



ATTRACTING HIGHLY QUALIFIED AND QUALIFIED THIRD-COUNTRY NATIONALS

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EMN FOCUSED STUDY 2013

Attracting Highly Qualified and Qualified Third-Country Nationals

Top-line “Factsheet”
(National Contribution)
Executive Summary
(Synthesis Report)

The present study is focused on outlining the sporadic policy elements and concrete practical measures in Hungary that aim to attract highly qualified third-country nationals. As in migration legislation and among few migration policy elements, there are only references to highly qualified employment of third-country nationals defined at EU level, the study focuses mainly on this category. However, the lack of coherent migration policy makes a comprehensive analysis very complicated. As a consequence of the missing labour migration strategy, there is no explicit focus of policy-making, it is segmented, reactively shaped by EU requirements and there is no comprehensive and managed national strategy behind it.

The paper enlightens the marginal role of (highly qualified) third-country nationals played in the Hungarian labour market, sketches the reasons for that, and evaluating the challenges for labour market (especially the low efficiency and the distinctly increasing emigration trends) foreshadows the future and calls for a change in focus of labour policy.

Furthermore, in the light of recent developments the study analyses the role of migration of wealthy investors as a creative way to secure an injection of capital into the struggling Hungarian economy following the global debt crisis and the ongoing austerity measures.

Synthesis Report

The Hungarian labour market is characterised by one of the lowest employment rate¹ and an unemployment rate² around the average of the EU-27, by low efficiency and a prognosticated shortage of highly qualified workforce in the future and last but not

¹ At the end of 2012: 62.1 %, see at <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tsdec420> (27.05.2013)

² At the end of 2012: 11.1 %, see at <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=teilm020&tableSelection=1&plugin=1> (27.05.2013)

least by increasing emigration trends concerning more and more young skilled persons.

What is the role of labour migration under these circumstances? Can extra labour migration be a solution? Are there any policies and concrete practical measures in Hungary that aim to attract third-country nationals who have skills, competences and knowledge that can neither be immediately met by the domestic workforce, nor be generated quickly enough by changing the national education and training systems?

The study aims to answer these questions by:

- providing an overview of (the lack of) national policies aimed at attracting highly qualified third-country nationals for the purpose of work;
- outlining (the lack of) concrete practical measures which are implemented to achieve the goals of national policies;
- investigating available evaluative evidence about the (non-)effectiveness of those policies and measures;
- mapping co-operation with third countries;
- identifying challenges and barriers that affect the attractiveness of Hungary;
- and drawing conclusions about the need for coherent Hungarian labour migration policy.

The study draws its conclusions from the following main sources:

- research work: analysis of national legislation, relevant policy papers, statistics, reports and studies;
- consulting with the experts of the Department of European Cooperation within the Ministry of Interior.

Section 1 National Policies and Measures

1.1 Policies

Q.1. National policies in place for the attraction of highly qualified and qualified third-country nationals³

There is a reverting statement in all EMN studies about Hungary that the country has still no coherent migration policy. This widely impresses the issue of the present study, too, and makes a comprehensive analysis very complicated. As we cannot talk about a general Hungarian vision regarding migration management, it is likewise hard to formulate the role of highly qualified and qualified third-country nationals in the Hungarian labour market and the measures aiming at the attraction of them. There is not only a complete lack of policy-making and public debate on (labour) migration among the stakeholders (apart from the vivid ethnic-based discussions about the Hungarians living in the neighbouring countries), but the issue is rather distorted. 2007 clearly showed the wrong Hungarian track of discussion on migration issues. At that time of writing, the first attempt to the elaboration of a Hungarian migration strategy has been launched, however, after a political statement from a party based on a misunderstanding, Hungary's mass media was occupied for a couple of weeks with "governmental plans to import one million Asians" into the country (with a population of ten million people) to solve the demographic problems, which obviously has not been the plan as such, but an incorrect and manipulative interpretation of the draft governmental document among others about the necessity of migration. After this intermezzo the elaboration of the strategy was put away from the political agenda. However, in April 2009 the Government adopted the Strategy of the Cooperation in the Area of Freedom, Security and Justice of the Republic of Hungary⁴ for a 5-year period. This document has some references also to migration issues, emphasising that Hungary must seek to promote the entry and stay of legal migrants in line with the needs of the economy and science and also of the national labour market. The strategy states that in the field of legal migration the circular migration of highly skilled migrants needs to be encouraged for the benefits of the

³ In the subtitles letter "Q" refers to questions of the template.

