



Hungary's labour market indicators continued to improve

“Every Hungarian able and willing to work can have a job now,” Minister for National Economy Mihály Varga has recently said. He also spoke of a new era in employment that followed a positive trend reversal on the labour market, brought about by the Government's pro-growth economic policy and steady economic expansion.

The latest data published by the Hungarian Central Statistical Office (KSH) confirm the Minister's statements: they show that in Hungary the unemployment rate has been declining for five-and-a-half years now. In Q4 2017, the number of unemployed people averaged 175 thousand, down by 30 thousand compared to the corresponding period of the previous year (Fig. 1). The number of jobless men and women aged 15-74 years fell to 83 thousand and 92 thousand, respectively, in the observed period.

Fig. 1: Number of unemployed people (thousand) and unemployment rate (%)



Source: Hungarian Central Statistical Office (KSH)
* Q4

The largest decrease of 1.4 percentage points was registered among those **aged 15-24 years**, and thus the respective unemployment rate has edged down to **10.2 percent** by the end of 2017. Data show that in the age group of 25-54 years (the so-called prime working age) and 55-64 years the

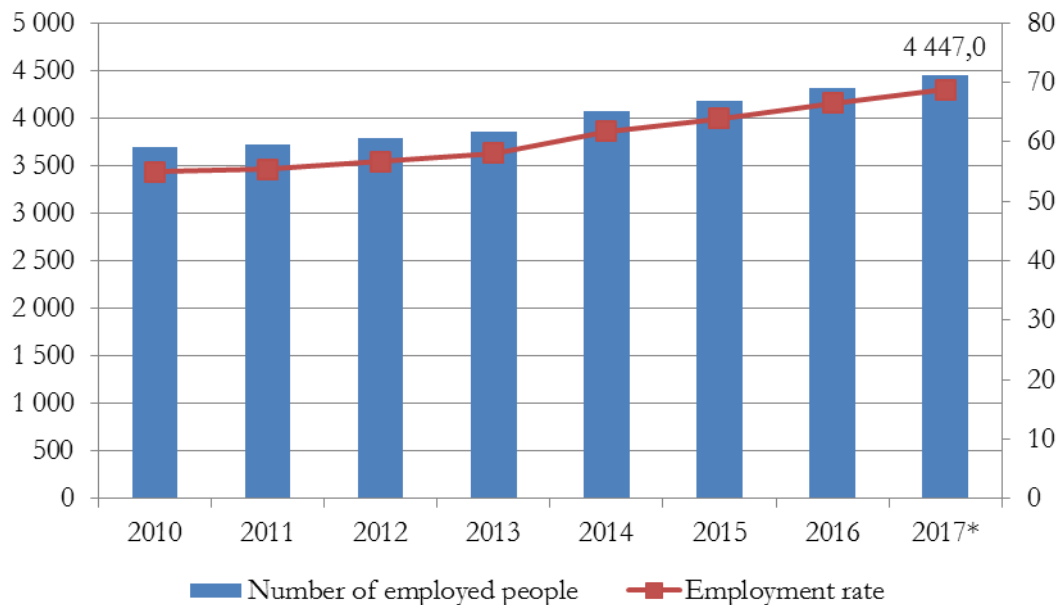


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indicator fell by 0.4 percentage points and 1.2 percentage points, respectively, to 3.4 percent and 2.7 percent.

The number of people in employment rose by 36 thousand, to 4 million 447 thousand in Q4 2017 (Fig.2.). As a result, the employment rate for those aged **15-64 years** increased to **68.8 percent**.

Fig.2. Number of people in employment (thousand) and employment rate (%)



Source: Hungarian Central Statistical Office

* Q4

The number of people employed on the primary labour market grew by 88 thousand in the observed period, while that of public work employees and people working abroad was by up 39 thousand and 13 thousand, respectively. Both the employment rate (76.1 percent) and the pace of growth (2.1 percent) were higher in the case of men. The indicator showed improvement in every age group, with the largest increase, 1.9 percentage points, registered among those aged 55-64 years. This was mainly due to Government incentives facilitating the employment of elderly people and pensioners. Since July 2017, 91 public benefit **pensioner associations** have been established, and these offer preferential job and tax conditions as well as flexibility. According to a survey conducted by the National Society of Public Benefit Pensioner Associations (KÖZÉSZ), the members of existing associations typically work 3-5 days a week, 4-6 hours per day and usually in the morning, but they are also open to doing nights shifts.



