

**THE HUNGARIAN
LABOUR MARKET
IN 2019-2020**

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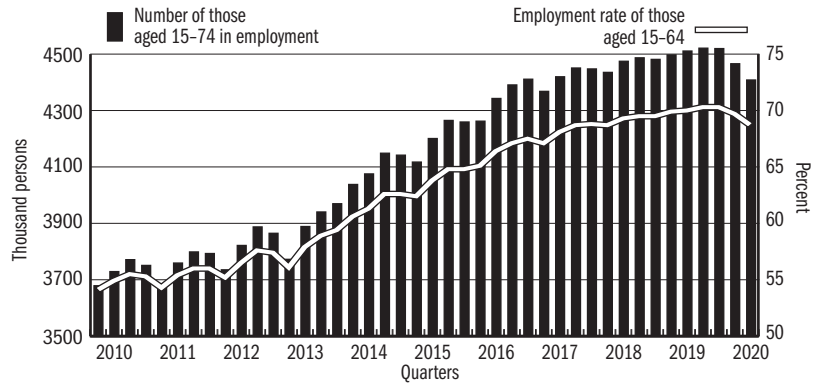
INTRODUCTION

The growth dynamics of the Hungarian economy in 2019 was similar to that of the preceding years; the GDP has grown by 4.9 percent, which has enabled the preservation of a worker-friendly labour market environment. The growth influenced the various sectors to differing extents. The volume increase was 21.7 percent in construction and 5.4 percent in industrial production, while the volume of agricultural production decreased by 0.3 percent compared to 2018. 75.3 percent of the population between the ages of 20–64 was considered employed, so the EU target for 2020 was already realised in 2019, and we made it into the middle-ranking group of member states with this figure. The employment indicator of 2019 was coupled by one of the lowest unemployment rates of the EU: only 3 other member states had a lower rate than the Hungarian 3.4 percent. The Hungarian labour supply – primarily for demographic and structural reasons – was only partially able to follow the growth of labour demand, thus, the employment of foreign workers was further expanded. Due to a tight labour market, the bargaining power of workers has improved, and the dynamic growth of earnings has continued. Workers' earnings have exceeded last year's by an average of 11.4 percent, and between 2017 and 2019, earnings have increased by a total of over 28 percent in real terms. It needs to be mentioned however that the favourable labour market conditions that characterised 2019 have deteriorated substantially since March 2020, due to the powerful economic downturn that occurred in the wake of the COVID-19 pandemic. In the second quarter (of 2020), the full duration of which was affected by the pandemic, the number of those in employment was 103,000 less than during the same period of 2019 (HCSO, 2020).

THE DEVELOPMENT OF EMPLOYMENT

In 2019, according to the labour force survey, the number of those in employment: 4,512,000, was approximately 1 percent (nearly 40,000) higher than the same figure of the preceding year. Within the year, the change in workers' numbers followed the usual pattern: the increase of the first three quarters was followed by stagnation in the fourth quarter. The limited amount of available additional labour force played a key role in the fact that the employment growth rate has been continuously decelerating since 2017, as employers' demand for additional labour force has not changed significantly and the number of positions to be filled remained high (*Figure 1*).

Figure 1: The number of those in employment between the ages of 15–74, and the employment rate of those between the ages of 15–64



Source: *HCSO LFS*.

1 A 40-year period of contribution to public pension funds was recognized in 2018 for those who had completed a 4-year study programme, and in 2019 for those who had completed a 5-year study programme.

2 One source of the uncertainty is the population number carried forward that serves as the basis for multiplication. When it is updated each year, the number of those – for example – residing temporarily abroad for work purposes cannot be established with certainty. More accurate data is available only on those who are surveyed in the labour force survey as a member of their Hungarian household. According to the CLFS (Community Labour Force Survey), in 2019, 360,000 individuals with Hungarian citizenship aged 20–64 were residing in an EU-EFTA country, and their 83.9 percent were in employment. The ratio of females and males was nearly equal, and presumably, the majority of them lived in households without a member who could have provided data about them in Hungary. Although in absolute terms, the number of surveyed Hungarians and their ratio relative to the appropriate population was low compared to most post-socialist countries, the dynamics of out-migration exceeded that of these countries between 2010 and 2015 and it decelerated only in recent years.

The main reason behind the decline in labour supply is that the population numbers of the generations entering the labour market are substantially lower than the numbers of those exiting. While the number of those considered to be of working age (those between ages of 15–64) living in private households was 6,736,000 in 2010, this figure decreased to 6,369,000 in 2018, and then to even lower by 42,000 in 2019: 6,327,000. The shrinkage of the potential labour force, rooted in demographic reasons, can still be partially compensated for until 2021 by the gradual increase of the retirement age, although the effect of this is weakened by the circumstance that a growing number of females who have engaged in full-time tertiary education have also taken the opportunity to retire early.¹ The reason behind the different rules for the two sexes is that while the population of males aged 15–74 in employment increased by 1.4 percent, this increase was only 0.5 percent in the case of females in 2019. Another factor that contributed to the insufficiency of the Hungarian labour force was that since the 2010s, the number of those moving abroad for work has been gradually increasing, although this tendency seems to have stopped in the past two years. As there is no reliable data available on the number of Hungarians living and working abroad, the data regarding the number of working-age individuals who are effectively available for Hungarian employers is also somewhat uncertain.²

Several provisions have been put in place recently in order to mitigate the labour shortage and expand the labour force. On the basis of the model of student cooperatives that support the employment of full-time students, pensioners' cooperatives have been formed, and since 2019, the employment of pensioners has received even more support: neither they, nor their employers are required to pay any contributions on their earnings. Another provision is that mothers with young children may work even full-time while keeping their childcare allowance, and the government also intends to encourage their

return to the labour market by continuing to expand the network of daycare centres. As a result of these provisions, the labour market presence of the above mentioned groups has increased.

