

# Historical Overview of the Hungarian Labour Market

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## Abstract

The Central Eastern economy went into a deep crisis after 1990. It became obvious that the structure of the economy built during the socialist era was not competitive enough to join the world economy. The changes after 1989 were accompanied by business closures, and high and continuous unemployment. As a consequence, the standard of living decreased and social differences started to grow. Public opinion had to face what previously had been unknown: unemployment. This term became for many a concept with which “one has to live together”. The objective of this study is to introduce the informedness of the adult Hungarian population as to the current situation of the Hungarian labour market, 20 years after the appearance of unemployment. The aim of the investigation was to map whether current prospective employees have enough information to manage themselves on the labour market and whether it is necessary to make up for this lack of knowledge during their school years. The investigation, based on 300 filled in questionnaires, reveals that the knowledge of adults is satisfactory as regards the labour market and employment policy, but on some questions, their knowledge is incomplete or incorrect.

**Keywords:** Labour market, political transition, unemployment, Hungary

## Theoretical Background

After the political transition, Hungary went through a difficult, temporary period, just as other former socialist countries. Between 1989 and 1993, industrial and agricultural production decreased by more than 20 and 35 percent, respectively (Romsics, 2010). Gross domestic product (GDP) decreased by approximately 20 percent between 1989 and 1993, and was a more considerable deterioration than the one felt during the global economic crisis (12-13%).

Transformation of the economy necessarily involved the transformation of society, as well. New social groups appeared, such as the unemployed and the homeless, but at the same time, some other groups, such as entrepreneurs, strengthened.

The structure of employment, its numerical ratio and the importance of certain occupational categories, as well as the financial appreciation and the social prestige of occupations changed (Bánfalvy, 1997). The increase in the number of registered unemployed from the initial few tens of thousands to over 700,000 set a European record. (Halmos, 2006) The then documented unemployment rate of 2.7 percent was considered low in 1990 from a general European perspective, although considerable differences could be found among counties.

Ensuring balance and curbing inflation were the central elements of the economic policy in 1990. The 4-year economic policy action program “provided priority to the anti-inflation activity against preventing unemployment”. (Halmos, 2006) One of the measures was to decrease the conscious labour supply, with possible instruments being early retirement and the introduction of the system of ‘pre-retirement’. As a result of all these efforts, between 1991 and 1994, more than 100,000 people could retire on a pension before reaching actual retirement age. Further measures included the development of the systems of disability pensions and state support; the supply was further moderated by the extension of the educational period of youth.

The changed conditions necessitated the development of the means of a new employment policy, on the basis of which the Parliament passed Act IV of 1991 on Job Assistance and Unemployment Benefits. The Act entered into force on 1 March 1991, and since that time, it has been modified numerous times. Thus, it became obvious that the considerably increased unemployment could only be decreased through the development of the employment policy system and its further transformation. Several initiations focused on just that during the previous twenty years.

The objective of this investigation was to reveal the notoriety of the measures of this employment policy and the current opportunities for employment among adult population.

### **History and results of the investigation**

On the basis of the hypotheses, the Hungarian population is familiar with the ratio of unemployment, as well as the employment policy institutions and measures and informed about the labour market, but their knowledge of the structure of unemployment is incomplete.

A questionnaire was filled in by economically active adults, altogether 300 persons, during 2010. The ratio of females and males was equal in the sample, and the age distribution of the respondents also reflects the age distribution of the Hungarian population.

