



Various factors lead to significant y/y wage growth in January 2016

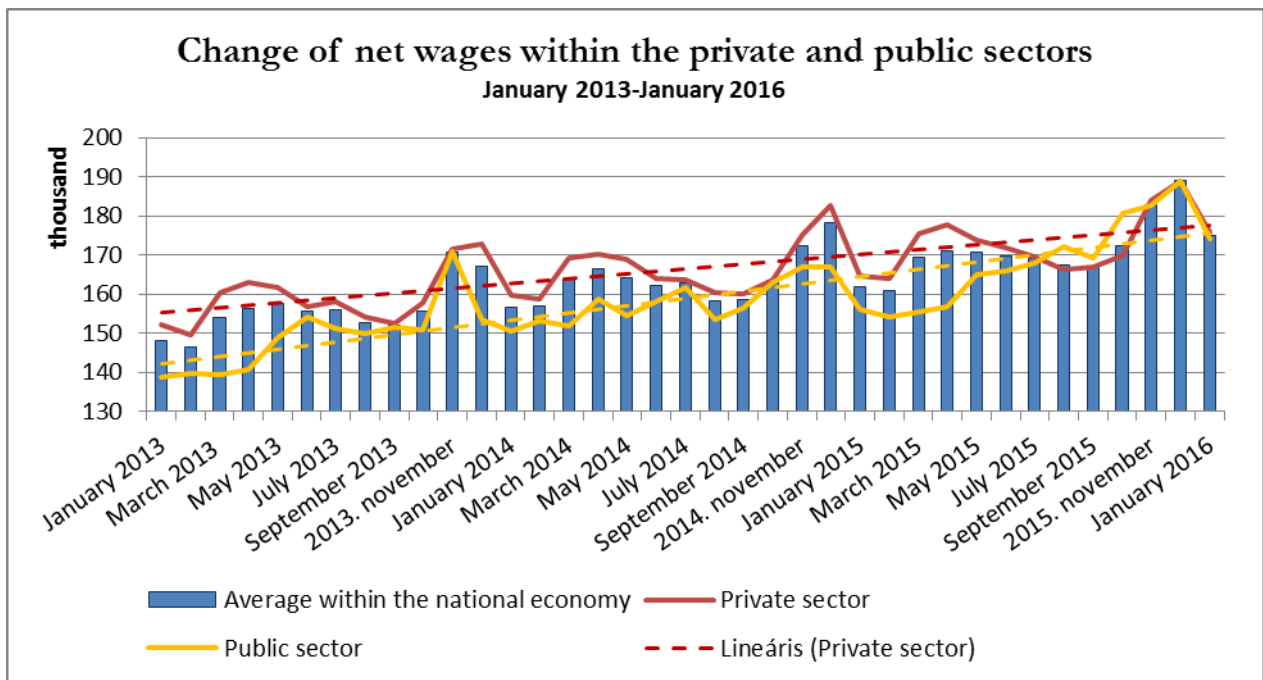
Thanks to the favourable external economic environment -- factors such as the low prices of fuels on world markets -- and the improvement of the domestic economic environment -- factors such as the rebound of domestic consumption, industrial output and export growth --, major Hungarian labour market indicators improved in 2015. Wage data from January 2016 also signal a positive wage growth trend, although there is huge diversity between the wages for different jobs. There were massive wage hikes in most sectors, driven among others by acute or protracted labour shortages. Net wage growth has also gained from the 1 percentage point reduction of the personal income tax as of 1 January 2016, as well as the increase of family tax allowance for parents with two children.

In the month of January 2016, gross wages of full-time employees within the national economy averaged HUF 249 400, at enterprises with at least five employees, budgetary institutions and non-profit organizations. **Within the national economy, average net wage** – excluding family tax allowances -- **was HUF 165 800 in the observed period.** In 2016, the entitlement rules of family tax allowances were significantly modified, resulting in a major change in net wages. Including this factor, net wages averaged HUF 173 000.

Comparing wages in the month of January this year and last shows that gross wages grew by 5.8 percent, year-on-year. This growth was mainly driven by the 5.7 percent hike of the minimum wage and the guaranteed minimum wage as well as by the wage hike for armed forces and the wage complements paid for welfare sector employees. Net wage growth, 7.4 percent, was above gross wage growth, due to the 1 percentage point cut of the personal income tax rate. The gross wage of private sector employees with and without bonuses and fringe benefits averaged HUF 264 500 and HUF 247 000, respectively, while the net wage was HUF 175 100. **Over one year, net wages in nominal terms increased by 6.8 percent in the private sector, while they were up by 5.8 percent in real terms.**



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Source: Hungarian Central Statistical Office (KSH)

Year-on-year, wages at budgetary institutions rose more in real terms, by 10.8 percent, than in the private sector. Public work employees have been removed from this category. Their net wage, in case of unskilled workers, was slightly below HUF 52 000. The financing of the public work scheme may lead to large costs unless a successful model is implemented that helps these workers make it to a private sector job. Accordingly, in case public work employees are excluded, the average wage for a state employee edged closer to the wage of a private sector employee. Employees at budgetary institutions earned on average a gross wage of HUF 261 800 and a net wage of HUF 174 100.