According to the labour market survey, only 12,700 full-time students were in employment beside their studies, and in 2019, their number was 24,700. The growing employment of students was driven mostly by the increased wages brought about by an excess in labour demand. Although there is a substantially larger population behind the average, and based on the data provided by students' cooperatives, the number of students who do work but are invisible to the labour market survey is significant, working while studying is still less widespread than in most Northern and Western European countries.

The number of pensioners in employment has grown from 128,200 in 2014 to 187,800 in 2019. Their further, more substantial inclusion in the labour market may be limited by the rising retirement age and its consequences: a rise in the number of those struggling with health issues. The number of females working while receiving childcare allowance was 24,500 in 2019, which is 57 percent more than what it was in 2014. The opportunity to work while receiving childcare allowance was taken mostly by women with higher educational attainment and thus higher earnings. In 2019, nearly half of the women who were in employment while receiving childcare allowance had a tertiary educational attainment.

Although officially, mass in-migration is still not desirable, the need of the Hungarian economy for international labour force has been increasing in recent years. Although some workers do come from distant countries – mostly in an organised way – the primary target countries for recruitment are the neighbouring countries that are not a member of the EU – Ukraine and Serbia. Since July 2017, employment in Hungary has become significantly easier for the citizens of these two countries. Partly as a result of this, in 2019, enterprises with at least five employees have employed 52,000 international citizens, which is more than the double of the 2015 figure. Nearly one out of three international workers came from Ukraine. In 2019, 14,000 individuals were granted a work permit, while employers employed foreigners in 40,300 positions subject to a reporting obligation. 70 percent of the latter were Ukrainian or Serbian citizens. 41 percent of those granted an employment permit had an elementary educational attainment, while this rate was nearly 56 percent in the case of those employed with a reporting obligation; that is, foreign workers were typically employed in unskilled positions that could be filled after a short training.

The decrease of public employment quotas, and the fact that the rates of public employment wages (frozen since 2017) are increasingly unfavourable compared to the general minimum wage,³ aid the transition of those affected to the primary labour market, and thus the mitigation of the la-

³ At its introduction in 2012, the gross public employment wage was 77.2 percent of the general minimum wage, which ratio, without considering the effect of the one-off payment in September, dropped to 54.1 percent by 2019.

bour shortage. This is because from the perspective of the primary labour market, public employees also constitute labour force. The purpose of the expansion of public employment in 2013 was to manage unemployment, but the government's ideological rejection of income gained without work (that is, unemployment benefits) presumably also played a role in it. At the same time as unemployment decreased and the labour shortage worsened, the number of workers in this form of employment also decreased, and by 2019, only those worked as public employees who were unable to find other kind of work due to labour market socialisation issues, the distance of potential workplaces or their age or lack of education.⁴

As *Table 1* shows, the annual average number of those working in the Hungarian primary labour market was 4,284,600 in 2019, which represents a growth by 68,000 compared to the preceding year, while the number of those considering themselves public employees decreased by 37,000, and the number of those indicating a foreign employer in the labour market survey grew by 11,000. This means that a total of nearly 700,000 new jobs have been created in the Hungarian primary labour market since 2010.

⁴ More details will be provided about the situation of public employment later on.

Table 1: Some of the more relevant details of the development of the number of public employees, 2017–2019

| Title | Number of those in employment (thousands of persons) | | | Change 2019/2018 | |
|--|---|--------|--------|-------------------------|---------|
| | 2017 | 2018 | 2019 | thousands of persons | percent |
| Total | 4421.4 | 4469.5 | 4512.1 | 42.6 | 101.0 |
| Sex | | | | | |
| Male | 2417.3 | 2446.2 | 2479.7 | 33.5 | 101.4 |
| Female | 2004.1 | 2023.3 | 2032.4 | 9.1 | 100.4 |
| Type | | | | | |
| Hungarian primary labour market | 4117.8 | 4216.6 | 4284.6 | 68.0 | 101.6 |
| Public employment | 194.0 | 148.2 | 111.5 | -36.7 | 75.2 |
| International location | 109.6 | 104.7 | 116.1 | 11.4 | 110.9 |
| Region | | | | | |
| Budapest | 845.3 | 833.8 | 848.1 | 14.3 | 101.7 |
| Pest | 578.0 | 595.2 | 614.7 | 19.5 | 103.3 |
| Central Transdanubia | 498.7 | 499.1 | 505.6 | 6.5 | 101.3 |
| Western Transdanubia | 469.6 | 481.9 | 488.0 | 6.1 | 101.3 |
| Southern Transdanubia | 369.3 | 374.0 | 373.0 | -1.0 | 99.7 |
| Northern Hungary | 474.8 | 485.3 | 481.7 | -3.6 | 99.3 |
| North of the Great Hungarian Plain | 631.1 | 639.7 | 640.0 | 0.3 | 100.0 |
| South of the Great Hungarian Plain | 554.8 | 560.5 | 561.0 | 0.5 | 100.1 |
| Status | | | | | |
| In employment | 3964.4 | 4003.9 | 4024.8 | 20.9 | 100.5 |
| Member of a joint entrepreneurship or cooperative | 156.8 | 149.4 | 164.5 | 15.1 | 110.1 |
| Entrepreneur, independent and supportive family member | 300.2 | 316.2 | 322.8 | 6.6 | 102.1 |

Source: The labour market survey of the *HCSO*.

