

**LABOUR MARKET
POLICY TOOLS
(JUNE 2018
- MAY 2019)**

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This Chapter overviews major changes in the regulation of labour market policy tools between June 2018 and May 2019.

1 INSTITUTIONAL CHANGES

1.1 The system of vocational education and training

The amendment of Act CLXXXVII on Vocational Education and Training in December 2018¹ introduced the possibility to provide distance e-learning in a closed system in vocational education and training from 1 January 2019, which imparts theoretical knowledge as a digital curriculum through an IT network.

In January 2019, modelled on the system introduced at universities, chancellors were appointed at vocational education and training centres of the Ministry for Innovation and Technology. The director general continues to be the chief manager responsible for a vocational training centre, whose primary task is to manage the educational activities of the institution and supervise the quality of education. The chancellor is a senior manager of the institution, in charge of economic, financial, employment, legal and administrative activities as well as the asset management of the institution. Chancellors are appointed by the Minister responsible for vocational education and training. The director general will be the employer of teachers and staff directly supporting education but their wages will have to be approved by the chancellor. All other staff will be appointed and employed by the chancellor. Measures of the director general affecting the management, organisation or operation of the institution with financial implications will have to be approved by the chancellor: his consent is a prerequisite of these decisions to take effect or be effective.

The Vocational Education and Training Innovation Council was established in September 2018 on the initiative of the Ministry for Innovation and Technology.² The most important goal of the council is to provide a regular forum for dialogue between key stakeholders of the vocational sector and the government. The task of the council is to determine future developmental trends and to formulate recommendations for infrastructural developments and for the revision of vocational and adult training curricula. In addition to the government, the members of the Council include chambers, enterprises, trade unions, advocacy organisations, educational organisations, maintainers of institutions and delegates of student councils.

1 Act CIV of 2018 on the amendment of certain Acts on research and development and vocational education and training.

2 See kormany.hu for more about the Council.

The Government discussed and adopted the strategic document “Vocational Education and Training 4.0” in March 2019.³ According to this, four-plus-one-grade vocational secondary schools will be replaced by five-grade polytechnics in September 2020. After graduating from a polytechnic, pupils get preferential treatment at entrance examinations to related programmes of higher education institutions. Vocational schools will have three grades, with practical dual training in the last two grades. So-called workshop schools offering partial qualifications are established for pupils who are unable to complete lower-secondary education or cannot perform well in a traditional education setting.⁴ In the dual training offered by polytechnics and vocational schools, pupils’ contracts will be replaced by a pupils’ work contract. The National Qualification Register will be completely dropped and a new qualification register will be published in 2020 in order to better differentiate between initial vocational training programmes offering comprehensive vocational skills and course-like, short programmes.

1.2 Pensioner cooperatives

In order to promote the employment of pensioners, the public interest pensioner cooperative was introduced as a new type of cooperative on 1 July 2017. Those employed by such cooperatives were exempt from paying social security contributions.⁵ However, the pensioner cooperative became pointless from a financial point of view because of a new regulation taking effect on 1 January 2019 (*Wiedemann, 2018*): Act CXV of 2018⁶ amended the rules for the social security status of employees who are pensioners in their own right. Accordingly, pensioners in their own right employed under the Labour Code have been exempt from insurance obligations since 1 January 2019, that is, they are exempt from paying pension contribution (10 per cent) and in-kind health insurance contribution (4 per cent). They only have to pay a personal income tax (15 per cent) on their wages – in the same way as if they were remunerated as members of a public interest pensioner cooperative. Pursuant to the new law, pensioners with employment contracts are not entitled to social security benefits as per their employment contract, including any increase in pension otherwise applicable to pensioners engaged in other forms of employment. Under the new law, employers become exempt from paying social contribution tax (19.5 per cent) and vocational training contribution (1.5 per cent) on their employees who are pensioners in their own right.⁷

2 BENEFITS

2.1 Unemployment benefits

As a result of raising the minimum wage in 2019⁸ (see section 5.1), the maximum amount of the unemployment benefit (so-called job-seekers’ allow-

3 Government Resolution 1168/2019. (III. 28.) on adopting the strategy “Vocational education and training 4.0 – The mid-term policy strategy for renewing vocational education and training and adult training: the response of the VET system to the challenges of the fourth industrial revolution” and on measures required for its implementation.