99 percent of the respondents know full well that unemployment has existed in Hungary since the economic transition (Figure 1). 64 percent of the respondents

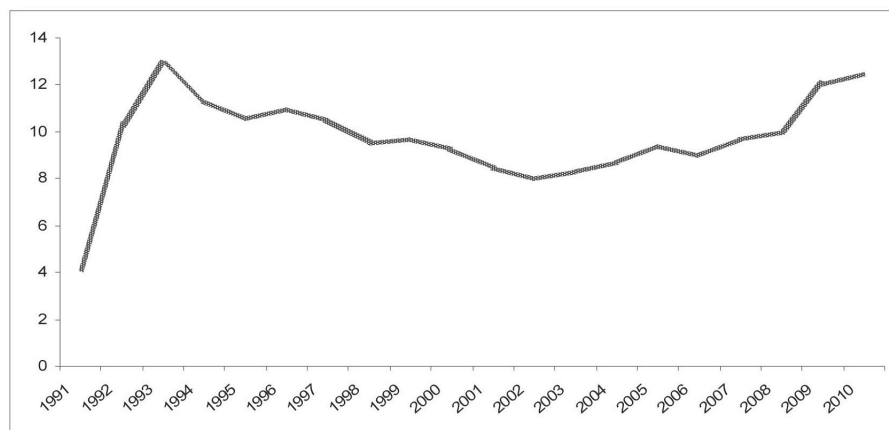
(192 persons out of 300) say that unemployment appeared in the turn of the decade 1989-90 in Hungary. The ratio of respondents saying that the 1970s, 1980s and the beginning of 1990 were the turning points in this respect was roughly equal (7%-5,6-5,6% respectively).

As regards the future level of unemployment, the knowledge of the respondents is quite diverse. (Figure 1). They are familiar with the levels of unemployment, when these levels were high (1990-1994, 2001-2007, since 2008) or low (1995-1997 and 1998-2001). The ratio of unemployment was considered by roughly 50-50 percent of the respondents to be high and low in the period of 1990-1994, although the ratio of unemployment was the highest in this period in Hungary (although the ratio of unemployment was only 2.1 percent in 1991, but it was 13.6 percent in 1993).

77 percent of the respondents are roughly familiar with the actual number of unemployed; they know that the number of registered unemployed reaches half a million. 42 percent of them believe that the number of unemployed in Hungary is between 500,000 and 1 million. 10-10 percent believes that the number of unemployed is between 100,000 and 300,000 or even above 1 million.

99 percent of the respondents know that unemployment is measured in percentage in Hungary, and 72 respondents knew that this measuring unit was called the “unemployment rate”.

Unemployment in Hungary is higher than the average of the EU27 (13 percent and 10 percent respectively); 70 percent of the respondents are familiar with this situation. 24 percent of the respondents believe that the ratio of unemployment is the same in Hungary as in the rest of the EU, and only 5.7 percent (17 persons) believe that the unemployment rate is lower in Hungary than in the EU.



**Fig. 1:** Rate of unemployment in Hungary (%)

Source: own editing

Respondents had the opportunity to provide more than one answer to the question as to how the government is trying to decrease unemployment. The most frequent answers of listed measures coincide with the measures preferred by the government in reality. The most frequent employment policy measures to increase unemployment named by the respondents are as follows: supporting the creation of new work places (97), re-training (61). Although it is interesting that the answer “nothing” appeared 46 times, this response reveals the despondency, and resignation of some respondents.

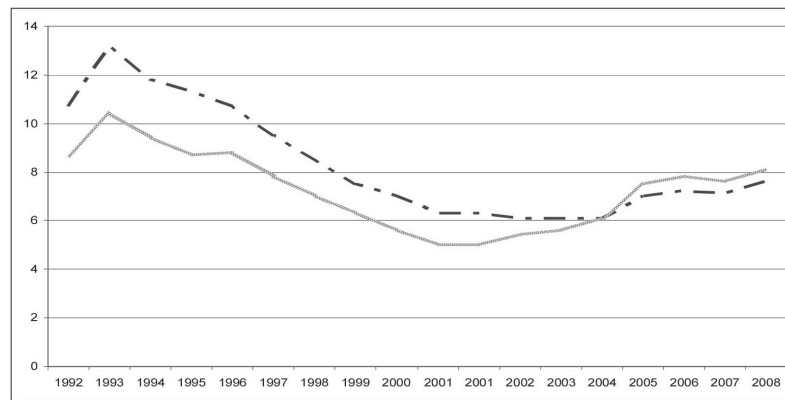
One of the questions was meant to reveal which occupations were hardest hit by unemployment in the opinion of respondents. On the basis of the most frequent answers (76), the majority does not make a distinction between occupations, so they believe there are unemployed in each occupation. In addition, the number of unemployed is outstanding in education (35), in the building industry (33), in mining (31) and in agriculture (26), as seen in the opinions of the respondents. Although the question was about occupations where there was unemployment, the respondents named branches of economy instead of occupations. It is also important to mention that they named mainly occupations or branches of economy requiring vocational education.