The rate of males among those in employment kept increasing to some extent. In 2019, 83.1 percent of males aged 20–64 were in employment, in contrast with the female rate of 67.6. The first exceeded the average of the EU28 by 3.5 percentage points, while the latter fell behind by 0.6 percentage points. The substantially lower female employment rate is primarily rooted in the fact that they are the ones traditionally tasked with home duties such as taking care of children and the family, and as a result, it is females who, in most cases, leave the labour market either permanently or temporarily. The difference between the employment rates of the two sexes is largest in the 30–35 and the 60–65 age groups. In the first group, it is because this is typically the time when childcare allowance is requested, and even today, the majority of women spend its entire duration with their children. According to a second quarter HCSO survey,⁵ only 6.5 percent of the women who requested some form of childcare allowance were in employment. Although life expectancy at birth increased, the number of years to be spent in good health did not increase proportionately, and as a result, an increasing number of families need to care for elderly relatives as well. In this survey, 277,000 gave the response that they have an (adult) relative that needs care, and three quarters of those affected cared for them in their own homes. The care of elderly, ill relatives is also one of the reasons why a non-negligible number of women choose retirement once they have completed 40 years of employment relationship.

There are still significant territorial differences in employment. In 2019, while the national average employment rate was 70.1 percent in the population aged 15–64, this rate was 74 percent in Budapest, and 73.8 percent in Western Transdanubia. In contrast, the worst employment rate was found in Southern Transdanubia, a region that is increasingly lagging behind the rest: it was only 65.4 percent there, followed by the second worst, Northern Hungary – which used to be last in line until 2017 – with 66.1 percent. The differences in employment rates are even larger by county. In 2019, among the population aged 15–64, 74.4 percent were in employment in Győr-Moson-Sopron county, 74.2 percent in Vas county, while only 62.9 in Somogy county. As it can be seen from the absolute figures of the changes in population numbers, in 2019, the majority of surplus labour was engaged by jobs in and around Budapest – in the central region, the number of those aged 15–64 in employment grew by nearly 34,000 in one year, that is, approximately three quarters of the increase in numbers was realised there.

While at the beginning of the 2010s the employment rate of those with elementary educational attainment at most was well behind the EU average, the situation is different now, partly due to the public employment programmes, and as for the past two years, also due to the chronic labour shortage (*Table 2*). In 2019, the employment rate of males aged 15–64 with elementary educational attainment at most reached the EU28 level, and the same rate of females

⁵ See more: HCSO (2020b).

of the same age and educational attainment has even slightly surpassed the EU average. Although educational attainment has remained a determining factor for employment, the differences caused by it have significantly decreased in recent years. The difference between the employment rate of males aged 15–64 with elementary educational attainment and the same age group with tertiary educational attainment has dropped from 39.2 percentage points in 2010 to 26 percentage points in 2019. The improvement was less spectacular in females, but it was still 9.5 percentage points.

Table 2: The employment rate of those aged 15–64, by educational attainment and sex

| Educational attainment | 2012 | | 2016 | | 2019 | |
|------------------------|---------|------|---------|------|---------|------|
| | Hungary | EU28 | Hungary | EU28 | Hungary | EU28 |
| Males | | | | | | |
| Elementary (ISCED1-2) | 45.0 | 61.8 | 61.4 | 63.6 | 67.0 | 67.0 |
| Secondary (ISCED3-4) | 67.9 | 75.3 | 79.2 | 77.2 | 83.5 | 79.7 |
| Tertiary (ISCED5-8) | 84.4 | 85.7 | 90.0 | 87.1 | 93.0 | 88.4 |
| Total | 67.3 | 74.5 | 78.6 | 76.8 | 83.1 | 79.6 |
| Females | | | | | | |
| Elementary (ISCED1-2) | 30.7 | 42.7 | 42.1 | 43.4 | 46.3 | 45.6 |
| Secondary (ISCED3-4) | 57.7 | 63.5 | 65.0 | 65.7 | 67.5 | 67.7 |
| Tertiary (ISCED5-8) | 74.3 | 78.5 | 80.0 | 80.2 | 79.8 | 82.1 |
| Total | 56.2 | 62.4 | 64.4 | 65.3 | 67.6 | 68.2 |
| Joint | | | | | | |
| Elementary (ISCED1-2) | 36.9 | 52.0 | 50.7 | 53.6 | 55.7 | 56.7 |
| Secondary (ISCED3-4) | 63.1 | 69.6 | 72.5 | 71.6 | 76.1 | 73.9 |
| Tertiary (ISCED5-8) | 78.5 | 81.9 | 84.4 | 83.4 | 85.2 | 85.0 |
| Total | 61.6 | 68.4 | 71.5 | 71.0 | 75.3 | 73.9 |

Source: The labour market survey of the *HCSO*.

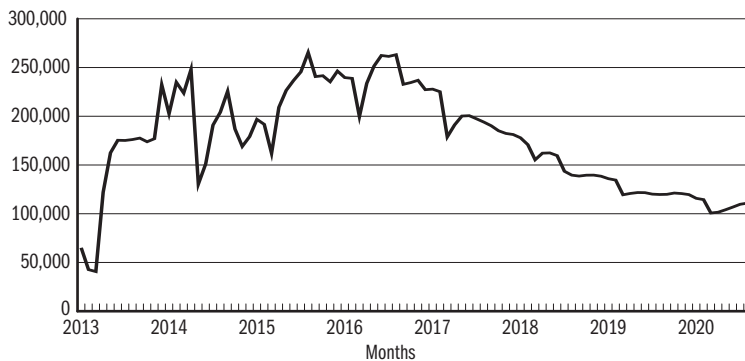
Sex and educational attainment together have a rather strong influence on labour market status. In 2019, 93 out of 100 males aged 20–64 with tertiary educational attainment did work, while only 46 percent of females of the same age group but with an elementary educational attainment at most were employed. Those with low educational attainment function as a kind of buffer for the economy: if labour demand is high, a lack of education is not necessarily a disadvantage for job-seeking, but during economic downturns, they may be the first ones to lose their jobs. This is another reason why it is unfortunate that this group is still being constantly replaced. In 2019, 11.8 percent of Hungarians aged 18–24 were considered so-called early school-leavers, which may be lower than the 17.3 rate of Spain at the “top” of the list, but is significantly higher than the best rate of 3 percent in Croatia, and is also higher than the average EU28 rate of 10.3.