⁴ Government Resolution No. 1057/2009. (IV. 24.).

Member States and third countries and that of the migrants themselves. Furthermore, the document emphasises the importance to promote the adoption of legislation that makes the international mobility and employment of persons working in scientific positions possible without barriers. Although the document also called for a coherent strategic document on migration issues, it has not been elaborated yet. The actual deadline for drawing up the Hungarian migration strategy is the end of August 2013.⁵

Hungary has its national occupational classification (FEOR-08), although it follows in terms of its basic principles and structure the International Standard Classification of Occupations (ISCO-08). According to the methodology guide⁶ of the classification, skills level is defined through the complexity and range of tasks and duties to be performed in an occupation. Establishing skills level, the level of formal education required for the competent performance of the tasks and duties involved is taken into consideration. Another significant factor is the amount of informal on-the-job training and/or previous experience in a related occupation. The most decisive component of any skills level is, however, the nature and complexity of the work to be done in a given occupation.

The classification identifies four skills levels, clarifying situations where the requirements of formal education do not fully cover skills levels. The skills levels relevant to the present study are the following:

- Skills Level 3, typically involving the performance of complex technical and practical tasks which require an extensive body of factual, technical and procedural knowledge in a specialised field. The knowledge and skills required at this are usually obtained as the result of study at a secondary school (e.g. grammar school, a comprehensive or secondary modern school) and a higher educational institution following completion of secondary education. In some cases extensive relevant work experience and prolonged on-the-job training may substitute for the formal education.
- Skills Level 4, typically involving the performance of tasks which require complex problem solving and decision making based on an extensive body of

⁵ See Subsection 5) of the Government Resolution 1657/2012. (XII. 20.) on the tasks related to the review of strategic documents.

⁶ Available at http://www.ksh.hu/docs/szolgalatasok/hun/feor08/pdf/feor08_modszertan.pdf (27.05.2013)

theoretical and factual knowledge in a specialised field. The capacities and skills required at this level are usually obtained as the result of study at a higher educational institution leading to the award of a first degree or higher qualification.

However, irrespective of the above-mentioned general categorization, in migration legislation and among the sporadic migration policy elements there are only references to highly qualified employment of third-country nationals defined at EU level⁷ according to 2009/50/EC Directive (hereinafter referred to as Blue Card Directive), i.e. employment of a third-country national who in the Member State concerned, is protected as an employee under national employment law and/or in accordance with national practice, irrespective of the legal relationship, for the purpose of exercising genuine and effective work for, or under the direction of someone else, is paid and has the required adequate and specific competence, as proven by higher professional qualifications. In line with the proof of higher professional qualification and the requirement of the salary level arising from the Blue Card Directive (at least 1.5 times – for specific professions 1.2 – the average gross annual salary) Act II of 2007 on the Entry and Stay of Third-Country Nationals defines⁸ highly qualified employment considering the education level and salary⁹.

Q.2. Other groups of third-country nationals included in the national policies on attracting (highly) qualified third-country nationals

Despite the lack of coherent migration policy there is nonetheless a very clear recent line in Hungarian policy-making: migration of wealthy investors. Following the global debt crisis and the ongoing austerity measures, Hungary – like many other countries – seeks out creative ways to secure a much needed injection of capital into its struggling economy. Investor programs enabling wealthy third-country nationals to gain residence in one of the European countries and eventually access their

⁷ Article 2 point b) of Council Directive 2009/50/EC of 25 May 2009.

⁸ Article 2 point p) of Act II of 2007 on the Entry and Stay of Third-Country Nationals.

⁹ As a general rule the recent salary threshold – based on the average gross annual salary of the year 2011 – is HUF 320.000 Ft, approximately EUR 1.100.

citizenship, are generally on the increase. Over the past months among others Bulgaria, Portugal and Ireland have also opened their borders to investors.¹⁰ The investor programmes seek to attract foreign investment and curtail public debt, thus helping the ailing economies recover, meanwhile on the investor's side the benefits – apart of course from the investment itself – are the mobility rights across Europe: the magic words are thus access to Europe.

