

**Implementation of flexicurity
and the role of social partners**
- Labour market flexicurity, the Hungarian case-
Cluster Seminar, Paris, 01/02/11

Main economic indicators

| | 2004 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------------------|-------------|-------------|-------------|-------------|----------------|-------------|
| GDP volumen (% , previous year=100) | 4,9 | 1 | 0,6 | -6,3 | 1,2 | 3,1 |
| state deficit in the % of GDP | 6,4 | 5 | 3,8 | 3,9 | 3,8 | 4,3 |
| Current account balance in the % of | -8,3 | -6,8 | -7,9 | -4 | n.a. | n.a |
| gross public debt in the % of GDP | 59,1 | 65,9 | 72,9 | 78,3 | 82,9 | n.a. |
| export volumen previous year =100,0 | 115 | 116,2 | 105,6 | 90,9 | 90,9 | 93,7 |
| import volumen previous = 100,0 | 113,7 | 113,3 | 105,7 | 84,6 | 84,6 | 94,4 |
| rate of unemployment (%) | 6,1 | 7,4 | 7,8 | 9,8 | 10,8-11 | 10,8 |
| rate of employment (%) | 50,6 | 57,1 | 56,8 | 55,8 | 54,7 | n.a. |
| CPI (%) | 6,8 | 8 | 6,1 | 4,2 | 4,3-4,5 | 3,5 |
| real wages per capita (%) | 98,9 | 95,4 | 100,8 | 97,6 | 102,5 | n.a. |
| private consupcion in the % of GDP | 99,4 | 101,14 | 100,6 | 92,7 | 95,3 | 102,5 |
| | | | | | | |

reasons behind the indicators

- weakness of SMEs (employ the 2/3 part of total employment)
- low level of workforce's adaptability (education and mobility)
- structural failures of the national budget – the social dimension

Obstacles (and urging measures) on behalf of the business' side:

High rate of social contribution: (**employers:24%**: pension, **1,5 %** education, **3% health** care and unemployment insurance, on the basis of gross wage; employees: 17,5 % social contribution and 16 % income tax)

- Entrepreneurs (self-employed): are obliged to pay both measures of employers and employees social contribution: $28,5+17,5 = 46\%$ on the basis of the double of the **monthly** amount of the mandatory minimum wage (~560EUR), ***independently the profit/income***

+ other taxes

Result: low level of income-productivity and ability to employ, lack of capital, thousands of indebted SME's, undeclared work.

Obstacles on behalf of the business' side 2.

Above 20 employees,

employer must pay additional contribution in case the number of disabled workers are under 5 % of total number of employees.

Disabled workers: who have official medical resolution, about declining the working-ability (measure of disabling)

Amount: 976.000 HUF (~3450 EUR), 12X the monthly mandatory minimum wage (78.000 HUF, ~278 EUR):

Example: In case of 100 employees, min. 5 disabled persons must be employed. If there are only 2 persons, employers must pay 3X976.000 per year.

Temporary Agencies are obliged to pay it since 01.01.11 : there are no enough disabled people, who could be involved to this range (or very difficult to reach them)

Administrative burden

- Administration of employment costs 40 billion HUF (142 million EUR) on the competitive sector per year (Calculation of Ministry of National Economy)— 0,15 % of GDP

(This includes the employers' data-serving, tax-return, other kind of report for tax authority, health and pension funds, Central Statistics Office)

