may enhance systematic revision of this strategy being integrated and also may call attention to the fact that it should be vertically and horizontally so just as well. This may enhance the participation of relevant stakeholders as well.

## Summary tables

**Table 1**

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work		X			X				X			X
For those who cannot work		X			X				X			X

**Table 2**

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work			X	X				X	
For those who cannot work			X		X			X	