The Hungarian Parliament decided in December 2012 on the issue.¹¹ Act II of 2007 on the Entry and Stay of Third-Country Nationals was modified with the aim of investment migration.¹² Any third-country national whose investments in Hungary qualify his or her entry and stay as being “in the interest of the economy at large” may receive a residence permit. For this purposes a third-country national's stay in Hungary is considered to be “in the interest of the economy at large” in particular if the third-country national verifies that he/she or a company in which he/she holds a majority stake owns a security with a nominal value of at least EUR 250.000 and a duration of at least five years.¹³

The president of the Parliamentary Committee for Economic Affairs claimed in a tabloid interview¹⁴ that the Government estimates the future value of the bonds at one billion EUR, which means 4.000 planned applicants, i.e. a relatively great quantity in respect of the low proportion of migrants in Hungary. The reasons of the considerable interest and the Government's expectations are at least twofold. First of all, such opportunities are usually much more expensive in other countries. The Bulgarian citizenship-by-investment program requires e.g. an investment of at least one million Bulgarian Lev (around EUR 0.5 million), twice as much as the Hungarian amount. Another relevant factor could be Hungary's favourable geographic location as a bridge between Eastern and Western Europe and also between Europe and China or the

¹⁰ More on the issue at

<http://blogs.lse.ac.uk/europpblog/2012/12/17/selling-citizenship-jelena-dzankic/> (27.05.2013)

¹¹ Act CCXX of 2012 amending Act II of 2007 on the Entry and Stay of Third-Country Nationals.

¹² There was an undoubted demand for the preferential treatment policy when drafting the Bill and the process clearly showed the very special track of policy-making in question. Instead of the governmental bodies responsible for shaping migration policy and in charge with legislative tasks, the bill was submitted by three MP's of the ruling party Fidesz only two days before the parliamentary debate took up.

¹³ The security is issued by an enterprise that invests exclusively in zero-coupon Hungarian government bonds issued for this particular purpose with a nominal value of EUR 250.000 and a duration of at least five years, and does so only under the conditions specified in the Ministry for National Economy Decree 4/2013 (II.19) on the specific rules for issuing the government bonds specified in the Entry and Stay of Third-Country Nationals Act.

¹⁴ Available at http://www.blikk.hu/blikk_aktualis/300-milliardot-hoz-4000-bevandoerlo-2177851 (27.05.2013).

Middle East.

However, the instrument only requires an apparently one-off investment and the rules do not really consider the opportunity with the aim of encouraging the relocation of business activities to Hungary, thus creating employment and attracting qualified workforce thereby. The measures could thus be more adaptive to the Hungarian labour market by creating jobs. Nevertheless, the few requirements make the conditions definitely more attractive for investors.

Q.3. Focus on specific areas of occupations

As a consequence of the missing labour migration strategy, there is no explicit focus on specific areas of occupation, however, as the Blue Card Directive allows derogation from the main scheme in terms of the salary threshold laid down for specific professions where it is considered that there is a particular lack of available workforce, according to the annex to a Minister for Economic Affairs decree¹⁵ the salary threshold is 1.2 times (instead of 1.5 times) the average gross annual salary regarding different types of health personnel. These occupations, being *de facto* the focal points of policy-making, are the following: general doctor, specialized doctor, pharmacist, specialized pharmacist, optometrist, dietician and nutrition adviser, physiotherapist, district nurse, ambulance officer, nursing professional, midwifery professional. This is in clear connection with the evaluation of the acute Hungarian (and global) problem: the shortage of health personnel, i.e. the progressive obsolescence of active health personnel and the significant increase in the number of health care professionals who emigrate abroad. However, it is only supported by sporadic policy measures and the general barriers of the Hungarian labour market also highly affect the issue (see later).

¹⁵ Minister for National Economy Decree No. 44/2011. (XII. 16.).

Q.4. More favourable conditions for specific groups of (highly) qualified third-country nationals through the transposition of EU Directives

Researchers

The possibility of research activities through hosting agreements has been introduced into Hungarian law in July 2007 by the transposition of Council Directive 2005/71/EC. On the level of entry and stay conditions and regarding the permission to work, subsequently, it has definitely led to a more favourable framework. The procedure has become faster (the competent regional directorate of the Office for Immigration and Nationality – hereinafter referred to as OIN – shall decide on the residence permit within 15 days instead of the general 21 days¹⁶) and there are less administrative obstacles the third-country nationals have to face with (e.g. the discretion of the authorities is very limited if a hosting agreement has been concluded). Furthermore, as from January 2010 according to point 21 of Article 2 (1) of Government Decree No. 355/2009. (XII. 30.) no work permit is required for the researchers' research activities in Hungary which are pursued on the basis of hosting agreements concluded with an accredited research organization. However, poor research conditions, low wages parallel to increasing living cost and language difficulties have not made Hungary an attractive European target country (see the data later on).

