

## FOREWORD

The *Hungarian Labour Market Yearbook* series was launched in the year 2000 by the Institute of Economics of the Hungarian Academy of Sciences with the support of the National Employment Foundation. The yearbook presents the actual characteristics of the Hungarian labour market and employment policy, and provides an in-depth analysis of a topical issue each year. The editorial board has striven to deliver relevant and useful information on trends in the Hungarian labour market, the legislative and institutional background of the employment policy, and up-to-date findings from Hungarian and international research studies to civil servants, staff of the public employment service, municipalities, NGOs, public administration offices, education and research institutions, the press and electronic media.

An important aspect is that the various analyses and the data published in the yearbook series should provide a good source of knowledge for higher education on the different topics of labour economics and human resources management. The yearbook series presents the main characteristics and internal trends of the Hungarian labour market.

Continuing our previous editorial practice, we selected an area that we considered especially important from the perspective of understanding Hungarian labour market trends and the effectiveness of evidence-based employment policy. Based on the decision of the editorial board the topic of 'In Focus' this year discusses the labour market situation of women. The yearbook consists of five main parts.

### **1. The Hungarian labour market in 2017**

According to the population based representative survey, the labour force survey of the Central Statistical Office the number of employed reached 4 million 421 thousand at an annual average, which means a significant, 1.6 percent increase compared to the previous year. In the course of the year the pace of employment growth has however continuously slowed down due to the shrinking labour force potential and thus the annual growth was significantly below the 3.5 percent increase of 2016. After the massive growth in the number of public workers over the past few years – which also contributed significantly to the improvement of the employment rate – the number of public works participants stagnated in 2016 and – in accordance with the government's intention – has decreased in 2017. In connection with the gender employment gap the fact has also to be mentioned that part-time employment among Hungarian women is one of the lowest in the EU and other

forms of employment which could facilitate the reconciliation of work and family life (e.g. teleworking, flexible or unbound working time) hardly exist.

In 2017 in the framework of the job vacancy survey of the CSO enterprises, non-profit and public institutions reported nearly 70 thousand unfilled jobs at an annual average – 23 percent higher than in 2016. The growing competition for workforce, the direct and indirect impacts of the government measures as well as the favourable economic trends all contributed to the highest pace of wage increase of the past decade. Besides the increase of the minimum wage the selective wage re-arrangement of public sector employees also continued, although there are still areas where wages have been unchanged for almost a decade.

An important source of the labour supply is the labour reserve, which according to the extended definition includes the unemployed, the inactive who want to work, the underemployed and public workers. In 2017 all of these categories – connecting to the labour market with various strengths – were characterized by a decrease. The segment of the labour reserve linking most closely to the labour market is the unemployed (in terms of the ILO definition). The decrease of unemployment started to follow employment growth with an element of delay following the financial crisis although it has been quite intensive over recent years. In 2016 the number of unemployed was half the number of 2013 while in 2017 the number of unemployed in the LFS was below 200 thousand – for the first time in the history of the survey since 1992. At an annual average 95.7 thousand men and approximately as many women were unemployed. Thus, the unemployment rate of men was 3.8 percent while that of women 4.6 percent. Herewith the Hungarian unemployment rate was among the four lowest ones of the EU.

## **2. In Focus**

This year the topic of ‘In Focus’ is the labour market situation of women, which – going beyond itself – has a significant impact on at least three economic and social fields challenging policy makers. The first one is economic growth: if the activity rate of women caught up men the European GDP would increase by 12 percent in the next 15 years (for more details see Chapter 1. of ‘In Focus’). The second one is the low fertility, which is one of the most serious concerns of Hungary and Europe. The improving labour market situation of women could also have a positive impact on this issue. As several studies pointed out the fertility rate in past decades was higher in those European countries where the reconciliation of work and family life is a given opportunity for women and that the introduction of policy measures on reconciliation obviously increased both the fertility and the labour market activity of women. The third major problem is the question of pension insurance originating in the low fertility i.e. how will the decreasing number of the active aged population

maintain the growing number of pensioners in an ageing society. As women form a potentially active, highly educated active aged population the increase of the labour market activity of women could be useful from this respect too.

*The labour market situation of women on the basis of international research* (Chapter 1). The labour market activity of women has significantly increased across Europe approaching but not overtaking the activity rates of men. The increase of the labour market activity of women was fostered by the improving educational attainment of women and the increase of wages as well as by several other factors including the spread of household appliances and contraceptive pills. The female employment rate also approximated the employment rate of men but the forms of employment differ significantly. Part-time employment for example is more typical for women. Employment segregation e.g. the clustering of men and women in different occupations is more and more typical within European labour markets. In recent decades the gender wage gap has also decreased significantly in Europe due to the increasing education level and work experience of women. The largest proportion of the gender pay gap is explained by gender differences in occupations, economic sectors and differences across sectors. The gender pay gap however is the largest in the highest wage segments that originates in the observation that women enter into senior management positions to a much smaller extent.