Public employment is a unique form of employment that has engaged a considerable amount of people in recent years. Through raising public employ-

ment quotas, the government intended to create work opportunities during the period that followed the economic crisis in Hungary, for the populations who were unable to find jobs in the primary labour market due to their deficiencies in education or skill, a lack of jobs in their region of residence, or difficulties with labour market socialisation. Although shifting from public employment to the primary labour market is usually not easy, it has still become substantially easier in recent years. This is because due to the severe labour shortage, companies kept lowering their expectations towards applicants so that they could ensure the continuity of labour. As a result of this, the number of those in public employment, which was more than 200,000 in 2016, has dropped to its half by 2019.

According to the data of the Hungarian Ministry of Interior, which is responsible for public employment, the average annual number of public employees was 106,300 in 2019, which was 29,400 or 21.6 percent less than the same figure of the preceding year (*Figure 2*). The composition of public employees has also changed: the ratio of older individuals with less education has grown, and females have become the majority. At the end of 2019, three fifths of public employees were females, 11 percent did not even have an elementary educational attainment, and more than 50 percent has only completed elementary school. Males had better chances at entering the primary labour market than females even with an elementary educational attainment or less, and a significant portion of the undereducated male labour force was engaged by construction.

Figure 2: The development of the number of public employees, 2013–2020. Term II



Source: *Ministry of Interior*.

Territorial differences have also increased. In December 2019, out of 102,900 public employees, 20,700 worked in Szabolcs-Szatmár-Bereg county, 20,400 in Borsod-Abaúj-Zemplén county, and 9,800 in Hajdú-Bihar county. In these counties, the number of public employees decreased to a lesser extent than the national average (in Szabolcs-Szatmár-Bereg county, for example, by just

over 6 percent), while the extent of the decrease was approximately the double of the average in Győr-Moson-Sopron, Komárom-Esztergom, and Fejér counties, where a significant number of jobs were offered even to the under-educated. In December 2019 in Budapest, where the largest concentration of jobs can be found, only 5,200 individuals worked as public employees – 25 percent less than the preceding year, and less than a thousand of these individuals were Budapest residents.

Employment forms that are considered flexible – such as part-time employment (which may be better fitted to workers’ individual life situations) and fixed-term contract employment (which makes it easier for employers to adapt to changing workloads) – are less widespread in Hungary compared to the whole of the European Union, but at the same time, the differences – in the prevalence of these forms – between the member states are also rather large, partly as a result of different labour market traditions (*Table 3*). In Hungary, in the fourth quarter of 2019, only 5.1 percent of those aged 15–74 responded that they were in part-time employment, compared the EU rate of 19.9, and the rate of those working in this type of employment remained largely unchanged throughout the past decade. (The rates of the European member states varied between 51.0 percent in the Netherlands and 1.9 percent in Bulgaria, and lower rates were usually typical of post-socialist countries.) The rate of Hungarian females working in part-time employment was the double of the same rate of males, but their rate was further away from the relevant EU average. Part-time employment is most prevalent in the 15–24 age group due to student labour, but it is still not more than 6.2 percent of the total employment rate of this age group, in contrast with the EU average of nearly 32.8 percent.

Table 3: The rates of those in part-time employment and fixed-term contract employment in 2019, by sex Quarter IV (percentage)

| | Employed to part-time employed | | | Employed to employed on a fixed-term contract | | |
|---------------|--------------------------------|--------|-------|---|--------|-------|
| | male | female | joint | male | female | joint |
| Aged 15-24 | 3.4 | 10.2 | 6.2 | 12.1 | 12.2 | 12.2 |
| Aged 25-49 | 1.7 | 5.6 | 3.5 | 4.9 | 6.3 | 5.5 |
| Aged 50-64 | 3.2 | 8.2 | 3.5 | 6.2 | 6.3 | 6.2 |
| Hungary total | 3.1 | 7.5 | 5.1 | 5.8 | 6.7 | 6.2 |
| EU28 | 9.7 | 31.8 | 19.9 | 13.1 | 14.0 | 13.5 |

Source: *Eurostat* database.

It is worth mentioning that full-time employment is usually procyclical, while part-time employment is countercyclical (that is, it expands during economic downturns and shrinks during periods of economic recovery). This would mean that the recruitment difficulties that accompany economic recovery decrease the likelihood of part-time employment. However, economic fluc-

tuations is not the only factor that influences part-time employment: the institutional environment and the labour supply are also relevant. During a recovery, growing wages may attract groups into the labour market that had been inactive and that primarily seek part-time employment (such as pensioners or mothers with young children). While companies would prefer to employ full-time workers, they are forced to employ part-time workers due to recruitment difficulties. The recruitment difficulties that occur during an economic recovery may decrease the number of already existing part-time jobs, but the number of part-time workers may still grow among the newly employed, if the majority of job-seekers prefer part-time employment.

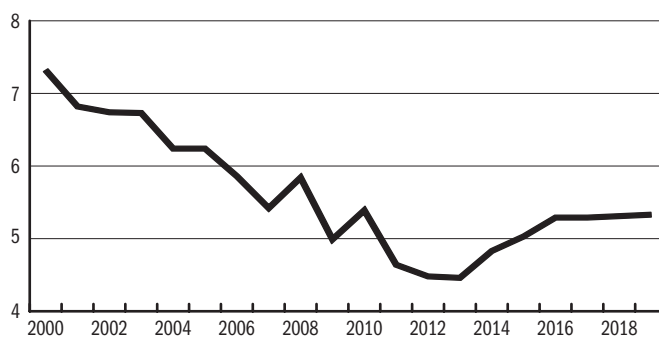
The rate of those employed on a fixed-term contract was 6.2 percent for the same period, which was less than half of the EU average. (There are substantial differences between the member states in this employment type, too. In Spain, which struggles with a high unemployment rate, this rate was 26.1, while in Lithuania, it was 1.1 percent, and lower rates are typical of post-socialist countries – excluding Poland – in this case, as well.) As for the frequency of the occurrence of fixed-term contracts, there is no significant difference between females and males, while younger age groups are overrepresented due to student labour and probationary work, which is more prevalent among them.