Blue Card holders

Compared to the classic procedure of employment authorization the EU Blue Card procedure comprises several new favourable elements.¹⁷ The most significant shift is that highly qualified persons appear as clients in the procedure, therefore the EU Blue Card is issued into their hands and not to the employer (as the general rule of work permit). Secondly, clients have to recourse to one single authority (this is called single-window administration) which is the regional directorate of OIN having

¹⁶ It is, however, to be noted that the general procedure itself became faster at the end of 2012 by Government Decree No. 409/2012. (XII. 28.): from 30 days to 21.

¹⁷ See in detail *Third-country national researchers' integration in Hungary Handbook and conference report*. Ed. Éva Lukács Gellérné and Vera Ács, Budapest, Tullius, 2011.

competence at the applicant's place of accommodation. The procedure is conducted by the OIN as the main competent agency; however labour centres are involved as specialized authorities giving binding opinion on the fulfilment of conditions concerning employment.

1.2 Measures

Q.8. Concrete measures in order to satisfy the policy goals

The sporadic concrete measures to attract highly qualified work force mainly focus on free access to the labour market. According to Government Decree No. 355/2009. (XII. 30.) there are many forms of employment exempt from authorization. From the point of view of highly qualified third-country national workforce the following exemptions might be of relevance:¹⁸

- if an international agreement provides accordingly;
- employment in an executive position of a branch and an agency of a foreign business association as set forth by an international agreement;
- the employment of the staff and their close relatives by an intergovernmental organization or an organization recognized by Hungary as an international organization operating in Hungary on the basis of an international agreement;
- employment of persons delegated by State Parties to an agreement establishing an international organization or a joint agency not qualified as an international organization at the international organization or the joint agency as well as the employment of the delegates' close relatives on the basis of reciprocity between the State Parties;
- dispatching or posting-related employment by an employer established in one of the State Parties to the EEA Agreement providing cross-border services, if the employment is targeting the implementation of a civil contract;
- performing work as an executive officer or as a member of the supervisory board of a business association with foreign participation;
- employment on the basis of an application for post-doctoral employment as well as

¹⁸ Categorization *ibid.*

- the Bolyai János Research Scholarship or employment on the basis of a scholarship;
- employment of persons being full-time students or having a student status in a specialized school, secondary school, primary art education institution, higher education institution during the duration of such legal relationship;
 - teaching activity in a foreign language in a primary, secondary or higher education institution that takes place – according to the certificate of the Minister of Human Resources – on the basis of an international education program signed by the Ministers of Education of the States concerned;
 - education, science or art-related activities not exceeding ten working-days;
 - the activity of the researcher that – according to the certificate issued by the Hungarian Academy of Sciences – falls within the scope of an agreement concluded by Hungary and another state;
 - employment of a third-country national participating in the training organized on the basis of the Comenius, Erasmus, Leonardo da Vinci and Grundtvig programs;
 - research activity of the researcher performed on the basis of a hosting agreement.

Furthermore, in connection with Hungary's above-mentioned need for health workers specific projects have also been launched. A remarkable project is called SIMIGRA.¹⁹ It is established under the auspices of the National Institute for Quality- and Organizational Development in Healthcare and Medicines and supported by a private foundation. The project's goals are to facilitate migrants in access to information which aids their path of social and occupational integration, with reference to their main rights, to inform immigrant workers on how to have their qualifications recognized and on the professional requirements for the various jobs, to offer support to employers who intend to take on immigrant staff, to guarantee correct information on the possibilities offered in the Hungarian labour market in health sector for potential migrants residing abroad, to arrange tools which promote the exchange of information and forums for migrants, along with careers guidance. In addition also an information point is opened in Budapest. The information point answers migrants' questions personally, by phone, by e-mail. The project is built upon a diversified range of online services therefore it has no territorial limits concerning the migrant

¹⁹ More at <http://www.eti.hu/eti/simigra> (27.05.2013).

population in Hungary or potential migrants. In the project the Institute creates and activates different e-learning materials in the topic of different issues like professional differences, the process and difficulties of naturalization and other official tasks.