*Women in the Hungarian labour market.* The subchapters of Chapter 2. provide an overview on the evolution of the labour market situation of the past years – including activity, unemployment, the gender pay gap and its most important reasons. In the past 17 years since the millennium the employment rate both of men and women has significantly increased. The expansion of market jobs, the public and foreign work of Hungarians as well as the decrease of the active aged population equally contributed to this increase. From the end of the 1980s until the millennium the gender pay gap decreased and the average wage of women increased from 75 percent to 90 percent compared to the average wage of men. Since the 2000s average gender pay gaps remained almost unchanged however the composition by educational attainment shows that while the gender pay gap increased among the tertiary educated it decreased at lower levels. Until 2016 the proportion of women in management positions reached 41 percent in total. In the public sector this share is higher, between 50 and 70 percent depending on the sector, while it is lower in the business sector with a proportion of 10–50 percent.

*The situation of the female workforce in the EU and Hungary* (Chapter 3). In the early 2000s post-socialist countries of Europe were in an advantageous situation compared to the EU15 with respect to female employment. Although the economic crisis decreased female labour market participation in these countries more seriously they resumed more or less their advantageous situation. Between 2002 and 2016 the difference among countries in the field of

female labour market participation was mainly influenced by general trends although demographic and policy aspects also played an important role. The employment rate of women is largely determined by the policies of certain countries including the child-care leave, the taxation system, flexible employment opportunities and the spread of child-care services. On the other hand, the income level of women is in the whole of Europe below the income of men. That means that a man on average has a 50–70 percent higher work and personal income than a woman. The extent of income inequalities however is much higher among women. The inequality in levels of income could be reduced if someone lives in a relationship but the share of those living in a relationship is becoming lower and lower in Europe.

*Labour market situation determining human capital* (Chapters 4–7). The main reason for the evolution of gender inequalities at birth and in early childhood is circumstances other than ideal and this causes stronger disadvantages to boys at later stages of life. This fact was also underlined by the outcomes of the examination of the Hungarian abortion ban in 1974. Based on educational performance the situation of women is good and has been improving in Hungary. Each year since 1990 the proportion of women in tertiary education is higher than that of men while their share of early school-leavers always remained below the proportion of men.

In the case of the skills assessing test scores of PISA the difference between Hungarian girls and boys is average. Boys perform somewhat better in mathematics while the advantage of girls in reading is below the international average. According to the analysis it seems probable that traditional education systems – where grade repetition is more frequent, selection is early and the use of modern pedagogic methods is less common – are more favourable for boys.

Significant differences occur between boys and girls in the field of study choice. Women with a vocational qualification background have considerably lower chances to become employed than men with the same level of education. Half of this disadvantage could be explained by the career choice. If everyone was hired in the occupation according to their professional qualification, then based only on this the expected wage gap in favour of men was 16.5 percent in the case of vocational qualification while 1.7 percent in the case of vocational secondary qualification level. Labour market performance – beyond educational performance – is also determined by non-cognitive (personal) characteristics.

There are significant differences in the majority of non-cognitive characteristics between boys and girls already in early childhood – and mainly in favour of girls. These differences in skills have a considerable influence on school and labour market success. In the past years non-cognitive skills have become more and more appreciated in the labour market because the proportion of tasks

requiring non-substitutable skills increased due to the spread of computer-managed, automated and most recently by artificial intelligence managed production and service systems. Non-cognitive skills also include preferences that could be measured by experimental methods. Labour market activity is strongly influenced by the health condition of individuals therefore we also provide an overview on the health status of Hungarian women.

*Marriage, children and the reconciliation of work and family life* (Chapters 8–9). The difference in the labour market situation of men and women originates mainly in occasions around parenthood. The labour supply of women with young children is substantially influenced by the number of child-care places and this link around the age of 3 is much stronger in Eastern-Central European countries than in Western or Southern Europe. The employment and wage of women not only starts to lag behind that of men after childbirth but already in the previous years. Unlike Western countries the wage gap is significantly greater in the case of future mothers in Southern and Eastern Europe than that of women who will not become mothers in the forthcoming years. With the better reconciliation of paid work and household duties women need to give up less from their labour market performance. The share of household duties between partners definitely promotes reconciliation. In Southern and Eastern countries (including in Hungary) women work in total one-two hours longer in paid and unpaid work than men, while in Northern and Western countries the gender difference is negligible.