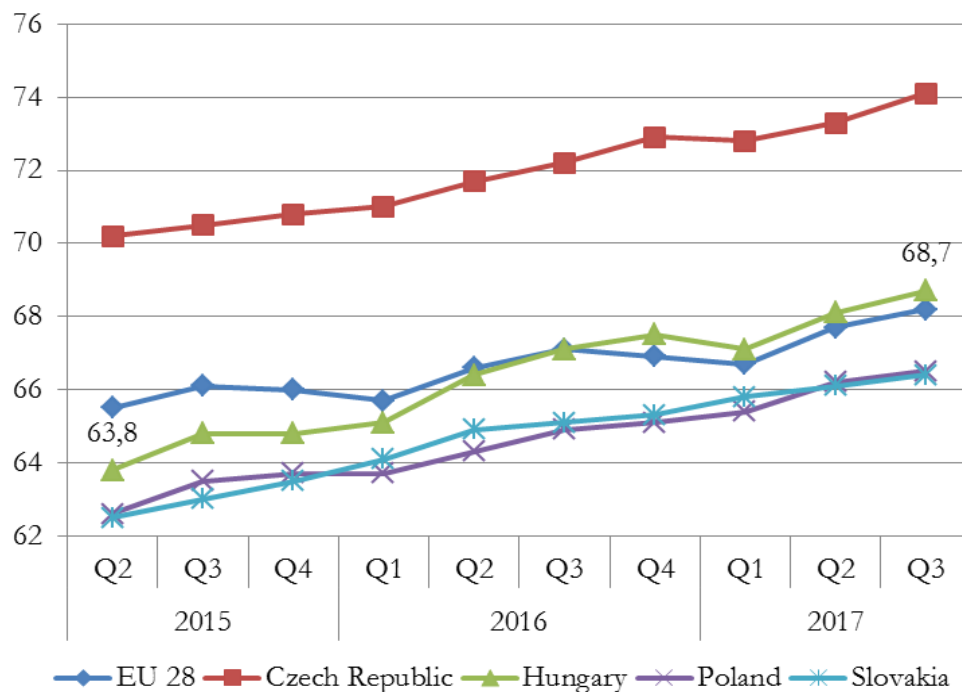
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Employers also benefit from outsourcing work to pensioner associations, as payroll taxes are lower compared to the employment of a jobseeker in working age. In order to reduce the physical distance between the available labour force and vacant jobs, the Government has introduced various labour mobility programmes. In regions worst affected by labour shortages, local governments and the associations of local governments may bid for funding through a state scheme for the building and modernization of workers' hostels as well as for the purchase of new fixed assets required for the implementation of such a project. The support they get may be a grant or a preferential loan. Local governments are obliged to operate the workers' hotel for a minimum period of 10 years after the project has been completed, and finance costs through rental contracts they conclude with employers. In the year 2017, four new facilities were built from subsidies of HUF 1.5bn in Mórahalom, Újszentiván, Orosháza and District 9 of Budapest, and two hostels were refurbished in Zalaegerszeg and Veszprém. Thus, accommodation for 634 employees has been secured. This year, funding made available in the scheme totals HUF 5bn.

Thanks to the favourable economic trends driven partly by Government measures, Hungary is set to meet a major commitment the country has made with regard to the Europe 2020 Strategy: to reach an employment rate of 75 percent. In the age group of 20-64 years, also observed by Eurostat, the employment rate has edged up by 1.4 percentage points, to 73.9 percent. Within that, the indicator for men and women showed 81.9 percent and 66.2 percent, respectively.

According to data of Q3 2107 published on the Eurostat website, Hungary has performed well in terms of employment in the age group of 15-64 years compared to our regional peers, and only the statistics of the Czech Republic have been better. (Fig. 3.)

Fig. 3: Employment rates in the V4 countries (%)



Source: Eurostat

Thanks to favourable global economic environment, rising wages and decreasing payroll taxes resulting from the six-year wage agreement, as well as a number of Government measures which are soon to be implemented, the positive trend is expected to continue.