1.3 Relations with third countries

Hungary has no labour migration agreements relating to attracting qualified and/or highly qualified third-country nationals to its territory; however, Hungary signed agreements in the framework of the Working Holiday Scheme with New Zealand²⁰ and recently²¹ with the Republic of Korea. Within the framework of the Working Holiday Scheme up to one hundred citizens per year, between the age of 18 and 30 (35) are allowed to stay in the other country for a maximum of one year. Apart from the fact that the primary purpose of the residence must be tourism, the youngsters participating in the programme are also authorised under specified circumstances to take up temporary work in the country concerned. It can be ascertained that the conclusion of such an agreement serves – despite of its principal goal – as an excellent opportunity for increasing human relations and boosting cultural and economic ties in the future. If we consider the vast number of Korean enterprises²² engaged in the production and sales of goods and services in Hungary the recent agreement could have promising prospects to attract highly qualified young Koreans (through internships inter alia) to the country.

²⁰ See Act LIV of 2012 on the incorporation of the Agreement.

²¹ Signed on 9 April 2013, see Act LXIV of 2013 on the incorporation of the Agreement.

²² Hungary is a well-liked destination of Korean investments. The biggest Korean investors in Hungary are Hankook Tire and the Samsung-Group. Other big conglomerates, like Hanwha-Group, LG-Group, Daewoo-Group are also present in Hungary. At the time being the number of Korean companies operating in Hungary exceeds 40.

Section 2 Evaluation and Effectiveness of Measures

Evidence of effectiveness based on statistics

Considering very briefly also the general characteristics of migration to Hungary, it should be noted that the number and proportion of migrants are very low. Migrants constitute approximately only 2% of the whole population.²³ Hungary is thus not a main destination generally, and the proportion of highly qualified third-country national work force is especially low. The slight migration is mainly a demand-driven, sub-regional labour migration, often based on seasonal or temporary employment of unskilled migrants.

The statistics of residence permits clearly show the quantitative and qualitative aspects of the question. The number of third-country nationals' applications most relevant to the present study (remunerated activities as purpose of stay) had a significant decrease from 2008 to 2009: from 17,681 to 14,043. This was mainly attributed to the fact that Romania joined to the European Union: therefore Romanians have become persons enjoying the right to free movement. In 2010 there was a considerable increase to 16,060, in the years afterwards, however, the number decreased to a relatively stable level: 13,187 in 2011 and 13,580 in 2012.²⁴

Regarding the overall trend of first residence permits issued to third-country nationals for remunerated activities, there was a tremendous decrease from 2008 (17,759) to 2009 (5,326) followed by a further decrease to 4,229 in 2010 and 3,785 in 2011, however the preliminary data from 2012 show the change in trends with a significant increase to 7,183 permits.²⁵

As regards the purpose of research, the situation is very modest: a very limited number of third-country national researchers come to Hungary: the number of applications for residence permits issued for the purpose of research amounted to only 33 in 2008, 52 in 2009, 63 in 2010, 79 in 2011 and 5 in 2012 up to the 31st of October.²⁶

²³ At the end of 2012 the total number of foreigners – not only third-country nationals – staying in Hungary for more than three months was 213.732 (source: OIN. See at <http://www.bmbah.hu/statisztikak.php> (27.05.2013)).

²⁴ Source: OIN. See at <http://www.bmbah.hu/statisztikak.php> (27.05.2013).

²⁵ See Table 1.1.

²⁶ Data from the EMN study „*Intra-EU mobility of third-country nationals*”.

According to the general rules third-country nationals are only entitled to work in Hungary when possessing a work permit or an EU Blue Card. There are some exceptions to this rule (like the above-mentioned research activities through hosting agreement). Although the list containing these forms of employment has become broader and broader in the recent years²⁷, it happened mainly due to *ad hoc* decisions of the government or due to the lobbying of certain groups, and do not substantially affect the overall situation.²⁸

At the end of 2012 there were totally 18,418 third-country nationals possessing a work permit. The number has decreased significantly from 2008 (27,434) to 2009 (20,115), however, in the years afterwards with a slight further decrease it has stayed at a relatively stable level: 17,854 in 2010, 18,513 in 2011 and 18,418 in 2012.²⁹

The most third-country nationals possessing a work permit at the end of 2012 were from China (6,067), the second nationality was the group of Ukrainians (3,234) before the third one Serbs (1,491).³⁰

The overwhelming majority, around 45% of third-country nationals have only basic educational levels as they completed 8 grades of elementary school or less. Only 3000 permit holder, i.e. 16.3 % of the total number have academic education.³¹

As regards EU Blue Cards, it can be applied for by third-country nationals from 1 August 2011. Up to the end of 2012 there have only been 5 applications submitted and only 2 of these procedures ended with granting the EU Blue Card.³²

Q.15. Quota for highly qualified and qualified third-country nationals

The minister responsible for labour affairs – in consensus with other ministers concerned – is entitled to set the highest number of work permits (including the number of third-country nationals employed on the basis of an EU Blue Card) to be issued to third-country nationals. This quota may not exceed the average monthly sum

²⁷ See the relevant categories to the present study above.