4 National Institute of Vocational and Adult Education: First day of school in vocational education in Nyíregyháza.

5 Act LXXXIX of 2017 on the amendment of certain Acts with regard to establishing public interest pensioner cooperatives.

6 Act CXV of 2018 on the amendment of Act XLII of 2015 on the Service Status of Professional Members of Law Enforcement Agencies and other related Acts.

7 Publication about this contribution.

8 Government Decree 324/2018. (XII. 30.) on the minimum wage and the guaranteed minimum wage in 2019.

ance) also increased. The maximum of the job-seekers' monthly allowance has been HUF 149,000 since 1 January 2019, while the unemployment assistance granted before retirement has been HUF 59,600 a month. The so-called activity compensation of job seekers participating in intensive training acknowledged by job centres ranges between HUF 48,918–81,530 a month.

2.2 Rehabilitation and disability benefits

The amount of rehabilitation and disability benefits increased by 2.7 per cent in January 2019: the base allowance is now at HUF 101,560.⁹

The Constitutional Court found an omission concerning Act CXCI of 2011 on disability provisions¹⁰ during the autumn of 2018. According to the Court, the law, which took effect in 2012, adversely affected those already receiving provisions, whose benefits decreased or terminated, even though their health did not improve – this violates an international treaty on the protection of human rights. The law should have been amended prior to 31 March 2019 with a modification that links the granting of provision not to the legal status of recipients but to aspects of their health affecting their living conditions. However, the Government disputed the decision of the Constitutional Court and did not amend the law until the deadline set by the Constitutional Court.

2.3 Child benefits

As a result of raising the minimum wage in 2019¹¹ (see section 5.1), the maximum amount of the insured parental leave benefit (which equals 70 per cent of double the amount of the minimum wage) increased to HUF 208,600 a month in 2019. The parental leave benefit for graduates otherwise not entitled to one increased to HUF 104,300 for Bachelor degree holders and HUF 136,500 for Master degree holders. The maximum net amount of the insured parental leave benefit is also linked to the minimum wage: it increased to HUF 156,450.

3 SERVICES

3.1 Improving adaptability to labour market changes

The call for proposals of the programme “Thematic projects aiming at improving adaptability to labour market changes EDIOP-5.3.5-18” was published in September 2018: enterprises can apply for a non-refundable grant of HUF 10–50 million. The projects improve labour market adaptability, strengthen corporate social responsibility, promote service provider roles, reinforce the engagement of social partners in society and the labour market, develop their capacities and improve their representative power. The total budget to be granted to applicants amounts to HUF 4 billion.

⁹ About provisions available for disabled employees.

¹⁰ Resolution 21/2018. (XI. 14.) AB of the Constitutional Court.

¹¹ Government Decree 324/2018. (XII. 30.) on the minimum wage and the guaranteed minimum wage in 2019.

4 ACTIVE LABOUR MARKET POLICIES AND COMPREHENSIVE PROGRAMMES

4.1 Defining the goals of public works schemes and preparations for modifying the law on cooperatives

Government resolution 1497/2018. (X. 12.)¹² sets out the objectives of public works schemes for 2019 and provides for preparations for the amendment of Act X of 2006 on cooperatives.

According to the government resolution, the primary aim of public works schemes in 2019 is to encourage job seekers to exit public works, meet the demands for seasonal labour in agriculture and improve the employment rate and employability of those excluded from the primary labour market. Further objectives include promoting the housing and social integration of the Roma, supporting the social inclusion of ex-convicts, remedying labour market disparities as well as improving the quality of life of participants of public works schemes. Additionally, enhancing rural population retention capacity and assisting self-sufficient and self-sustainable municipalities and social co-operatives are also included among the aims.

