



HUNGARY

**Contribution to the
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Council (ECOSOC)
Integration Segment**

ECOSOC questionnaire 2015 Integration Segment

Hungary

Increasing employment and employability as well as job creation play an essential role in decreasing economic and social inequalities. The labour market participation in Hungary is relatively low (62.6% at the age group 15-64), which originates in the low labour market performance of certain disadvantaged groups including the low skilled, the youth, the older age group and parents with young children. In the past years the Hungarian government has implemented several measures in order to improve the labour market situation of these groups focusing both on the demand and supply side of the labour market.

The **Job Protection Action Plan** (entered into effect on the 1st of January 2013) provides full or partial social security contribution relief to employers hiring low productivity workforce. According to recent data, it contributes to the employment of nearly 900 thousand disadvantaged workers.

With regard to employment policy supply side measures, **active labour market programmes** (co-financed by the European Social Fund) implemented by labour centres aim to provide comprehensive, tailor-made individual support (training, wage subsidies, services, etc.) to disadvantaged job-seekers. Between 2011 and 2014, over 150 thousand participants have been enrolled in the programme, and similar active labour market measures are envisaged in the next EU programming period (2014-2020) as well.

There are also other measures that help the integration of disadvantaged groups into the labour market. For instance, the **programme on the reconciliation of work and private life** aims at promoting the return of parents with young children to the labour market through the provision of childcare places and the spread of flexible employment. The Government offers **public work programmes** in order to provide employment opportunities to those who have fewer chances to get a job on the primer labour market. Public work programme focuses specifically on territories where employment opportunities are very poor. With regard to the labour market needs a major part of public workers (140 thousand persons in the last 2 years) are provided by training programmes as well, in order to make them able to enter to the primer labour market after the transitional period of public work.

As a result of these measures, labour market data show an improving situation: employment has been increasing and unemployment is decreasing.

In Hungary employers are obliged to pay at least the amount of the **compulsory minimum wage** or the guaranteed wage minimum for qualified workforce. In order to ensure decent wage these amounts are to be revised annually. The relevant discussions are carried out in the framework of the tripartit forum of the Reconciliation Forum of the Business Sector and the Government, and further in the National Economic and Social Council - with the participation of the representatives of the employers and trade unions, the civil society, the academic life and the churches. Special (lower) minimum wage is applicable for public workers. Low earner employees are entitled for tax compensation (in the public sector) whereas those with children are eligible for family tax credit.

The government provides targeted **job creation support** for SMEs. In the course of the last 4 years 3730 SMEs received a support of total 41.3 billion HUF. As a result 21 730 new workplaces were created mainly in the disadvantaged regions of Hungary.

Two-third of the jobs was filled in by disadvantaged job-seekers whose employment was supported for a 2 years period.

The Government has also introduced several tax measures to decrease the tax- and contribution burdens related to labour, to protect workplaces and to create new job opportunities. The introduction of the single personal income tax rate (16%) supplemented by family tax allowance has resulted in substitutional decrease in the tax burden of labour and families. From the labour demand side this measure was supported by the Job Protection Action Plan mentioned before. Furthermore, the Government promotes job creation by measures related to corporation tax, which include allowances promoting employability and social inclusion.

Economic growth and competitiveness should be built on values. Respect for human rights and **international labour standards**, especially freedom of association and collective bargaining, the abolition of child labour, forced labour and all forms of discrimination, is a distinctive feature of societies that have successfully integrated sustainability and decent work. The Hungarian Government has ratified several ILO conventions, including the 8 fundamental conventions dealing with fundamental principles and rights at work. It is crucial that labour regulations and workplace practices are based on respect for these principles and rights at work and international labour standards, and foster good labour–management relations as important means of raising productivity and creating decent work.

Youth employment rate is traditionally low in Hungary, which can be explained by the expansion of education as well as with the prolonged time spent in education. The youth (15-24) unemployment dramatically increased after the crisis. Recently, however it shows a declining tendency and was 18.3% at the end of 2014. Parallel, the employment rate of youth has significantly increased (24.6%). Several measures have been implemented in order to improve the situation of young people. E.g. the social tax contribution relief for employers hiring career starters or employees under 25 (in December 2014 more than 180 thousand youth were involved); supporting youth entrepreneurship between the age of 18-35 (as a result 1700 young people have started their own businesses); ESF supported ALMP programmes of which career starters and youth under 25 formed one of the most important target groups (more than 48 thousand youngsters were enrolled in the programme since 2011). Besides, innovative employment programmes were implemented by the NGOs too. The recently introduced **Youth Guarantee Programme** – above of the on-going programmes – promotes the training and employment of young people. According to the plans each young person will be offered training/apprenticeship/employment opportunity within 4 months after applying at the labour centre. The guarantee will be introduced gradually and will fully operate from 2018.