The opposite of the previous question is strongly related to this field, such as naming occupations where there are no unemployed. The most frequent answer was: there is no such occupation (76). These results correspond with the results from the preceding questions, so respondents believe that there are unemployed in each occupation in Hungary today. They mentioned health care 69 times, although on the basis of a survey of the Hungarian Hospital Association in 2010, 1,500-2,000 physicians and 4,000-6,000 professional staff are lacking in Hungarian health care. The number of mentions was half of the previous one in the case of IT professionals (37) and engineers (25). It is interesting that politicians (!) also appeared on the list as an occupation where there was no unemployment, although the frequency of mentioning was only 11. In the case of this question, curiously enough, only graduate occupations were named by the respondents, which show that they are still convinced that the chance of finding a job is much better and the chance of becoming unemployed is less with a degree.

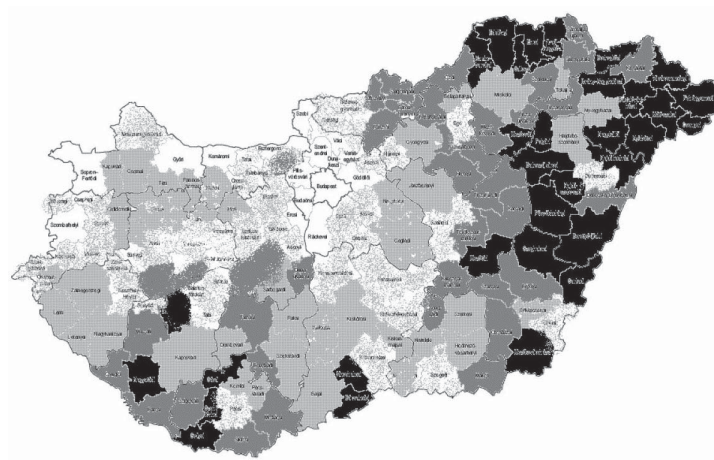
The questionnaire also wanted to reveal which gender was affected more considerably by unemployment, according to the respondents. Actually, males were overrepresented among the unemployed for a long time - in spite of the fact that for females, it is more difficult to get a job because of childbirth - but after some years, this ratio shifted to females. Respondents recognized that females are much more threatened by unemployment than males nowadays in Hungary (Figure 2). On the basis of the responses, it can be said that there are no notable differences, since most of the respondents (54%, 161 persons) believe that females are much more threatened in returning to the labour market or finding a job than males, who were named by only 36% of the respondents (103 persons). Although there were only

two variables (female and male) in the questionnaire, 10 percent of the respondents (29 persons) marked both sexes.

Unemployment shows considerable territorial differences in Hungary, a fact with which 99% of respondents are familiar. The number of responses saying that the unemployment rate is the highest in the northern and eastern part of the country, in Borsod-Abaúj-Zemplén (188) and in Szabolcs-Szatmár-Bereg (133) counties, is outstanding. These responses were followed by the southwestern part of the country. As regards counties with low unemployment rates, the middle of the country, the capital and its surroundings (159) leads the rankings with an outstanding result, and then the northwestern bordering regions were marked by the respondents. The real situation of unemployment can be seen on Figure 3. Dark colours show regions with high, light colours show regions with lower unemployment rates.