²⁸ Viktória Ács: *Satisfying Labour Demand Through Migration*. EMN. 2010.

²⁹ See Table 6.

³⁰ Source: National Employment Service.

See at http://www.afsz.hu/engine.aspx?page=stat_kulf_munkavall_mo-on (27.05.2013).

³¹ Source: National Employment Service.

See at http://www.afsz.hu/engine.aspx?page=stat_kulf_munkavall_mo-on (27.05.2013).

³² See Table 1.2.

of the requested workers reported during the previous year. This maximum number of third-country nationals to be employed is published in the Hungarian Official Gazette each year before 1 February.³³ It should be noted, however, that this quota far exceeds the number of third-country nationals working legally in Hungary in the given years. Furthermore, having regard to the national unemployment situation, those professions can also be specified in a ministerial decree where third-country nationals (including EU Blue Card holders) are not authorized to be employed. However, given the low number of work permits issued in Hungary, these professions have not been specified so far, only the maximum number above is set.

Section 3 Challenges and Barriers

3.1 Possible challenges and barriers

A key challenge for Hungary is its very low employment rate which is one of the lowest in the EU at just over 60 %. Hungary is ranked among the worst performing countries in regional comparisons of employment rates. This situation has not significantly changed in the last years – employment seems to have stabilised at this low level. Despite the governmental plans in 2010 to create close to one million new jobs by 2020, Hungary seems to be one of the Member States that will face more difficulties in reaching the Europe 2020 commitment to 75 %. However, the situation is apparently better among highly qualified workers (only around 15 % of them belong to the inactive persons), as the low employment rate is particularly an issue for the low-skilled, the Roma population, the elderly, the disabled, young people and women with small children.

According to the latest data³⁴ the average unemployment rate in Hungary stood at 11.6 per cent in the 15-74 age group in the period of December 2012 – February 2013, up from 11.2 per cent of the previous three-month period, but level with the same period a year earlier. There were 501,900 unemployed on average in December 2012 – February 2013, including 90,100 in the 15-24 age group. About 45.6 % of the unemployed had been seeking work for one year or more. The average time the

³³ The quota was 85.000 in 2012.

³⁴ Published by the Central Statistical Office on 28 March 2013:
<http://www.ksh.hu/docs/hun/xftp/gyor/mun/mun21302.pdf> (27.05.2013)

unemployed persons spent looking for work was 15.7 months. There were 676,500 registered job-seekers in Hungary at the end of February 2013, up 4.6 per cent from twelve months earlier. The number of people in employment rose by 23,000 in the three months to February to 3.817 million. Compared to the previous period of November 2012 to January this year, the number of employed fell by 37,700 and by 36,000 in the 15-64 age group.

Furthermore, the Hungarian labour market's competitiveness is hindered by low efficiency. According to an international survey, presented at a professional event³⁵, around 150,000 tertiary qualified personnel will be missing from the country for 2020. There will be a significant difference between the workers' skills and number, on the one hand, and labour market needs, on the other. According to the survey the Hungarian labour market will be characterized by quantitative and qualitative mismatch. Quantitative mismatch implies that there will be fewer workers than jobs in the future, whereas qualitative mismatch implies that the skills of the workers do not match the required skills of the job. In terms of functioning of the labour market qualitative mismatches are as important as quantitative ones, and nonetheless in direct connection with the issue of the present study.

If we also consider the more than likely influence of the recent distinctly increasing emigration trends from Hungary, the situation is more than unsatisfactory. For long Hungary has been one of the few low emigration countries in Europe. This has gone hand in hand with the income migration trends: the inflow and outflow rates have relatively been square: Hungary has neither been a major destination for international migrants nor a major source of it. The stock of foreign nationals is still comparably small and makes up only 2% of the overall population. However, due to the economic downturn and the labour market deterioration the emigration trends have been turned into a clear increase.³⁶ According to recent surveys, every seventh young Hungarian plans to work abroad and more than a half of them is highly skilled work force. The main push factor is low income in Hungary, but professional development, career opportunities and the overall political situation in Hungary are also significant in their decision-making.

³⁵ At the Randstad event "Into the Gap" on 4 October 2012:

http://www.randstad.hu/hirek/hatekonysagban_utoolso_a_magyar_munkaeropiac (27.05.2013).