Trainings play crucial role in **matching labour market demand and supply**. The on-going reform of the vocational training system aims at adapting the content and structure of vocational training to the labour market needs. In the practice-oriented dual vocational training system students gain practical knowledge at an early stage of their studies which eases the transition from school to work. In line with this, the system of apprenticeship contracts has been encouraged, by providing financial incentives to the employers and the traineeships of graduated vocational training students has been supported at nearly 1400

SMEs too. Besides, the government supported the gain of work experience of nearly 40 thousand young people in the summer break of 2013 and 2014.

The continuous development of the **career guidance system** facilitates the career choice of young people through the presentation of labour market trends and career opportunities based on the outcomes of the labour market forecast system. To help matching labour supply and demand, the development of the nationwide **client profiling system** in the Hungarian Public Employment Service is underway, and it will be fully operational from 2016. Services and active measures will be linked to client categories in order to help create and implement effective individual action plans.

Social enterprises are excellent examples how to create synergies between local production and consumption chains and the local workforce, which solve the issues of the employment of disadvantaged people, local job creation and production, thus economic and social challenges at the same time. Moreover many social enterprises operate in the recycling sector and have the attitude of environmental sustainability. Social enterprises are relatively new in Hungary. Nearly 1000 social enterprises have been established – with the support of EU resources – in the last few years. The crucial part of these enterprises has successfully integrated into the local economy. In the future, further emphasis will be put on the establishment of new sustainable social enterprises and ensuring competitive business surrounding for the existing ones.

The proportion of **undeclared work** is relatively high in Hungary. In order to combat undeclared work and transform it into regular employment the measures taken by the Government focused mainly on two fields. The activity of labour inspectorate was strengthened and besides transparent industrial relations at enterprises was introduced as eligibility criteria of supports. Besides, in order to spread lawful employment and strengthen legal consciousness in labour law, social partners were supported to establish a countrywide legal counselling network. Between 2008 and 2014 in total 85 thousand employers and employees could recourse these services for free of charge.

In 2013 Hungary has adopted National Sustainable Development Framework Strategy, which includes the principles and objectives of sustainable development which should be taken into account during policy making, legislation and strategic planning. The strategy considers the global and international trends of sustainability, in particular the common principles of the European Union. The strategy also contains the three dimensions (economic, social, environmental) of sustainability set by the UN, and states that the overall aim of the policy aims at sustainability is to ensure the conditions of the adaptability to the continuously changing social-human-economic environment.

Based on the **National Sustainable Development Framework Strategy**, several measures were implemented in 2013-2014 in the field of the sustainability of enterprises. Such programmes were for example, the programme on financial consciousness, mentoring programme for the improvement of entrepreneurial culture, the ‘Prize for the successful enterprise’ for those companies which successfully integrate the common goals of the government and the business sector into their entrepreneurial culture and carry on exemplary social participation. Besides, discussion on the Hungarian CSR strategy that contains the guidelines on the corporate social responsibility is on-going.

In the framework of the tripartite **Reconciliation Forum of the Business Sector and the Government** and also the National Public Sector Interest Reconciliation Council (as far as the

public sector is concerned) the stakeholders regularly carry out discussions on the most important economic and employment issues including the system of industrial relations, wages and work-based financial benefits, the social and economic situation of the employers and employees as well as the broader questions of the employment and labour market.

The broader, five-sided, independent, consultative and counselling body of the **National Economic and Social Council** carries out discussions on strategies and government plans in the field of employment, labour market, economic and social policy, on income distribution and those topics that affect the broad society too.

The ECOSOC system could play an important role in the establishment of the international basic principles of sustainable economic development which ensures decent work for all. Though because of the different starting positions and development trends there is no all-fits-in-one solution and each country should find their own way how to realize this transition. ECOSOC could operate as an important platform of sustainable development by ensuring the opportunity for an effective debate and a motivating exchange of experiences and views in this field.