

FOREWORD

The Hungarian Labour Market Yearbook series was launched in 2000 by the Institute of Economics of the Hungarian Academy of Sciences, with the support of the National Employment Foundation, in order to report on the processes and latest trends of the Hungarian labour market and employment policy, and provide an in-depth analysis of a particular subject each year. In compiling the content of each yearbook, the intention of the editorial board is to deliver relevant and useful information on the labour market trends and the legislative and institutional background of employment policy in Hungary, and on the latest findings of Hungarian and international research studies, to civil servants, municipalities, NGOs, public administration offices, education and research institutions, and members of the press. It was an important factor of consideration that the analyses and data published in the yearbook series should provide a solid source of knowledge for higher education as well, on different subjects in labour economics and human resources management.

Continuing our previous editorial practice, we have selected an area that we considered particularly important for understanding Hungarian labour market trends, and for the effectiveness of evidence-based employment policy. Based on the decision of the editorial board, this year's In Focus investigates the relationship between the state of health and the labour market. While working on the various chapters, we did our best to include the effects and consequences of the COVID-19 pandemic, wherever possible. The yearbook is divided into four main sections.

1 The Hungarian labour market in 2019–2020

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. 75.3 percent of the population aged 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 European Union: 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 wages 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).

2 The labour market policies of the government and of businesses during the COVID-19 pandemic

The first chapter of this section summarizes the main legislative changes in connection with labour market policies between June 2019 and May 2020, including the measures adopted in the first half of 2020 as a response to the COVID-19 pandemic. The most prominent change in terms of institutions was the adoption of the new vocational training law, which rearranges vocational grammar schools (*szakgimnázium*) into technical grammar schools (*technikum*) providing a secondary school diploma and a qualification as a technician, and vocational secondary schools (*szakközépiskola*) into vocational schools (*szakképző iskola*) providing vocational qualifications. In the first period of training, students are provided with sector-related baseline training, after which they can choose from the various related vocations. In dual vocational training, apprenticeship contracts will be replaced by employment contracts, and the National Training Register (OKJ) will be replaced by a Vocational Register, and basic vocations will be taught exclusively in a school system. Due to the COVID-19 pandemic, since March 2020, vocational training institutions have introduced a digital operation framework, and competency tests have been postponed.

In terms of labour market allowances, as the minimum wage was raised in 2020, the amounts of related allowances have also grown. Several labour market services have been introduced in order to counterbalance the economic effects of the COVID-19 pandemic, such as a loan covering nine months' worth of wage costs aimed at preserving jobs, with a 0.1 percent interest rate; "Student Loan Plus" – available for those in adult education and training; and a free on-line IT training.

The goals of active employment policy tools, similarly to the preceding year, were to reduce public employment, to encourage those raising young children to enter the labour market, to support the population in becoming entrepreneurs, and to increase labour market adaptability. However, as a result of the COVID-19 pandemic, the public employment budget originally allocated for 2020 was expanded, and several types of wage subsidy schemes were introduced

for the period of the state of emergency. The amounts of the minimum wage and the guaranteed wage minimum continued to increase in 2020.

The second chapter reviews the labour market related tools introduced across Europe. The spread of the COVID-19 pandemic caused a significant drop in labour demand in the most affected sectors, due to event cancellations, restrictive measures, and lockdowns. At the same time, decision makers and the affected businesses had to handle employees dropping out of work due to illness, caring for the ill, or homeschooling. European countries have introduced numerous measures of varying types and degrees in order to counterbalance these effects, and there have been certain tools that several countries have made use of to handle the crisis. Comparing the support available in Hungary to the measures introduced in Europe, what emerges is that the tools used in Hungary, for the most part, were various tools aimed at preserving jobs, while the support of the unemployed is not, and the support of those dropping out of work is only marginally covered by the provisions.

The third section of the chapter presents, on the basis of the 2020 spring term business economy survey of the Institute for Economic and Business Research of the Hungarian Chamber of Commerce and Industry, how Hungarian businesses have been affected by the COVID-19 pandemic, the responses given to the economic impacts of the pandemic, and the tools used for handling the crisis. The analysis has shown that there are significant differences between Hungarian businesses in the extent to which they were affected by the economic impacts of the COVID-19 pandemic. The businesses most affected were those that were directly (due to pandemic control measures) or indirectly (due to a decline in demand related to the restrictions) hindered in their business activities. Micro and small enterprises and businesses working in the services industries were the most severely impacted. According to the data, for a great deal of Hungarian businesses, remote work meant more of a constraint, and in many cases was coupled with a significant limitation of business activities. A survey carried out during the curfews shows that due to the crisis that ensued, nearly a third of businesses found themselves in a grave situation within a few weeks' time. They attempted to solve their difficulties through a significant reduction of their costs, which manifested both in redundancies and changes in wage policies.

3 In Focus

This year's In Focus investigates the relationships between the state of health, the use of healthcare services, and labour market situation (economic activity, employment, wages, labour market conditions). Chapter 1 and 2 provide a descriptive analysis on the correlations between the state of health and employment in Hungary, contrasting it to a broader European context, and analyse the labour market, territorial and socioeconomic inequalities of mortality and morbidity, of informal payments, and of the use of private healthcare. Later chapters present

the two-way relationship between work and health on the basis of different life situations. Chapter 3 describes the health of those in employment. The studies in this chapter analyse the differences in healthcare expenditure by wages, the correlations between business characteristics and the state of health, the occurrence rate of work accidents and the related differences between sectors, and the encouraging effects of the tightening of the rules of sick leave benefits effectuated in earlier years. Chapter 4 examines healthcare as an employer, through the state of health of healthcare workers and the out-migration of physicians abroad. Chapter 5 analyses the effect of unemployment on health. This chapter covers the consequences of economical crises and job loss, and specifically, the long-term health effects of the economic shocks that occurred in the wake of the Central Eastern European political transitions. Chapter 6 examines the two-way relationship between the state of health and old-age retirement, and presents the labour market correlations of the increased demand for palliative care at the end of life. Chapter 7 analyses the labour market situation of workers with a reduced functional capacity, and the effects of the changes in rehabilitation service regulations. Chapter 8 examines youth, and analyses the effect of health shocks on educational attainment, and the relationship between labour market situation and teenage parenthood.

In Focus was printed during the second wave of the COVID-19 pandemic, therefore, we were unable to carry out a comprehensive analysis of the healthcare, labour market, economic and education-related consequences of the pandemic. However, in Chapter 9, we attempted to provide a general account of the healthcare and labour market related decision dilemmas that have emerged during the pandemic, and we provide a short analysis of the labour market effects of the first wave, on the basis of the latest available data.

4 Statistical data

This chapter, in the same structure as in previous years, provides detailed information on the most important economic processes of the period since the political transition, on the characteristics of the population, of labour market participation, employment, unemployment, inactivity, wages, education, labour demand, regional imbalances, migration, labour relations and welfare benefits, and compares certain labour market indicators to the international context. The data presented in this section has two main sources: on the one hand, the regular labour-related institutional and population surveys of the Hungarian 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 database of registered jobseekers (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 invalidity pensions and allowances was provided by the Central Administration of National Pension Insurance. Finally, certain 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. Tables and figures 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

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