Despite the continually rising retirement age, Hungarians spend a shorter time working during their lifetime than the EU average. According to Eurostat data, the average length of the time spent working was 37.4 years for males, in contrast with the EU average of 38.7. For females, this was only 31.2 years due to time lost through childcare, lower employment rates, and differing pension regulations, while across the EU, females worked an average of 33.9 years. The rate of those working in non-ordinary work schedules is also relatively low. In 2019, 15.3 percent of males and 14.3 percent of females worked in “shift work” work schedules. The former is 4.1 percentage points, and the latter is 3 percentage points below the EU average. 9.5 percent of males and 7.4 percent of females worked on Saturdays, while 6.9 percent and 5.1 percent respectively worked on Sundays. In 2018, the HCSO published an analysis on how widespread remote work was and on the characteristics of those employed in this way (*KSH*, 2020c). According to this, 3.7 percent of those in employment, that is, 144,000 individuals worked within this employment form, with an approximately equal ratio of the two sexes. 69 percent had a tertiary educational attainment, and those living in Budapest and in other larger cities were significantly overrepresented.

At the same time, the dynamic expansion of employment in recent years has its downsides, too. The rate of work accidents, apart from a few recurrences of varying degrees, decreased continuously between 2000 and 2013, but with the expansion of employment, it started increasing again after 2014 (*Figure 3*). There are two main factors behind the rising number of work accidents.

On the one hand, employment showed a robust expansion mainly in sectors that are more prone to work accidents (such as manufacturing). On the other hand, the work supply was unable to keep up with the additional labour force demand, and a significant number of employers raised the number of hours worked (through ordering overtime and reducing part-time employment), which increases the likelihood of work accidents. *Lee-Lee* (2016) found evidence for this: through estimations carried out on South-Korean data, they found that one hour less of weekly working time decreases the number of work injuries by 8 percent.

Figure 3: The development of the number of work accidents per 1000 employees, 2000–2019

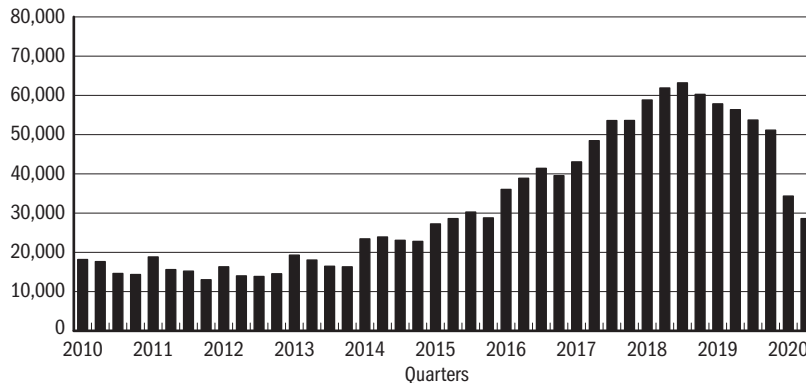


Source: HSCO data.

LABOUR MARKET DEMAND AND RESERVE

Labour shortage continued to be present in the economy in 2019, but the demand of employers for additional labour force decreased slightly. The staffing needs indicated by enterprises employing more than 5 employees, budgetary institutions, and nonprofit organisations (which are significant in terms of employment) was lower than that of the preceding year. In 2019, in annual average terms, according to the data provided by employers, the average number of vacant or soon-to-be-vacant positions was 79,000, in contrast with the preceding year's 84,000 (*Figure 4*). This reduction is partially related to the rise in the number of international workers, because typically, the number of vacant positions decreased in the sectors where the number of international workers increased. Enterprises constituted 70 percent of the vacant positions. Here, 55,000 additional employees would have been needed. Budgetary institutions (excluding the military) would have needed an additional 20,000, while nonprofit organisations would have needed an additional (approximately) 3,500 workers. A year earlier, the need of the private sector for additional labour force was even higher both in absolute terms and relative to the number of positions to be filled.

Figure 4: The number of vacant positions in the private sector, 2010–2020



Note: Enterprises employing at least five employees.

Source: HCSO quarterly labour market reports.

The ratio of vacant positions to all positions was the equivalent of 2.5 percent in 2019, which was 0.2 percentage points lower than the preceding year's, but overall, it still slightly exceeded the EU average.⁶ This ratio was 2.4 in the private sector, 2.9 in the case of the budgetary institutions, and 2.0 percent in the nonprofit sector. The value of the indicator was higher than average in the economic activity branch of healthcare and social care, which continues to struggle with serious labour force issues (4.1 percent), and in two fields that are predominantly run by the private sector: administrative service (3.7 percent), and information and communication (3.3 percent). It needs to be mentioned that as a result of the economic downturn induced by the COVID-19 pandemic, there were half as many vacant positions in the second quarter of 2020 as there were in the same quarter of 2019.

The statistics of the National Employment Service (NFSZ), which was based on the labour demand reporting of employers, also indicated a decrease in the demand for additional labour force. In December 2019, a total of 24,000 new vacant positions were reported by employers – 13 percent less than in the same period of 2018, and in 2019, a monthly average of 39,000 vacancies were reported – 26 percent less than in the preceding year. On the closing day in December, the total number of reported vacant positions was approximately 56,000.