³⁶ See in detail at http://www.tarki.hu/hu/news/2012/kitekint/20120921_Hars_migration.pdf (27.05.2013).

Another important factor is the radical change in Hungarian higher education that in itself drives many students to seek education abroad. Although, due to students' protests and decisions of the Hungarian Constitutional Court, the new system has just reached its final shape, slashing the number of state-funded courses and the recent amendment of the Basic Law³⁷ and the sector-specific rules³⁸ obliging to work in Hungary within a 20-year-long timeframe after obtaining the degree if the education is financed by the state, have already had their results in the fall of applications: student applications for 2012 dropped by 17 per cent (109,000 against 132,000 in 2011). The most recent number (academic year 2013) has reached an absolute negative record with only around 95,000 applications.³⁹

In the light of the above-mentioned the Hungarian labour market has rather an emerging problem with being attractive enough for the native people themselves, and this trend is even accelerated through measures like obliging students to work in the country. On the other hand, active labour market programmes have not been very successful in increasing employment so far. The stable level of employment and unemployment rates show that the governmental programmes have not really increased aggregate employment and thus decreased the lag of Hungarian employment.

The reason behind the extremely low number of EU Blue Card holders – as outlined in the EMN study “Intra-EU mobility of third-country nationals”⁴⁰ – is partly that the transposition of the EU Blue Card Directive into national law entailed a combined application procedure which is yet quite unfamiliar for the employers, furthermore, the salary threshold defined in the Directive is a condition difficult to meet, given the Hungarian labour environment. Consequently, highly qualified third-country nationals, if any, still tend to prefer to apply for a residence permit issued for the purpose of gainful employment, then having been obtained this residence permit and

³⁷ Article XI paragraph (3) of the Basic Law as amended by the Fourth Amendment.

³⁸ See at http://www.parlament.hu/internet/plsql/ogy_irom.irom_adat?p_ckl=39&p_izon=10751 (27.05.2013)

³⁹ See at

http://www.felvi.hu/sajtoszoba/sajtokozlemenyek/2013A_jelentkezek_szama?command=sso&token=34e666bdb_e4caee81088e05580a9c8c0&itemNo=1 (27.05.2013)

⁴⁰ See at emn.intrasoft-intl.com/Downloads/download.do;jsessionid=6DFD9340AA2BA1707E308FE04289D837?fileID=4116 (30.05.2013).

after having spent three years in Hungary they can apply for a national permanent residence permit, which grants them, in many respect, equal treatment with Hungarian citizens.

However, the unfamiliar single application procedure will soon be the general rule. The adoption of the amendment in order to transpose the Single Permit Directive⁴¹ is ongoing⁴². As a consequence the stakeholders will hopefully soon familiarise themselves with the new mechanisms.

Section 4 Conclusions

In the light of the above-mentioned challenges of the labour market, it is high time to define the role and raise the present marginal number of highly qualified third-country nationals. Hungary is facing important structural challenges of both demographic and economic nature. Despite the exclusive governmental goal to increase the active native workforce, statistics show that the employment rate has stayed relatively stable at the low level. In the meantime the working age population has practically stopped growing and started shrinking.

It is crucial to finally recognise the use of migrant workers to reduce perceived specific qualified staff shortages. This goes hand in hand with proactive labour migration policy and the key mechanism of that could be – like in many other countries – regular, independent and evidence-based advice to the government on specific sectors and occupations in the labour market where shortages exist which can sensibly be filled by migration. This mechanism could have impacts also on the (lack of) debates about migration policy. It could promote greater transparency of the – at the present hardly – available evidence on the issue and its impacts on specific occupations and sectors as well as the economy as a whole. Moreover, it could encourage more informed debate about the feasibility and desirability of alternatives

⁴¹ Directive 2011/98/EU of the European Parliament and of the Council of 13 December 2011 on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State.

⁴² See Bill No.T/11207 at http://www.parlament.hu/internet/plsql/ogy_irom.irom_adat?p_ckl=39&p_izon=11207 (27.05.2013). The deadline of transposition is 25.12.2013.

to migration in response to perceived labour and skills shortages by highlighting the link between migration and other policies (such as education, training, etc.) to foster more cooperation between stakeholders.

It is thus high time to widen the horizons of policy-making and focus on labour migration, too. Hungary has recently established creative practices for attracting investors. However, not based on human capital. If Hungary could likewise find its magnets to encourage human capital, it would be the most important step towards a comprehensive and managed migration policy.