4.2 Increasing the amount of the employment allowance

The amount of employment allowance provided as part of the “From public works to the business sector” programme increased to HUF 45,600 in November 2018. It is payable to public works participants who successfully take up employment in the business sector.

4.3 Supporting services that promote legal employment

The call for proposals for EDIOP-5.3.3-18 (Supporting services that support promote legal employment) was published in October 2018, which aims at providing services that promote legal employment; supporting the legal assistance, mediation, conciliation, intermediary, consultation and arbitration services of advocacy organisations and using alternative dispute resolution tools. The total amount of grants is HUF 2.4 billion.

4.4 Supporting job-seekers and youth in becoming entrepreneurs

The programmes EDIOP-5.2.7-18 (Supporting youth in becoming entrepreneurs) and EDIOP-5.1.10-18 (Supporting job-seekers in becoming entrepreneurs) were launched in November 2018 as the continuation of EDIOP-5.1.9-17. (Supporting job-seekers and youth in becoming entrepreneurs – training and mentoring). The Hungarian State Treasury, applying simplified cost options, provides grants for young people aged 18–30 and for job-seekers above 30, who participated in training in business creation and development in EDIOP-5.1.9-17 and have an approved business plan, to set up a business.

¹² Government Resolution 1497/2018. (X. 12.) on certain aspects of public works.

The total amount of grants available in EDIOP-5.2.7-18 is HUF 26.7 billion and that of grants in EDIOP-5.1.10-18 is HUF 13.4 billion.

4.5 Supporting the return of parents with young children to the labour market

The programme EDIOP-5.3.11-18 (Supporting the return of parents with young children to the labour market) was launched in November 2018, which promotes the labour market return of parents with young children by offering targeted support to cover family day-care or workplace nursery fees. The total amount of grants is HUF 9.8 billion.

4.6 Supporting the investment of micro-, small and medium-sized enterprises in job creation

The call for proposal “NFA-2018-KKV Supporting the investment of micro-, small and medium-sized enterprises in job creation” was published in July 2018, while “NFA-2019-KKV Supporting the investment of micro-, small and medium-sized enterprises in job creation” was published in March 2019. In order to improve the development, significance and market position of small and medium-sized enterprises, these programmes aim at supporting investment in job creation, reducing regional disparities, supporting regional cohesion, reinforcing local economies and expanding employment by promoting the employment of persons disadvantaged in the labour market. The total amount of grants in NFA-2018-KKV is HUF 6 billion, while in NFA-2019-KKV it is HUF 5 billion.

4.7 Central labour market programme “Providing workers’ accommodation”

The central labour market programme titled “Providing workers’ accommodation” was published for the third time in October 2018: applicants can apply for grants for building workers’ accommodation for at least 80 employees or renovating buildings which may be converted into workers’ accommodation. The aim of the programme is to facilitate the mobility of the labour force and improving housing conditions in regions affected by labour shortage. The total amount of grants is HUF 5 billion.

4.8 Improving adaptability to labour market changes

The call for proposals of the programme EDIOP-5.3.5-18 (Thematic projects aiming at improving adaptability to labour market changes) was published in October 2018, which aims at reinforcing the engagement of social partners in society and the labour market, improving their representative power and supporting activities that efficiently contribute to improving the adaptability of employees, employers and enterprises to labour market changes and rein-

forcing their corporate social responsibility. The total budget to be granted to applicants amounts to HUF 4 billion.