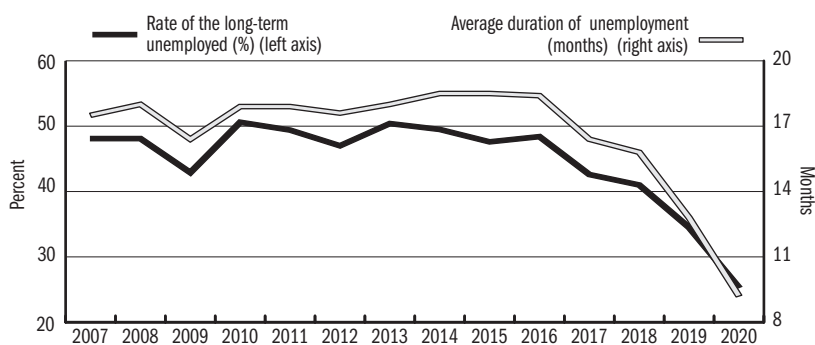
The base of the additional labour force is comprised of several groups that are at varying distances from the labour market. The closest are the unemployed, because all of the widely used definitions define them by their making certain steps towards becoming employed. The average headcount of the unemployed, as defined by the specialised labour organisation of the UN, the ILO (which definition⁷ is also used in the labour force survey of the HCSO), reached a record low in 2019. Their annual average number was 160,000, which means a 3.4 percent unemployment rate. Thus, the headcount was 12,000 less and the unemployment rate was 0.3 percentage points lower than in the preced-

⁶ In the European Union, in the fourth quarter of 2019, there were 2.2 vacant positions per hundred positions.

⁷ Those who: are not engaged in any income-producing activity, are looking for a job, and are available.

ing year. The unemployment rate of females decreased somewhat more than that of males, and as a result, the unemployment rates of the two sexes were more or less the same in 2019 (3.4 percent for males and 3.5 percent for females). The average duration of job-seeking became substantially less, by nearly 3 months, which can be explained by the excess labour demand. It was 12.8 months in 2019, and the rate of long-term job-seekers was also significantly lower than in the preceding years (*Figure 5*). According to data on the first term of 2020, the COVID-19 pandemic did not affect either the rate of the long-term unemployed, nor the average duration of job-seeking, which has been in decline since 2016.

Figure 5: The average duration of job-seeking (months) and the rate of the long-term unemployed, 2004–2020. Term I (percentage)



Note: The data on 2020 is preliminary data: the average of the first two quarters.
Source: The labour market survey of the *HCSO*.

Despite the decline in unemployment, territorial differences have remained considerable. In 2019, similarly to preceding years, and relative to other regions, the unemployment rate of the 15–74 age group was lowest in Western and Central Transdanubia (1.8 and 2.0 percent). And even though the number of the unemployed did decrease somewhat even in the North of the Great Hungarian Plain, this region had the highest unemployment rate (6.3 percent). In the majority of the regions, there was no substantial change, apart from the improvement of 0.8 percentage points in Southern Transdanubia. Within the region, the rate of 6.6 percent of Baranya county is still salient, even if it is still more favourable than the rate of 8.2 percent of Szabolcs-Szatmár-Bereg county (despite the high volume of public employment there). The unemployment rate was lowest in Győr-Moson-Sopron county (1.2 percent) and Veszprém county (1.3 percent), and as a result, a factor of seven difference was observable between the counties with the most and the least favourable rates in 2019.

The number of job-seekers registered with the National Employment Service decreased to a lesser extent than the number of the unemployed based on the

definition used for the labour force survey of the HCSO: their number was 251,000 in 2019, which is only 5,000 less than the same rate of the preceding year (*Table 4*). Among registered job-seekers, the rate of those receiving unemployment benefits has grown, which is partly due to the fact that those nearing retirement, aware of the substantial age-related labour market discrimination, are often forced to make use of unemployment benefits, which may be a low amount compared to earnable wages, but is at least a secure financial resource. In 2019, only half of those receiving allowances received not more than the social allowance of HUF 22,800 per month, the amount of which has remained unchanged for several years. The number of fresh graduates, who are typically not eligible for support, has decreased to a somewhat greater extent than the number of all registered job-seekers.

Table 4: Registered job-seekers (thousands of persons)

| Period | Number of registered job-seekers | Out of this: | | | |
|--------------------------------------|----------------------------------|-----------------|------------------------------------|----------------------------|--------------------------------|
| | | fresh graduates | eligible for unemployment benefits | receiving social allowance | not receiving social allowance |
| 2018 | 255.3 | 24.8 | 64.0 | 75.7 | 115.7 |
| 2019 | 250.9 | 22.6 | 69.1 | 68.4 | 113.5 |
| Change relative to 2018 (percentage) | -1.7 | -8.8 | 8.1 | -9.7 | -1.9 |

Source: The register of the *National Employment Service*.

In the labour force survey of the HCSO, 290,000 individuals indicated that they were unemployed, approximately as many as is the total number of those considered additional labour force within the ILO-defined unemployed and the inactive. The number of these amounted to 112,000, the same that it was in the preceding year.

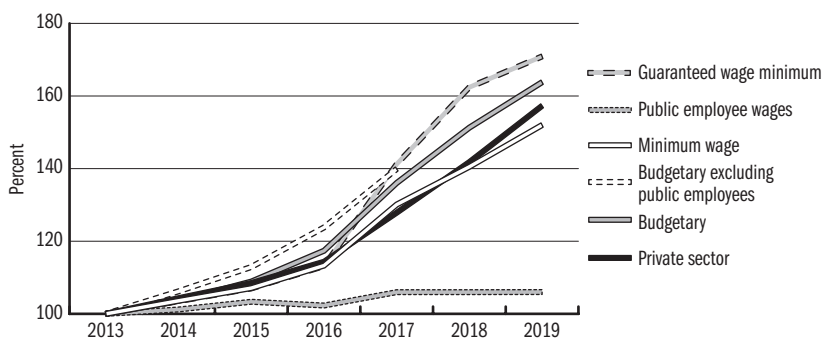
In 2019, the number of the working-age (aged 15–64) inactive continued to decline, which, due to the rising of the retirement age, affected the group of the retired the most. For demographic reasons, the number of students has also decreased, and additionally, more of them worked in 2019 than previously, and thus were reclassified into the category of those in employment. As the amount of the care allowance was settled to some extent in 2019, it is presumed that this caused a higher number of individuals (than in the preceding year) to stay away from the labour market on this basis.

