

Flexicurity and crisis in Hungary

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Definition of flexicurity

EU Commission:

- flexicurity is an optimal balance between labour market flexibility and security for employees against labour market risks
(Employment Europe, 2006.)
- flexicurity policies aim to create a more flexible workforce while ensuring employment security for workers. (Communication on flexicurity, 2007.)
- flexicurity is a comprehensive approach to labour market policy which combines sufficient flexibility in contractual arrangements to allow firms to cope with change – with the provision of security for workers to stay their job or be able to find new job quickly with the assurance of an adequate income in between jobs (key elements: contractual arrangements, life long learning, active labour market policies, modern social security policies.)(Flexicurity Mission, 2008.)
- EU 2020 – trio presidencies program: Key issue: the practical and balanced implementation of the common principle of flexicurity.

EU Social Partners' Perspectives

ETUC:

- it is the name of a form of labour market organisation combining a flexible labour force able to adapt to new markets and technologies with security that guarantees workers' living and working standards
- it is supposed to be about combining a flexible workforce with high levels of employment and social protection
- flexicurity risks are becoming an issue that could lead many workers to conclude that is all about flexibility (easy hire and fire) and not much about security in jobs and employment.

BusinessEurope:

Flexicurity offers a unique chance to modernise European Labour Markets and create better conditions for growth and jobs.

Some consequences and some questions

1. Consequences (from trade union approach)

- shift from job stability (at the workplaces) to employment security (at the labour market) – theoretically
 - weakened labour rights within the employment relationship – no guaranteed rights at the labour market **level**.

2. Questions

- **Who is responsible for jobs at the labour market level**
 - **who covers the costs of flexicurity**
- **how to guarantee the career and the acquired rights for workers**
 - **what about employers' flexibility**
 - **what to secure: jobs, employment, or social protection**
- **balance between flexibility and security – but: when?**

Flexicurity principles in the practice. The case of Hungary

Introduction – some statistical data (2009)

Employment

- employment rate: 49,2 %
- unemployment rate: 10,5 % (2008: 7,8 %)
- men unemployment: 10,8 %
- woemen unemployment: 9,7 %
- youth unemployment: 27,7 % (15-24)
40 % (15-19)

Labour costs (-5 %)

- social security contribution paid by the employers: 27,5 %
- social security contributions paid by the employees: 17 % (9.5 % + 1,5 %
to public and private pension, 6 % to health care)

Minimum wage

73.500 HUF (in general) and
89.500 HUF for skilled workers

Hungarian situation according to the key elements of flexicurity and the crisis

1. contractual arrangements
2. life long learning
3. active labour market policies
4. social security

Contractual arrangements

I. Atypical forms of work

1. Labour Code: part-time work, fixed term work, telework, temporary agency work
2. New law (Act CVII. 2009.): simplified employment – domestic work, casual work, **seasonal work**

II. Flexibility during the employment relationship:

- flexible working time schedule (for the benefit of the employer)
 - applying workers contrary to their employment contract (temporarily): scope of activities, workplace
- short information and consultation period in the cases of crisis situation of the undertakings (transfer, restructuring, collective dismissals)

Conclusion: enough flexible for employers

Workers' security in the law

1. During the employment relationship

- termination of employment***
- role of collective agreements***
- rules of labour contracts***
- minimum standards***

2. At the labour market

- active measures***
- passive measures***

Other problems of the law

- weak implementation of the law
- weak sanctions in the cases of violation of workers' rights (problem of reinforcement)
- expensive and long legal labour disputes
 - lack of alternative labour disputes
 - costly labour court process

Active labour market measures

1. providing information to job seekers
2. employment agency activity
3. giving advise
4. support of trainings/retrainings and job creation

Passive labour market measures

1. Unemployment benefit:

- duration: max. 270 days**
- degree: 60 % of the average wage (90 days)
60 % of the minimum wage (after 90 days)**
- precondition: at least 365 days employment
relationship in the last four years**

2. unemployment aid:

- at least 180 days work in the last 4 years**
- duration: 90 days - 150 days (after age 50)**
 - degree: 40 % of the minimum wage**

Government measures to tackle the crisis

Fields:

- labour legislation
- social security and social protection
- taxes
- labour market means
- employment programs

Labour legislation to tackle the crisis

1. new reference period for statutory working time
2. increase in reference period for calculating working time
3. individual agreement on overtime
4. rest period after stand-by duty abolished
5. amendments to public procurement and state subsidy exclusion legislation
6. amendment of Labour Inspection Act
7. deletion of 13. month income for public servants
8. mandatory part-time work for public servants (but not for employees)
8. payment of labour costs (social security contribution of workers) after the „superbrutto” amount of the wage

Other legal measures to tackle the crisis (social security and social protection)

1. deletion of 13. month pension
2. child care benefit – shorten its duration from 3 years to 2 years
3. family benefit – its duration shortened from 23 years old to 20 and its amount will be not increase.
4. reteriment age: increase from 62 to 65 years old

Taxes and social security contributions

General consumer tax: from 20 % to 25 %

Personal income taxes: decrease from 18 % to 17 % and from 36 % to 32 %, but the basis of the tax will increase: „superbrutto”

Employers social security contributions: will decrease: all together from 33,5 %-ról to 28,5 %-ra

But: tax burden after cafeteria – big debate

Government measures to brighten the employment

- mothers return to work
- Road to work program for disadvantaged people
 - **public work programs**
- **support of jobs keeping („5.” day payment)**

Education, training, vocational training, retraining, life long learning

Education – declining
training, vocational training, retraining: no
adequate infrastructure, no responsible person or
institution, no market-oriented approach, no
financial means, etc,
life-long-learning – should be right of workers and
citizens – but no real possibilities.

Conclusion

Crisis measures are:

- not effective
- their aim is rather to save the state budget than really tackle the employment and social problems.
- more flexible than secure.