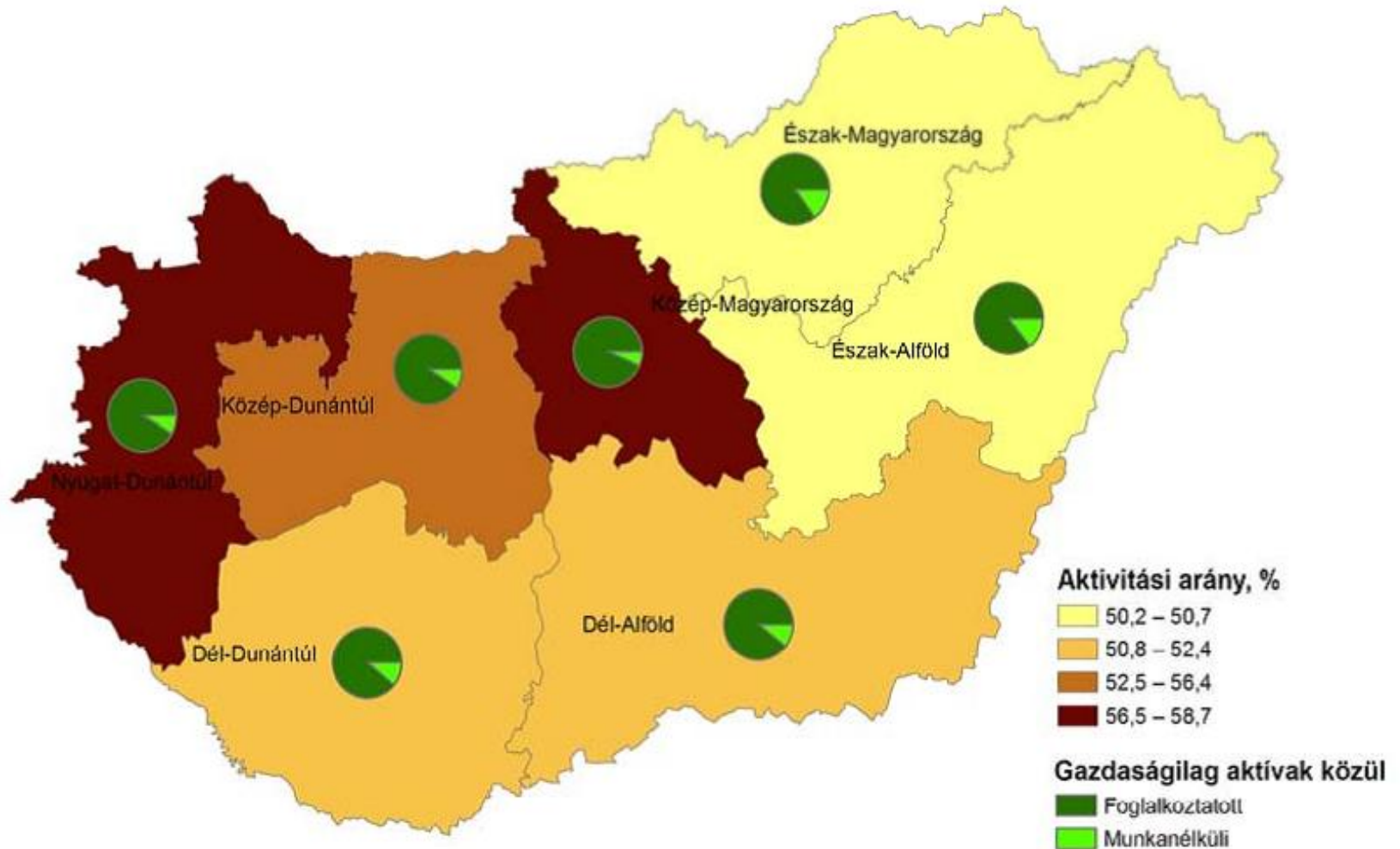
Restart of corporate loan system

Obstacles on behalf of workforce: education

| Employment rate by school graduation, age group 18-64, 2009 | | |
|-------------------------------------------------------------|---------|------------|
| | Hungary | EU average |
| primary graduation or less | 25,7 | 46,2 |
| secondary/high school | 61,6 | 69,6 |
| tertiary graduation | 78,1 | >80 |
| source: Hungarian Central Statistics Office | | |

- The reason of the low employment level is the opt out low-skilled group. (school-leavers) Involving them to the labour market is the most important challenge of Hungarian Labour market policy.
- Although there are better indicators in case of secondary qualifications, we have problem with not the quantity but quality measures:
 - Enterprises face a strong lack of well-skilled professional worker, and
 - Many of highly graduated young person unable to find job, which is appropriate to the degree

Territorial differences and migration (rate of activity and unemployment)



Demands of MGYOSZ:

- Responsible economic policy to support the development of poorer regions;
- Improving the public transport services;
- Actuating and developing local transport-development initiatives in those areas, where public transport are not effective or does not exist;
- Mobility-friendly taxation policy (immovable property change, financial support of unemployed or employed persons, if he undertake to move away in order to have a job.)

Questions of the fiche:

1. Taking into account the present state of Hungarian labour market and what measures are needed to increase..
2. How to ensure closer link between wages and productivity and balance employment protection with flexibility?
3. How to balance the use of flexible and regular employment, and ensure that to contribute increasing flexibility and security both for workers and enterprises?

| Employment type by contract 2009 | |
|-----------------------------------------|------|
| as % total employees | |
| Self-employed | 12,3 |
| part-time employment | 5,2 |
| fixed-term contract | 8,4 |
| TAW | 2,1 |
| source: HSCO | |

Employers' view:

Employer tries to rationalize the working time arrangement with the existing labour stock. It is due to the administrative cost of employment and the financial weaknesses of the companies.

Trade unions' view:

Employees do not want to work more, or achieve more extra hours: if employer have more order or capacity, rather employ new workers instead of flexible working arrangements.

Employment friendly economic growth, which improve the financial situation of enterprises to let the possibility to employ more persons, and creating more and better jobs for workers, to feel safety.

4. How to create incentives for individuals to attract inactive people to the labour market for enterprises to create new jobs?

2.730.000 earns pensions (financed by the state pension fund),

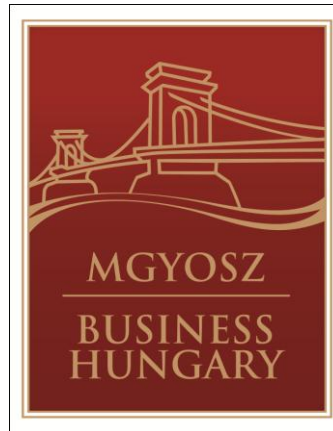
- 1.442.000 are disabled persons

- 371.000 are older than the pension age-limit

- 379.000 are younger than the age limit, they are possible to be involved back to labour market. (Most of their age above 50.)

They are „maintained” by the social contribution of 3.782.000 payers and their employers.

Source: HSCO, 2010.



THANK YOU FOR THE ATTENTION!