In January, gross **wages were the highest** in the information and communication sector: employees earned on average HUF 503 000 (regular monthly gross wage was HUF 444 201), while **they were the lowest** in the human-healthcare and welfare sectors, with average monthly wages of HUF 150 600 (regular monthly gross wage was HUF 147 955).

In the **manufacturing sector**, net wages increased by 6.62 percent year-on-year, but average wages still remained below the private sector average. Taking a closer look on major manufacturing sub sectors reveals that wage growth exceeded 10 percent at manufacturers of coke and refined petroleum products as well as at manufacturers of computers, electronic and



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optical products. More precisely, employees of manufacturers of coke and refined petroleum products earned the highest salaries within the manufacturing sector, with a monthly net and regular gross wage of HUF 374 099 and HUF 531 691, respectively. The wages of employees at manufacturers of motor vehicles and machinery and equipment saw a smaller increase of 6.17 percent and 6.44 percent, respectively, compared to the manufacturing sector average. However, the number of manufacturing sector employees grew by more than 18 000 over the course of one year, to total 657 thousand in January 2016. Data by the Hungarian Central Statistical Office (KSH) show that there were 44 672 vacancies in the last quarter of 2015. 64 percent of available jobs were in the private sector and 36 percent were at budgetary institutions. Within private sector jobs, the largest share, 42.5 percent, were available in the manufacturing sector.

The **retail sector** had also been struggling with grave labour shortages; therefore wage hikes were also significant in this field. Non-specified retailers, which include food retailing chains, shopping centres and small convenience stores registered net wage growth of 8.09 percent compared to January 2015, and thus employees earned on average HUF 127 696 of net wage in January 2016. Wage growth in this segment was larger than the average within the entire retail sector (6.87 percent). A more detailed analysis shows that within the non-specified retailing sector net wage growth was some 8 percent at non-specialised stores with food, beverages or tobacco products and 9.35 percent at other non-specialised stores. Employees in these sectors were paid an average gross wage of HUF 186 959 and HUF 178 559, respectively, as average regular monthly wage. On the other hand, average regular monthly gross wages actually fell in some sectors, for example by 1.01 percent at other non-specialized stores. This signals that remuneration packages had been modified and a larger part of salary were received as bonus.

Labour shortages forced large multinational companies to increase wages significantly this year. The number of employees at non-specified retailers fell by some 2300 in January 2016, compared to the level of January 2015, but as there was no difference in the number of full-time employees, this drop is attributable to the decrease of part-time employees. Labour shortages make employees feel overwhelmed and leave them with the sense that their wages are disproportionate compared to their work. At wage talks, employees demanded wage hikes along with the reduction of their burdens, such as overtime work. Labour shortages in certain sector had been the trump cards of employees at wage talks, thanks to which several large retail companies have been



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persuaded to increase salaries. Auchan had been the first among major multinational companies to have responded to low wages in the sector. Auchan and trade unions had come to an agreement of a comprehensive wage increase scheme as of 1 October 2015. Under the deal, the retail chain agreed to add HUF 1.2bn to the wages of existing and future employees over the next one year, resulting in a subsequent average wage hike of 10 percent. This measure will also impact the year 2016. As of the beginning of this year, employees of SPAR are to benefit from an average wage hike of 10 percent. In case of Lidl, 4000 employees will receive on average 8 percent higher wages. Last year, the monthly gross wage of Lidl employees doing physical work averaged HUF 253 000, when the retail sector average was HUF 170 000, so the German chain has paid above-average wages for its employees. Among furniture retailers, KIKA gave a uniform wage hike of 12.3 percent for its employees. In the financial year, which begins in September 2016, IKEA is to spend EUR 1.5 million on the wages of Hungarian labour force. IKEA employees also received massive bonuses at the beginning of 2016, thanks to the financial results of 2015, and they were paid 130 percent of the usual salary. Tesco began wage negotiations on 10 March 2016, with the next round expected on 8 April. Wage talks at Tesco are complicated by the fact that the company has half-yearly budgets, due to which annual wage negotiations usually start in June. However, urged by wage demands which had been triggered by labour shortages in the retail sector, high labour fluctuation within the company and the new minimum wage of HUF 129 000, the Independent Trade Union of Retail Workers (KDFSZ) initiated wage negotiations at an earlier date, already in spring. KDFSZ advocates a wage hike of 15 percent each for this year and next, and a further increase of 10 percent in 2010.