5 POLICY TOOLS AFFECTING THE LABOUR MARKET

5.1 Changes in the minimum- and the guaranteed minimum wage

The minimum amount of the base salary of full-time employees increased from HUF 138 thousand to HUF 149 thousand gross on 1 January 2019, while the guaranteed minimum wage of full-time employees in jobs requiring at least an upper-secondary qualification and/or mid-level vocational qualification increased from HUF 180,500 to HUF 195 thousand.¹³

5.2 Changes in the system of taxes and contributions

5.2.1 *Act on the new social contribution tax*

On 1 January 2019 an act on the new social contribution tax took effect, which eliminated the healthcare contribution tax and introduced a uniform social contribution tax (SCT) of 19.5 per cent. Instead of the earlier HUF 100 thousand, the new act specifies the amount of SCT reductions in terms of the minimum wage. In the case of part-time employment, the reductions do not have to be proportionate to the working time.¹⁴

Reductions for employees below 25 or over 55 and for the so-called Career Bridge programme have been eliminated, while reductions for employing young graduates, long-term unemployed persons or those on maternal leave will be phased out, similarly to the reduction for enterprises located in free enterprise zones.

A new reduction is introduced for employing new entrants to the labour market (that is employees who had a maximum of 92 days in insurance during the 275 days prior to their employment): employers are exempt from paying SCT and vocational training contribution payable on the minimum wage in the first two years of employment and entitled to a 50 percent reduction in the third year (Kiss, 2018).

The reduction for employees with a rehabilitation card was eliminated and replaced by another one with a wider range of beneficiaries, which may be claimed by entrepreneurs with disabilities. Since 26 July 2018, and also under the new SCT Act, persons with a lower than 60 percent health status score based on a comprehensive rating but not eligible to rehabilitation benefit or disability benefit have been eligible to the reduction.¹⁵ On July 1 2019 the social contribution tax decreased by 2 percentage points to 17.5 per cent.¹⁶

5.2.2 *Exemption of working pensioners from contributions*

In order to promote the employment of pensioners, since 1 January 2019, pensioners in their own right, employed under the Labour Code, have been

13 Government Decree 324/2018. (XII. 30.) on the minimum wage and the guaranteed minimum wage in 2019.
14 Act LII of 2018 on the social contribution tax.

15 Act XLI of 2018 on the amendment of certain tax laws and related Acts and on the special immigration tax.

16 Act XLVIII of 2019 on reducing the rate of the social contribution tax and on the amendment of related legislation.

exempt from the 10 percent pension contribution and from the 4 percent in-kind health insurance contribution stipulated by the Act on Social Security Contributions¹⁷ previously.¹⁸ Such employment is also exempt from the social contribution tax and vocational training tax.¹⁹

5.2.3 Changes in the cafeteria system

The cafeteria system was significantly modified on 1 January 2019. Due to the amendment of the Act on the Personal Income Tax, only up to HUF 450 thousand per year may be given to employees on SZÉP-cards as a non-cash fringe benefit from 2019 on. The tax rate on this benefit slightly grew because of modification of the social contribution tax (from 34.22 per cent to 34.5 per cent). Additionally, the sub-accounts of the SZÉP-cards of each employee are allocated separate bank account numbers. The cash benefit of HUF 100 thousand per year no longer qualifies as a benefit in kind.

From 2019 on, only benefits specified in the Act may qualify as certain specific benefits. In the future these will not include benefits which qualified as benefits in kind until 2017, such as the school start allowance, local travel allowance, Erzsébet voucher and contributions to voluntary pension insurance funds.

The maximum amount of the “allowance for cultural services”, exempt from personal income tax, has increased from HUF 50 thousand to HUF 149 thousand, equal to the minimum wage. However, the tax exemption of several allowances ceased: assistance for housing, housing assistance for mobility, risk insurance premium and assistance for repaying student loans will be subject to tax as earned income.

5.3 Overtime Act

The amendment of the Labour Code adopted in December 2018 took effect on 1 January 2019.²⁰ The amendment increased the maximum timeframe of working time from 12 months to 36 months in the case of collective agreements. Employers may continue to require 250 hours of overtime annually; however, under the amendment, based on a written agreement concluded by the employer and the employee, an additional 150 hours of overtime (voluntary overtime) per calendar year at most may be required by the employer. In the case of collective agreements, an additional 100 hours of voluntary overtime may be required annually at most, based on a written agreement, in addition to a maximum of 300 hours of overtime annually.