EARNINGS, LABOUR INCOME, WAGE COSTS

The dynamic growth of earnings that characterised the preceding two years continued in 2019 (*Figure 6*). The average gross (as well as net) earnings exceeded the preceding year's by 11.4 percent. The average gross earnings of those employed full-time at enterprises employing more than 5 employees,

budgetary institutions, and nonprofit organisations (which are significant in terms of employment) grew from HUF 329,900 in 2018 to 367,800. The main reason behind the significant growth rate of earnings continued to be the intention of enterprises to keep and acquire labour force, which, in an environment characterised by labour shortage, could only be achieved through higher wages.

Figure 6: The growth rate of gross earnings (2013 = 100 percent)



Source: The institutional labour statistics of the *HCSO*.

The minimum wage and the guaranteed wage minimum was raised by 8 percent by the government in 2019 (as a result of negotiations aimed at reconciling interests), and as a consequence, the earnings of a considerable group of workers, those employed at the minimum wage, have fallen even further behind. The gap between the earnings of those working in the private and the budgetary sectors also widened even further, despite the fact that the decline in the number of public employees increased the wage dynamics observable for the latter sector. While the annual growth rate of the gross earnings of those working in enterprises was 11.6 percent (which meant average gross earnings of nearly HUF 381,000), the earnings of those working in the budgetary sector grew by 10 percent, but only by 7.9 percent excluding public employees. The latter meant average earnings of HUF 373,200, that is, the nominal earnings of those working in the public sector, calculated with the exclusion of public employees, fell behind the private sector, even though the rate of those working in intellectual jobs – and of those working in positions that require a tertiary educational attainment – is higher in the former sector. The gross earnings of the more than 150,000 workers working at nonprofit organisations who were not public employees exceeded last year's by 9.2 percent: it was HUF 347,000.

The wages established for public employees has been unchanged since 2017: it remained HUF 81,530 gross (or 54,217 net). Only a negligible number of public employees received higher wages: those who did work that corresponded to their qualifications, or worked as supervisors. In 2019 – presumably due

to the unfavourable ratio of public employment wages to living expenses – a certain group of public employees received a one-off allowance (equivalent to one month's wages, HUF 81,530 gross) in September, under a government decree, and as a result, the average earnings of those in this type of employment amounted to HUF 87,400, which was 6.2 percent higher than average of the preceding year (and that of two years earlier).

In 2019, in the majority of the economic activity branches (most of which belong to the private sector), the growth rate of earnings was higher than average. Calculated with the exclusion of public employees, the highest growth of earnings occurred in manufacturing at 12.9 percent, followed by a 12.8 percent growth of average gross earnings in construction and in trade and commerce, but the growth rate was above 12 percent in the economic activity branches of scientific and technical activities, and agriculture as well. However, the growth rate of wages in the economic activity branch of transportation and storage fell behind the average, as the wage development agreements of the numerous state-owned companies only covered the 2016–2018 period. Even in the financial and insurance activities economic activity branch, where the average earnings were the highest, the growth rate of earnings was relatively modest, presumably because labour shortage is still not a real issue here (*Table 5*).

From among the economic activity branches that predominantly belong to the public sector, the highest growth of earnings occurred in the public administration and compulsory social insurance branch: excluding public employees, it was 11.6 percent, which is mainly explained by that fact that the wages of those working in central public administration were raised – by an average of 30 percent – for the first time in ten years. However, the value of this improvement (for those affected) is significantly curbed by the fact that the funds for this raise were partially created by the preceding year's redundancies, and by the fact that the improvement in earnings was coupled with an increase in work hours and a fundamental restructuring of the former, more or less predictable advancement system.

On the basis of the new labour code, lunchtime no longer constitutes a part of the work hours, and the rules governing the allocation of the annual leave have also been fundamentally rearranged. Although the compensatory leave of those raising children has grown, the length of the base amount of employees' annual leave is now calculated not on the basis of the number of years spent in employment, but a performance-based classification system, and what's more, both the minimum and the maximum number of leave days have been reduced. According to the calculations of the workers' union, the average worker's additional work hours likely amounted to approximately a month's worth of work hours, while the workload increased due to redundancies.

Table 5: The average gross earnings of those in full-time employment, by economic activity branch, 2019

| Economic activity branch | Average gross earnings (HUF/capita/month) | | Index of average gross earnings (preceding year = 100 percent) | |
|---|--|----------------------------|---|----------------------------|
| | including public employees | excluding public employees | including public employees | excluding public employees |
| Agriculture | 293,207 | 299,170 | 114.1 | 112.7 |
| Mining | 433,732 | 433,732 | 112.2 | 112.9 |
| Manufacturing | 391,907 | 391,924 | 112.9 | 112.9 |
| Energy | 603,003 | 603,406 | 108.5 | 108.4 |
| Industry (excluding water and waste management) | 399,270 | 399,295 | 112.6 | 112.6 |
| Water and waste management | 343,570 | 348,811 | 112.1 | 111.5 |
| Industry total | 396,079 | 396,457 | 112.6 | 112.6 |
| Construction | 287,851 | 290,161 | 113.0 | 112.8 |
| Trade and commerce | 342,830 | 342,838 | 112.8 | 112.8 |
| Transportation and storage | 345,091 | 346,344 | 109.9 | 109.7 |
| Hospitality and catering | 239,585 | 239,713 | 111.7 | 111.6 |
| Information and communication | 623,527 | 623,527 | 110.6 | 110.6 |
| Financial services | 665,380 | 665,442 | 107.5 | 107.5 |
| Real estate | 312,371 | 317,306 | 106.8 | 106.2 |
| Scientific and technical activities | 507,670 | 508,667 | 112.8 | 112.7 |
| Administrative services | 306,208 | 308,667 | 111.6 | 111.2 |
| Public administration | 442,437 | 454,891 | 112.6 | 111.6 |
| Education | 334,862 | 335,657 | 104.3 | 104.2 |
| Healthcare, social care | 247,211 | 314,746 | 112.4 | 107.9 |
| Arts and leisure | 366,803 | 371,772 | 111.9 | 110.2 |
| Other services | 305,759 | 311,356 | 113.8 | 109.1 |
| Economic activity branches total | 367,833 | 378,106 | 111.4 | 110.6 |