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	Average net wage (HUF/month)	Change	Regular monthly average gross wage (HUF/month)	Change
	January 2016	y/y	January 2016	y/y
Manufacturing sector, of which manufacturing of	174 807	6.62%	246 093	4.67%
food, beverages, tobacco products	146 070	7.11%	206 623	5.81%
coke and refined petroleum products	374 099	10.42%	531 691	5.18%
medicine	267 426	2.59%	378 396	1.18%
rubber-, plastics and non- metallic mineral products	166 416	6.43%	231 447	4.25%
computers, electronic and optical products	201 706	9.62%	288 727	6.55%
machinery and equipment	187 562	6.44%	266 154	5.06%
motor vehicles	206 147	6.17%	284 994	3.57%
Retail trade, of which	127 696	6.87%	183 246	4.01%
Non-specified retailing	129 121	8.09%	185 970	4,72%
Non-specified retailing of food, beverages and tobacco products	128 446	7.91%	186 959	5.49%
Other non-specified retailing	134 182	9.36%	178 559	-1.01%

Source: Hungarian Central Statistical Office (KSH)

Similarly to the retail sector, the **catering sector** has also recently seen crippling labour shortages. According to data published in the 2015 Manpower Group survey on professions in high demand, skilled catering workers were the 10th most sought-for professionals on the labour market. Within that, the food and beverages sector saw a robust average net wage increase of 10.28 percent, but salaries have still remained relatively low, with average net wages hardly reaching HUF 100 000. While gross wages posted a smaller growth of 7.55 percent, a significant part of salaries is presumably paid in the form of bonuses or they depend on turnover. As far as accommodation services are concerned, wage growth was smaller, 4.16 percent, but salaries are traditionally higher in this field. In January 2016, the sector's employees earned HUF 35 000



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more than those in the food and beverages sector. As a whole, wage growth in the catering sector totalled 7.8 percent on average.

	Net average wage (HUF/month)	Change	Regular monthly average gross wage (HUF/month)	Change
	January 2016	y/y	January 2016	y/y
Accommodation and food service activities	108 327	7.85%	158 849	6.11%
Accommodation	132 524	4.16%	193 259	3.82%
Food and beverage service activities	96 982	10.28%	142 715	7,55%
Information and communication, of which	334 465	11.02%	444 201	8.69%
Telecommunication	383 422	25.47%	503 162	21.53%
Information service activities	336 276	5.62%	449 787	5,15%
Financial and insurance activities	318 945	5.90%	432 687	3,31%
Professional, scientific and technical activities, of which	248 708	7.34%	354 029	7,93%
Legal activities	158 232	7.34%	234 224	13,00%
Accounting, bookkeeping and auditing activities	294 737	11.31%	404 214	12.97%
Administrative and support service activities, of which	143 080	16.18%	198 521	10.00%
Employment activities	119 690	8.04%	172 516	6.66%
Office administrative and support activities	243 137	34.27%	300 421	12.47%
Call centres	215 892	34.26%	290 281	21.10%

Source: Hungarian Central Statistical (KSH)

On the top 10 list of the Manpower survey, **IT specialists** come as fifth among professionals in the highest demand, and the lack of these experts has been a long-running issue on the Hungarian labour market. This shortage has significantly pushed up wages, which had always been relatively high. While professionals in the information and communication sector received an average net wage of HUF 301 270 in the first month of 2015, in January of this year this



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amount was HUF 33 000, which corresponds to an increase of 11.02 percent. Various sub sectors, nonetheless, show a less monochrome picture. For example, the telecommunication sub sector saw a net wage growth of 25.47 percent. The number of employees in the informatics sub sector rose by 4000 year-on-year, while it was down by 900 in the field of telecommunications. This latter was presumably mainly the consequence of downsizing at Magyar Telekom. The company had come to an agreement with advocacy groups in 2014 to lay off 1700 people, 40 percent of which left Telekom between 1 January 2014 and 1 March 2015, while the remaining 60 percent had to leave the service provider as of 1 January 2016.

Although the **services sector** is better supplied with skilled labour, there were sizable wage hikes also in this field. A job in the financial and insurance sector pays still well, with an average monthly net wage of HUF 318 945, albeit these wages only rose 5.4 percent in the observed period. Wages paid in administrative and support service jobs also saw a substantial increase, including jobs in large services centres.

Net wages of professionals doing **legal activities** remained still relatively low, at HUF 158 000, compared with the overall average of HUF 175 000, despite the fact that these jobs enjoy a high social status. However, professionals in this field are believed to have additional income sources due to their activities. Companies that employ more than four persons increased wages by 13 percent for jurists. In jobs in the office administrative and support category employees earned on average HUF 32 000 more, constituting wage growth of 13 percent. These professions are the fourth on the Manpower list, so a wage hike above 10 percent was reasonable.



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