The amended law also legislates on the rules of allocating rest days: two rest days a week must be allocated but not necessarily evenly. After six consecutive working days a minimum of one resting day a week must be provided. In the case of an uneven work schedule, uninterrupted, seasonal or shift work, at least one of the weekly resting days must be provided every month. At least

17 Act LXXX of 1997 on the beneficiaries of social security provisions and private pension and on the contributions payable to cover these.

18 Act XLI of 2018 on the amendment of certain tax laws and related Acts and on the special immigration tax.

19 Act LII of 2018 on the social contribution tax.

20 Act CXVI of 2018 on the amendment of Acts related to the organisation of working time and the minimum fee payable for temporary employment.

one of the weekly resting days per month must be provided on Sundays, except for part-time employees working on Saturday and Sunday.

5.4 Expanding the programme on building workers' accommodation

Since the autumn of 2019, employers are also eligible to grants for building workers' accommodation, in addition to municipalities. Due to the expansion of the programme, business organizations can apply for regional investment aid for building workers' accommodation, with a 50 percent rate in Northern Hungary, Northern Great Plain, Southern Great Plain and Southern Transdanubia, a 35 percent rate in Central Transdanubia and a 25 percent rate in Western Transdanubia, while small enterprises may secure an additional 20 percent and medium-sized enterprises an additional 10 percent investment aid. The grant is for establishing workers' accommodation for at least 80 persons and eligible costs include construction and refurbishment costs and the costs of new tangible assets required for the investment. The beneficiary must undertake to operate the facility for at least ten years.²¹

5.5 Summer student work

The Ministry of Finance has also published its summer student work programme in 2019, with a budget of HUF 3.6 billion. This time, however, youth aged between 16 and 25 may not only be employed by regional and local municipalities or municipality institutions but also by enterprises active in agriculture, tourism or catering. According to the estimates of the Ministry, from the budget available in 2019 it is possible to provide work for about 30 thousand students between 1 July and 31 August, with a daily maximum working time of 6 hours. Employers are reimbursed for 75 per cent of wages and related social contribution tax, while for municipalities the rate is one hundred percent.²²

21 A new economy protection measure: enterprises are also eligible to a workers' accommodation grant.

22 Up to 30 thousand students may work in the summer student work programme.

References

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Appendix

Table A1: Expenditures and revenues of the employment policy section of the national budget, 2013–2019 (million HUF)*

Expenditures	2013	2014	2015	2016	2016	2017	2017	2018	2019
	actual	actual	actual	plan	actual	plan	actual	plan	plan
1. Active subsidies									
Employment and training subsidies	25,105.9	28,120.8	12,302.4	16,172	27,503.9	16,172.0	27,238.9	35,000.0	35,000.0
Co-financing EU-funded employability (and adaptability) projects	16,279.6	17,130.1	11,064.6	3,808.7	3,808.7				84,300.0
8. Public works (SART work programme)	171,053.4	225,471.1	253,723.3	340,000.0	267,965.7	325,000.0	265,837.2	225,000.0	180,000.0
SR0P 1.1. Labour market services and support	33,804.9	35,790.1	12,305.1	54.5	79.5				
SR0P 1.2. Normative support for promoting employment	14,477.3	1,080.1							
EDIOP 5. Employment priority – annually published budget						81,600.0		7,800.0	28,000.0
Of which CCHOP funding						1,000.0			
EDIOP 6. Competitive workforce – annually published budget						74,380.0			9,770.0
Reimbursement of social security contribution relief	3,277.5	551.5							
Pre-financing labour market programmes 2014–2020		0.0	13,654.9	54,700.0	50,101.3	74,116.4	70,995.3	84,300.0	
2. Vocational and adult training subsidies	18,736.2	24,725.9	30,084.7	13,819.0	27,872.0	20,000.0	29,919.4	29,930.0	
4. Passive expenditures									
Job seekers' allowances	51,819.9	49,235	49,657.7	47,000.0	53,454.1	47,000.0	59,674.0	55,000.0	75,000.0
Transfer to Pension Insurance Fund	961.3	451.6	309.1	0.0					
5. Payments from Wage Guarantee Fund	5,487.8	4,178.5	3,790.7	4,950.0	3,994.3	4,000.0	3,341.2	4,000.0	4,500.0
6. Operational expenditures	1,472.8	2,418.3	2,816.0	3,283.4	2,899.3	3,500.0	2,785.6	2,900.0	4,310.0
7. Other budget contribution									70,000.0
15. Headline stability reserves				389.5	389.5				
Supplementary subsidies for employers									
16. Sectoral subsidy for minimum wage increase	7,000.0	9.1							
17. Other expenditures	22.3								
Total expenditures	349,498.9	389,162.1	389,708.5	484,177.1	438,068.3	645,768.4	459,791.6	443,930.0	522,574.8