Source: HCSO and the *National Tax and Customs Administration* (NAV).

Within the healthcare and social care economic activity branch, the growth rate of healthcare workers' earnings – excluding public employees – was 7.7 percent, while that of those working in social care was 8.4 percent. The 8 percent wage raise of specialised healthcare workers, originally due in November 2019 (as the first step of a multi-step wage settlement process), was effectuated earlier, in July, due to the high rate of workers leaving the field. This provision affected 82,000 individuals, including 4,000 health visitors, who were reclassified into the specialised healthcare workers' effective from the same date. For those working in the social field, due to the low earnings, the raising of the minimum wage influenced the growth rate of earnings powerfully. From among public sector workers, the first to receive a substantial wage raise (in 2013) were educators working in public education, and then the earnings of several other worker groups working in the education economic activity branch (technical workers, teachers of universities and other higher education institutions) were also settled. However, these provisions had no effect on the growth rate of earnings in 2019, which was only 4.3 percent in

this economic activity branch. Thus, compared to the overall average across economic activity branches, the earnings of educators has fallen even further behind. This, and the fact that since 2015, the basis for the calculation of the wage grid of educators is not the minimum wage effective in the given year, has become the source of substantial discontent – which has manifested in demonstrations of various forms.

The difference between the earnings dynamics of the public and the private sectors, and the fact that fields that require low qualifications levels experienced a more pronounced labour shortage, resulted in a degree of convergence between the earnings of physical workers and intellectual workers. In 2019, the average earnings of physical workers were HUF 270,100, with a growth rate of 13.2 percent, while the average earnings of intellectual workers grew to HUF 471,000, with a significantly lower growth rate of 9.8 percent. The growth of earnings by main occupational categories had similar tendencies; the earnings of those with agricultural occupations exceeded the preceding year's by 15.8 percent, and the earnings of those working in unskilled occupations exceeded it by 15.4 percent. However, this growth was partially a result of the decline in the number of public employees, who are typically sorted into these two of the main occupational categories. They were followed by machine operators, assembly workers and drivers. Among intellectual workers, those doing office work and administrative (customer relationship) work experienced the highest growth in average gross earnings, by 12.9 percent. Thus, by main occupational categories, the earnings difference between those with the highest average gross earnings (HUF 711,000): economic, administrative and advocacy managers and legislators, and those with the lowest earnings (HUF 195,200): unskilled workers, was 3.6-fold. In 2019, the average gross earnings of males in full-time employment was 20 percent higher than that of females, and the gap between the sexes widened. This was also partially due to the lower growth rate of the public sector, where the ratio of females is high.

In 2019, in terms of earnings, the only substantial change in the tax and contribution system was that pensioners, whose numbers are not very high in full-time employment, ceased to be required to pay the solidarity contribution on their earnings.⁸ As a result, the growth rate of net earnings was the same as that of gross earnings: 11.4 percent, which meant an average of HUF 244,600 for those in full-time employment. As consumer prices grew by 3.4 percent in the given period, earnings grew by an average of 7.7 percent in real terms.

In addition to the recently introduced employment allowance of pensioners, those in employment (and those with labour income in general) may be eligible for various rebates on taxes and contributions. Out of these, the family tax allowance affects the widest group of individuals, but the tax allowance for first marriages and for those suffering from particular diseases should also be mentioned here. In 2019, the average net earnings, calculated consider-

⁸ However, this means that the amount of the pension cannot be augmented through doing wage-earning work as a pensioner.

⁹ In 2019, the only item where the reduced tax rate of 34.5 percent was offered was the Széchenyi leisure card (SZÉP card), with a maximum allowance amount of HUF 450,000 (or HUF 200,000 for employees of budgetary institutions), more precisely, its three sub-accounts (an accommodation sub-account for up to HUF 225,000 annually, a catering sub-account for up to HUF 150,000 annually, and a leisure sub-account for up to HUF 75,000 annually). If the allowance exceeds the envelope, or if the employer transfers to the sub-accounts allowance amounts that are higher than the annual envelope, the tax burden on that will be the general 40.7 percent tax. In 2019, the reduced tax rate offered on the formerly popular monetary allowance was discontinued, but the tax exemption of entry tickets for sports events and of public transport passes was still available.

ing the allowances, is estimated at HUF 252,100 across economic activity branches, which means a growth of 11.5 percent relative to the preceding year. In 2019, the gross monthly labour income was HUF 383,400 on average. This includes the amount of fringe benefits: HUF 15,500 per capita, the largest item of which was cafeteria. The fact that tax allowances are offered only on a decreasing number of cafeteria items⁹ explains why the weight of “additional labour income” items within the whole of the labour income has dropped in 2019. Within the vast majority of economic activity branches, this tendency has been prevalent, with the exception of only the energy industry (which generated substantial profits), and hospitality and catering. The per capita size of additional labour income differed significantly across the economic activity branches. The average monthly other labour income of those working in the energy industry was nearly HUF 36,000, while in construction, it was only HUF 5,000.

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