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Annexes⁴³

1. First residence permits issued for relevant remunerated activities

Table 1.1: Overall trend of first permits issued to third-country nationals for remunerated activities (migr_resocc)

	2008	2009	2010	2011	2012
Total number of first permits issued for remunerated activities	17,759	5,326	4,229	3,785	7,183*

Source: Office of Immigration and Nationality (OIN), EUROSTAT

*preliminary data

Table 1.2: First permits issued to third-country nationals for remunerated activities by reason (migr_resocc)

	2008	2009	2010	2011	2012
Remunerated activity reasons: Highly skilled workers**				0	7,183*
Remunerated activity reasons: EU Blue Card***				0	2

Source: OIN, EUROSTAT

*preliminary data

** not applicable

*** mandatory data from reference year 2012

Table 1.3 First permits issued to third-country nationals for remunerated activities by sex and age group (migr_resfas)

Age breakdown	2008			2009			2010			2011			2012****		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
25-29	data available from 2010						614	254	872	510	253	763	1073	427	1500
30-34							493	159	655	449	161	610	962	329	1291
35-39							384	158	554	320	152	472	649	278	927

⁴³ In those instances when no information is available, the cells are left blank.

40-44	data available from 2010	302	183	485	277	117	394	557	259	816
45-49		219	116	335	153	76	229	415	189	604
50-54		146	116	262	96	51	147	280	137	417
55-59		63	64	117	52	23	75	163	54	217
60-64		23	25	48	16	4	20	59	16	75

Source: OIN, EUROSTAT

2. Employment of Third-Country Nationals by ISCO Classification

Table 2.1: Employment of Third-Country Nationals in high-skilled occupations (1 000) (lfsa_egais)

Occupation according to ISCO categorisation	2008	2009	2010	2011	2012
OC1 Legislators, senior officials and managers	:	:	:	:	:
OC 2 Professionals	:	:	:	:	:
OC 3 Technicians and associate professionals	:	:	:	:	:
Total	3.5 (u)	4.8 (u)	3 (u)	3.3 (u)	4.1 (u)

Source: EUROSTAT

Table 2.2: Employment of Third-Country Nationals in high-skilled occupations and sex (lfsa_egais)

Age breakdown	2008	2009	2010	2011	2012
Male	:	:	:	:	:
Female	:	:	:	:	:
Total	3.5 (u)	4.8 (u)	3 (u)	3.3 (u)	4.1 (u)

Source: EUROSTAT

Table 2.3: Employment of Third-Country Nationals in high-skilled occupations and age (lfsa_egais)

Age breakdown	2008	2009	2010	2011	2012
25-34	:	:	:	:	:
35-44	:	:	:	:	:
45-54	:	:	:	:	:
55-64	:	:	:	0	:
Total	3.5 (u)	4.8 (u)	3 (u)	3.3 (u)	4.1 (u)

Source: EUROSTAT

3. Employment of Third-Country Nationals by ISCED Classification

Table 3.1: Employment of highly educated Third-Country Nationals (1 000) (lfsa_egaed)

Level of education according to ISCED categorisation	2008	2009	2010	2011	2012
First stage of tertiary education (ISCED level 5)	4.1 (u)	4.1 (u)	:	3.3 (u)	4.3 (u)
Second stage of tertiary education (ISCED level 6)	:	:	:	:	:
Total	4.1 (u)	4.1 (u)	:	3.3 (u)	4.3 (u)

Source: EUROSTAT

Table 3.2: Employment of highly educated Third-Country Nationals by sex (lfsa_egaed)

Age breakdown	2008	2009	2010	2011	2012
Male	:	:	:	:	2.9 (u)
Female	:	:	:	:	:
Total	4.1 (u)	4.1 (u)	:	3.3 (u)	4.3 (u)

Source: EUROSTAT

Table 3.3: Employment of highly educated Third-Country Nationals by age (lfsa_egaed)

Age breakdown	2008	2009	2010	2011	2012
25-34	:	:	:	:	:
35-44	:	:	:	:	:
45-54	:	:	:	:	:
55-64	:	:	:	0	:
Total	4.1 (u)	4.1 (u)	:	3.3 (u)	4.3 (u)

Source: EUROSTAT

4. Data on third-country nationals working in Hungary by year (2008-2012)

Year	third-country nationals with valid work permit by the end of year	The number of issued permits during the year
2008	27,434	29,349
2009	20,115	9,730
2010	17,854	11,337
2011	18,513	10,556
2012	18,418	11,056

Source: National Employment Service