



Reforms to the Hungarian public works scheme

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All Country Specific Recommendations since 2012 have highlighted that public works, Hungary's main active labour market policy, needs to be reformed – in particular to facilitate transitions to the primary labour market. The government has recently introduced substantial measures to modify the present scheme.

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Description

To provide employment mainly for those at the periphery of the labour market, the public works scheme has been significantly extended since 2010 and has become the most important employment programme in Hungary. In 2016, the average number of those employed in public works was 223,470; this represents 41.6% of registered jobseekers and 4.9% of all the employed in Hungary (Central Statistical Office, Labour Force Survey, 4th quarter of 2016). The scheme has been criticised for its low efficiency in reintegrating people into the primary labour market, its poor targeting (involving not only those in the most disadvantaged positions, from disadvantaged regions), and for the fact that it absorbs funds from other more efficient labour market tools and provides a lower income than the minimum wage (see, for a summary, Albert 2015). The need to modify the scheme has been referred to in the Country Specific Recommendations (CSRs) for Hungary every year since 2012. For instance, in its draft 2017 Recommendation to Hungary the European Commission writes: “the scheme is still not sufficiently targeted and its effectiveness in reintegrating participants into the primary labour market continues to be limited” (European Commission, 2017).

In March 2017, the government announced a set of measures to amend the scheme, to prevent it from becoming a permanent solution for

those involved, especially for those under 25. The announced goal is to channel public workers to the primary labour market and also to support social cooperatives. Government decree number 1139/2017, announced on March 20th, describes the steps needed to restructure the public works scheme. Due to the massive labour shortage in the primary labour market, the number of public workers has to be continuously reduced to reach 150,000 by 2020, and for this task an extra 40 billion HUF (130 million EUR) will be reallocated in 2017. Those under 25 will be allowed to take part in the public works scheme only if employment programmes under the Youth Guarantee cannot offer them any other option. Qualified workers and those expected to be able to find a job independently will be allowed to take part in the scheme only in two situations: the attempts of the job centres to offer a job to the jobseeker are unsuccessful three times because the future potential employers decide not to give him/her the job (i.e. the jobseeker him/herself cannot be blamed for the failures), or the job centres cannot offer a suitable job to the jobseeker in a period of 3 months.

Starting from June 2018, jobseekers will be allowed to be employed in public works only for a maximum of one year over a three-year period, except if they cannot find a job in the primary labour market through no fault of their own. The long distance and local public transportation costs related to job

search will be covered for public workers, if justified. The government is going to examine the possibilities and extra costs involved in converting public workers now employed by state organisations into regular staff. For those who cannot be employed in the primary labour market, due to mental, social or health conditions, the special public works scheme (regulated by government decree 1253/2016 (VI. 6.)) will be continued.

Outlook & commentary

The massive extension of public works has taken place at the expense of other, more efficient active labour market policies (ALMPs) such as training, mentoring etc. (Bakó et al. 2014, Cseres-Gergely–Molnár, 2015). While the overall spending on unemployment has decreased substantially, and the capacity of job centres has been drastically cut, in 2016 the funds allocated to the public works scheme were almost six times higher than in 2011. Thus, the reallocation of funds to strengthening other ALMPs is most welcome, along with the determination to enhance reintegration into the primary labour market.

The government, to a certain extent, has already made amendments to the public works scheme over the past years, e.g. legislative changes have been proposed to facilitate seasonal agricultural work or to allow public

workers to be considered as jobseekers. The significance of these new measures is that they shift the focus, with a pronounced aim to channel a high proportion of public workers back to the primary labour market. They also re-emphasise the significance of training, the need for quality services for jobseekers and the importance of increasing their efficiency by the creation of competence-based job-mediation at the National Employment Service or the further development of the Virtual Job Mediation Portal. Those furthest away from the labour market are listed as one of the prioritised target groups in the new government decree, in line with the 2017 CSR (European Commission, 2017). Several of the above employment programmes are financed from the European Social Fund or, if needed, from extra national resources.

The real impact of these measures will only be seen in the future. The law allocates different time frames and actors to the various measures. However, uncertainties arise in connection with how much the National Employment Service is prepared to provide the necessary services, or how determined the government is about implementing these changes.

Further reading

Albert, F. (2015): "Public works in Hungary: an efficient labour market tool?", European Social Policy Network, Flash Report 2015/35, Brussels: European Commission.

Bakó, T. et al. (2014): "A munkaerőpiac peremén lévők és a költségvetés" (Those on the periphery of the labour market and the state budget), MTA KRTK KTI, Budapest.

Cseres-Gergely, Zs.–Molnár, Gy. (2015): "Labour market situation following exit from public works". In: Fazekas, K.–Varga, J. (eds.), The Hungarian Labour Market, 2015. Institute of Economics, Centre for Economic and Regional Studies, HAS, Budapest, pp. 148–159.

European Commission (2017): "Recommendation for a Council Recommendation on the 2017 National Reform Programme of Hungary and delivering a Council opinion on the 2017 Convergence Programme of Hungary", Communication COM(2017) 516 final of 22.5.2017, Brussels: European Commission.

Magyar Közlöny (Hungarian Gazette): 2017/40 pp. 3941-3944. <http://www.kozlonyok.hu/nkonline/MKPDF/hiteles/MK17040.pdf>.

An extensive collection of information (legal regulations, data, and studies on the public works scheme) in Hungarian can be found at: <http://kozfoglalkoztatas.kormany.hu/>.

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