*Discrimination, institutional surroundings* (Chapters 10–12). Discrimination faced by women is hardly demonstrable nor measurable. By examining the data on wages in the period between 1995–2016 the level of the measurable discrimination decreased significantly from around 18 percent to 9–13 percent and older women are probably much more affected by this discrimination. The institutional surroundings also strongly influence the labour market situation of Hungarian women. The most important measures of the past 10 years were probably making child-care benefits more flexible, the introduction of the family tax credit and the development of child-care services for children under 3. It is important to highlight that while employers in certain cases promote the establishment of family-friendly employment forms, in other cases they even hamper the use of benefits guaranteed by the law. A remarkable element of the institutional surroundings is the public works system. Since 2014 female participation in public work is higher compared to that of men. The Hungarian rules on pension promote the early retirement of women which decreases female employment rates.

### **3. Changes in labour market policy tools (June 2017–May 2018)**

This chapter summarizes the main legislative changes in connection with labour market policies between June 2017 and May 2018.

The modification of the Vocational and Adult Training Act increased the weight of practical training and established the so called sectoral skill councils from 1<sup>st</sup> of July 2018. Members of the sectoral skill councils are the representatives delegated by sectoral stakeholders. The body could make proposals on the modernisation of the training contents and the operation of the vocational training system.

In the framework of the tender HRDOP-1.2.9-17 ‘Women in the family and at work’ ‘Family and Career Points’ were established in order to promote the labour market situation of women, to spread atypical forms of employment and facilitate work-life balance. A new form of cooperatives, the pensioners’ cooperative for public interest was introduced on 1<sup>st</sup> July 2017 with the aim of encouraging the employment of retired people.

In connection with the different labour market services the programme HRDOP-1.5.2-16 has to be mentioned. Its goal is the development of labour market services of municipalities and in its framework disadvantaged job-seekers are provided help in finding a job. In addition to this, the program on the ‘Development of lawful employment’ EDIOP-5.3.7-VEKOP-17 started in June 2017 and aims at improving working conditions and promoting lawful employment.

The gradual cutback of the public works programme has also continued in the past year. In 2017 the planned amount for public works in the Hungarian central budget was 325 billions of HUF and 225 billions of HUF in 2018. The factually used support however was only 261 billions of HUF in 2017. The budget plan for 2019 is 180 billions of HUF that will not further decrease in the forthcoming years.<sup>1</sup> In 2018 the amount of the minimum wage and the guaranteed wage minimum further increased. In 2017 a modification enabled the government to establish a different minimum wage and guaranteed wage minimum for certain groups of employees.<sup>2</sup>

In addition to this, modifications were carried out in the tax and social contribution system concerning employers’ contributions. The most important change was the decrease of the social contribution tax and the health contribution. A significant change in the field of fringe benefits (in Hungary often referred as cafeteria) was that the tax-free amount of the housing allowance was raised and the support was extended to employees with a fixed-term contract as well as temporary workers. In addition, the scope of tax-free items was complemented by the support for the student’s loan repayment.

1 One EUR = 309.1 HUF (monthly average exchange rate, 2017).

2 There are two types of minimum wage in Hungary, the minimum wage and the guaranteed wage minimum (for skilled workers). Employees in jobs with at least minimum secondary or vocational secondary qualification requirements are entitled for the guaranteed wage minimum.

#### 4. Statistical data

This chapter, in the same structure as in previous years, provides detailed information on the major economic trends, the population, labour market participation, employment, unemployment, inactivity, wages, education, labour demand, regional imbalances, migration, labour relations, welfare ben-

efits as well as drawing an international comparison of certain labour market indicators since the times of the political transition.

The data presented in the chapter have two main sources: on the one hand, the regular institutional and population surveys of the Central Statistical Office: the Labour Force Survey (LFS), institution-based labour statistics (ILS), and the labour force account (LFA); on the other hand the register of the National Employment Services and its data collections: the unemployment register database (NES REG), short-term labour market forecast (PROG), wage tariff surveys (WT) and the Labour Relations Information System of the Ministry for National Economy (LRIS). More detailed information on these data sources is available at the end of the statistical section. In addition to the two main data providers, data on old age and disability pensions and benefits was provided by the Hungarian State Treasury. Finally, some tables and figures are based on information from the online databases of the Central Statistical Office, the National Tax and Customs Administration and the Eurostat.

The tables and figures of the chapter can be downloaded in Excel format following the links provided. All tables with labour market data published in the Hungarian Labour Market Yearbook since 2000 are available at the following website: [http://adatbank.krtk.mta.hu/tukor\\_kereso](http://adatbank.krtk.mta.hu/tukor_kereso).

## **5. The Hungarian labour market, pocket edition**

This year, for the first time this collection of figures based on the Hungarian data forms the annex of this volume. By highlighting important links, this booklet makes gender gaps in education, employment as well as the gender wage gap and their characteristics transparent and easily understandable.

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