Revenues	2013 actual	2014 actual	2015 actual	2016 plan	2016 actual	2017 plan	2017 actual	2018 plan	2019 plan
25. Revenues from SROP measures**	51,276.1	39,776.7	22,466.1	51,700.0	46,365	60,000.0	64,512.6	70,400.0	70,000.0
26. Other revenues									
Other revenues, regional	602.3	1,507.8	1,290.8	1,000.0	1,839.5	1,000.0	2,188.1	1,000.0	1,000.0
Other revenues, national	1,376.8	2,537.1	901.5	1,000.0	1,745.6	1,000.0	2,013.8	1,000.0	1,000.0
Other revenues from vocational and adult training	692.6	216.8	10,147.6	800.0	2,169.2	800.0	1,643.1	800.0	800.0
31. Vocational training contribution	60,398.7	60,910.8	65,308.2	56,996.1	70,327.6	60,706.7	80,074.5	74,436.3	95,490.6
33. Redemption of wage guarantee subsidies	1,046.1	934.5	663.6	1,000.0	424.6	1,000.0	783.0	1,000.0	1,000.0
34. Debt management revenues (technical)									
35. Part of health and labour market contributions payable to the National Employment Fund	125,614.6	135,819.4	144,953.2	150,476.4	155,369.2	165,801.9	176,338.0	194,169.2	216,621.9
36. Funding from the national budget	20,000.0		8,449.0	95,000.0	31,023.3			25,000.0	
38. Part of the social contribution tax payable to the National Employment Fund					68,605.5	217,539.6	194,435.5	0.0	68,001.0
Contribution to the Job Protection Action Plan	91,542.7	95,936.7	100,541.7	105,769.9	52,884.9				
Total revenues	352,549.9	337,639.8	354,721.7	463,742.4	430,754.4	507,848.2	521,988.5	367,805.5	453,913.2
Pending items	-964.6								
Changes in deposits	-2,086.4								
Total	351,560.1	389,162.1	354,721.7	484,177.1	430,754.4	507,848.2	521,988.5	367,805.5	453,913.2
At 2013 prices (deflated by a consumer price index)	351,560.1	389,942.0	355,788.4	483,698.2	430,328.4	495,455.0	509,250.2	349,056.2	430,774.5

* The ordinal numbers in the table correspond to the title numbers identifying the headlines of the national budget.

** Regarding 2017, 2018 and 2019 it includes the revenue "Reimbursement of the expenditures of the pre-financed EU programmes".

Source: The act on the national budget of Hungary (plan) and the act on the implementation of the national budget of the given year (actual); regarding the plan of 2013, the figure of 153,779.8 was modified by Government Decisions No. 1507/2013 of 1st August and 1783/2013 of 4th November with an additional budget of 26,118 million HUF to public works; regarding the plan of 2014, the original figure of 183,805.3 was modified by Government Decision 1361/2014 of 30th June (allocating an additional budget of 47,300 million HUF to public works). Regarding the plan of 2017, the figure was modified by Act LXXXVI on the modification of Act XC of 2016 on the 2017 Central Budget of Hungary'. The source of the expenses of EDIOP is Government Resolution No. 1006/2016 of 18th January on the annual development budget of the Economic Development and Innovation Operational Programme and further Government Decisions on its modification.