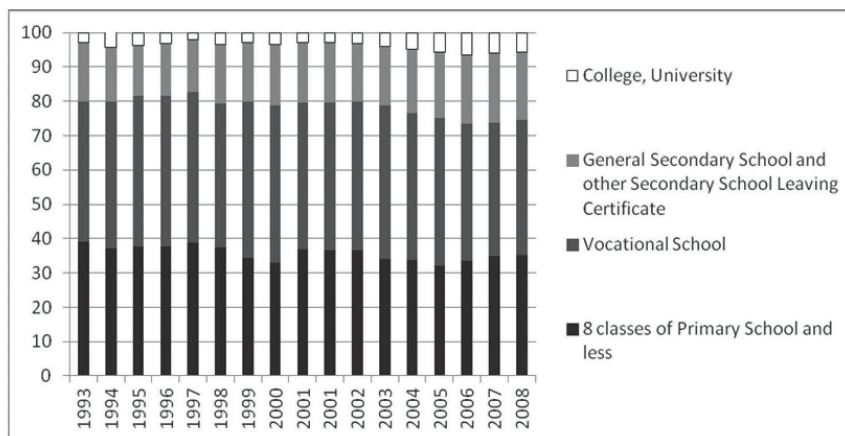


**Fig. 2:** Rate of unemployment in Hungary, by gender (%)  
 Source: own editing ----- female - - - - - male



**Fig. 3:** Territorial differences in unemployment in Hungary  
 Source: Csehné, 2008

Respondents are familiar with the connection between the risk of becoming unemployed and education (Figure 4). This risk is the highest in the case of people with less than 8 classes of primary school, whose employment opportunities are rather limited in the labour market. People with university or college degrees are in the best positions in the labour market.



**Fig. 4:** The structure of unemployment by level of education (%)

Source: own editing

There are several groups that are considered to be particularly threatened in the labour market (ethnic minorities, elderly, young entrants, people with health problems, female, immigrants and long-term unemployed). The majority of the respondents knows which groups are particularly affected by unemployment (Table 1).

**Table 1:** Frequency of mentioning groups threatened by unemployment

Ethnic minorities	30
The elderly	15
Young job market entrants	10
The undereducated	10
People with health problems	10
Females	8
The unskilled	3
People living in rural areas	3
The disadvantaged	3
The disabled	3
Immigrants	3
The long-term unemployed	2

Source: own editing

23 percent of the respondents (69 persons) do not know an institution that deals with unemployment and 76 percent (228 persons) know such an institution, although only 64 percent of these (192 persons) could specify the National Labour Office as the responsible institution.

By the frequency of answers, the most frequent reason (184) for unemployment was: “did not find a job fitting to qualification” (Table 2). This response was followed by “has not found an appropriate job yet” (156) and “not appropriate salary” (133).

**Table 2:** Frequency of mentioning the reason for unemployment

Did not find a job fitting to qualification	184
Not appropriate work conditions	59
Not appropriate salary	133
Does not want to move	75
Does not want to commute	64
Does not want to work	49
Has not find an appropriate job yet	156
Other reasons	40

*Source:* own editing

Respondents do not know the national average length of time spent unemployed and considerably underestimate its extent. 17 percent of the respondents marked the correct answer. The average time period spent unemployed one year ago in Hungary was 14-16 months, but on the basis of the survey carried out by the Hungarian Central Statistical Office in 2010, this time period increased to 18 months, on average. 50 percent of the respondents (150 persons) believe that the unemployed spend 6-12 months unemployed, on average.

The questionnaire involved several technical terms regarding labour supplies. Knowledge of the respondents was incomplete in this field. Most of them marked - falsely - the term “unemployment benefit”, surely because of its social and public usage. It is not clear from the answers whether the respondents meant the social assistance or the jobseeker’s allowance in their use of this term. Actually, the later two terms are the official terms, but as regards eligibility, there are significant differences between them.

Respondents were asked to rank some factors that they believe to influence re-employment if they were unemployed. Good communication skills, social capital, foreign language skills were identified as the most important factors when finding the new job; they were followed by professional experience, self-confidence and professional skills. These findings largely reflects those put forward by Wiwczaroski in several publications highlighting the necessity to better ground higher education on a job market oriented foundation, in which he discusses the necessity of giving, e.g. the unemployed, communication skills, but notes that this is “a complex process” (2005) which is a “needs-driven social interaction” (2004), which must be grounded in “high level, culturally correct and marketable...knowledge transfer”(2003). Our



investigation also reveals that professional skills are not linked to the qualification of the diploma by the respondents.

Respondents are quite optimistic as regards the length of the job search in the case of prospective unemployment. Length of job search is considered to be one month by 8 percent (24 persons). 69 percent (207 persons) believe that they would be able to find job within 2-3 months and only 23 percent (69 persons) assume this may take even 6 months. No one believes that a job search may take even one year.

Most of respondents (41 percent, 123 persons) would prefer to use the Internet for their job search in the case of unemployment, 22 percent (66 persons) would rely on personal contacts and 18 percent (54 persons) would browse newspapers.

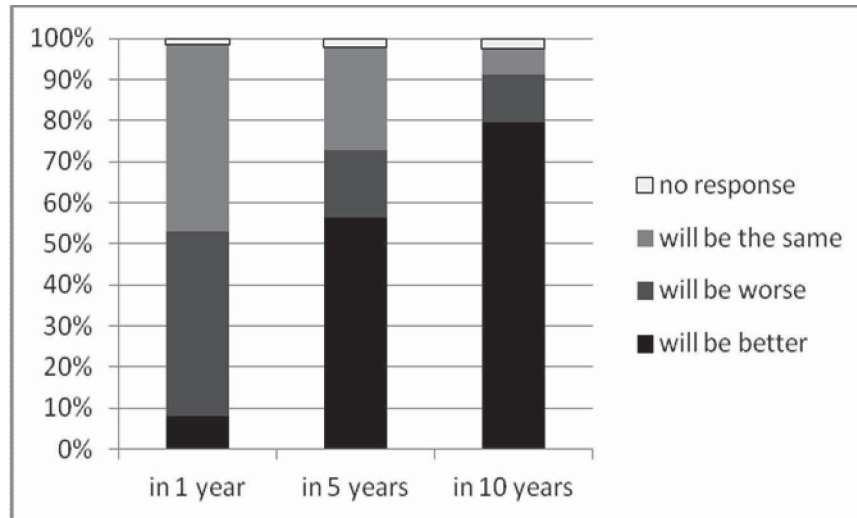
Respondents were also asked whether they would be able to find a job with their current qualification. 39 percent (117 persons) has not thought about it yet (!), and almost the same ratio, 34 percent (102 persons), believe that their skills are marketable. 15 percent (45 persons) believe they would be successful on the labour market, because the institution they graduated from has a good reputation.

It is really positive that almost half of the respondents (47 percent, 141 persons) would like to continue their studies while working, should they feel threatened with the spectre of unemployment.

Demand for payment of respondents in the case of a new job is quite high. 60 percent (180 persons) of the respondents would not be satisfied with their current salaries; they would like to get 25-30 percent more. 40 percent of the respondents (120 persons) would be satisfied with their current salaries, should they be made unemployed and require new jobs.

The final question of the questionnaire was about the labour market situation of Hungary in one, five and ten years. The results reflect the despondency of the population as regards the labour market, since the majority believe that the situation will be the same or worse in one year (Figure 5). Only 8 percent of the respondents (24 persons) believe that the situation will be better in one year, 135 persons (45%) and 137 persons (45,7%) say that the situation will be worse or the same, respectively. 169 persons (56,3%) believe that the situation will be better in five years, 49 persons (16,3%) think that the situation will be worse and the situation will be the same in Hungary, according to 75 persons (25%). 239 persons (79,7%) believe that in ten years, our economy will be stable enough to ensure good conditions for the labour market as well, 35 persons (11,7%) think that the situation will be worse, while 18 persons (6%) answered that the situation would be the same.





**Fig. 5:** Distribution of the opinions of the respondents on the future condition of the labour market  
*Source:* own editing

### Conclusion

The first part of the hypothesis: the Hungarian population is familiar with the ratio of unemployment and the unemployment rates in the previous decades – has been proved. As regards the future, respondents are rather pessimistic, and this view reflects the current dependency of the population.

The next hypothesis: the Hungarian population is familiar with the institutions and the relevant measures in connection with unemployment – has been proved only partly. Although the majority of the respondents know that there are institutions dealing with the unemployed and most of them named these institutions, the state’s actual measures were known only superficially. International organizations are not known or only their English names are known.

The last part of the hypothesis: The knowledge of the Hungarian population of the structure of unemployment is incomplete – has been proved only partly. On the basis of the results, it can be said that the respondents know the structure of unemployment correctly.

It has been revealed from the survey that the knowledge of the Hungarian adult population regarding the labour market and employment policy is satisfactory, but in some fields, it is incomplete or incorrect.

The investigation reveals that the knowledge of the Hungarian adult population is satisfactory as regards the labour market and employment policy, but in some questions, their knowledge is incomplete or incorrect.

Respondents are overly optimistic as regards opportunities for employment, since

most of them believe that 1-3 months would be enough for them to find a new job. On the basis of surveys and research findings, the realistic length of a job search can be considered to be 3-6 months.

A high ratio of respondents has high salary demands. It can be concluded that respondents are not informed enough in this area and their salary demands can be considered to be unrealistic, especially in certain fields.

It is a fact that respondents neither have enough, nor even realistic, information on the world of labour or on the expectation of employers. Partly, the education system is responsible for this misunderstanding, but the respondents themselves are also to blame.

### **Recommendations**

The survey results revealed that more emphasis should be laid on the information people are receiving regarding employment policy. Prevention would be the most important aspect, so young graduates should maintain the knowledge they will require to successfully manage themselves on the labour market.

Through

- improving and propagating information about the labour market on a much wider basis,
- an approach to change and an increase in the flexibility of individuals,
- preventing the need for complete retraining and supporting “Life Long Learning,”
- introducing career guidance in as many schools as possible, we could build such a society that is well informed, well prepared and acts boldly in the labour market.

At the same time, based on the dynamism of the labour market, it has to be pointed out that all final year pupils, students and employees have to be prepared for prospective changes in their professions and they should be able to adapt themselves to the changes on the labour market.

Final year vocational pupils, secondary school pupils and young graduates have to take their job search and preparation for employment seriously. It is worth visiting job fairs, career offices and local offices of the National Labour Office. In cases of entrants, consciousness, planning the job search, clarifying personal preferences and preparation for the selection process are extremely important. Assisting in the career step - career orientation is of extreme importance. Pupils and students should visit career offices, local offices of the National Labour Office and career fairs where entrants are supported by informative leaflets and personal recruitment. They have the opportunity for personal or group consultancy, through which they can become acquainted with the tricks of a job search, job interviews and skills required

to be employed. A wide range of services are provided by the Employment Information Consultancy Offices, operating together with the local offices of the National Labour Office. Anyone can rely on their assistance who would like get information and help in making a career choice, career correction or in a job search.

Employees – young and old - should be informed in time on the condition of the labour market, and on the fullness of certain professions. Unfortunately, information flow on the labour market is not satisfactory in Hungary.

It should be obvious for each prospective employee that a degree is not necessarily equal to an “entrance ticket” to the world of labour market, where the situation of employees with considerable professional experiences is also not easy. Unemployment is a serious problem, posing a constant need for society to act; this need includes of course social and labour organisations, as well as the education system.

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