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OF HUNGARIAN ACADEMY OF SCIENCES**

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**Long-term Unemployment and Its  
Alleviation in Rural Areas**

*– Case of Hungary –*  
by

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## Introduction

The main purposes of the academic research – commissioned by the Rural Development Department of the Ministry of Agriculture and Rural Development – were to examine the interrelation between long-term unemployment and individual as well as family life strategies, the regional characteristics of the labour market and the territorial development of rural areas, as well as explore governmental and local ambitions to alleviate long-term unemployment and evaluate their efficiency.

The basic issues of the research were as follows:

- 1) Which are the regions where the concentrations of long-term unemployment can be found and what are the reasons for it?
- 2) What kind of interrelation can be observed between long-term unemployment and the potential of the social and economic development of the regions?
- 3) What central and local attempts have there been to alleviate long-term unemployment?
- 4) What results did these initiatives have and what were the reasons for their success or failure?
- 5) What foreign models can be followed when trying to alleviate long-term unemployment?
- 6) Which are the economic sectors, in which employment of those long-term unemployed is the most possible?

The research was carried out by the horizontal work-team of rural development of the Centre for Studies Research of the Hungarian Academy of Sciences.

The following tasks were completed by the members of research team: *Balcsók, István* (annotation of most important pieces of bibliography, case study on “Szatmár”); *G. Fekete, Éva* (summary of international experiences and best practices, models for solution); *Kovács, Teréz* (case study on “Zselic”); *Magyar, Tünde* (case study on “Ormánság”); *Mező, Barna* (annotation of most important pieces of bibliography, summary of results of former researches); *Némethi, Szabolcs* (case study on “Cserehát”); *Nemoda, István* (summary of recent programs of National Foundation of Employment); *Szarvák, Tibor* (summary of results of former researches); survey of 900 people (600 unemployed and 300 employed) in 3 regions, case study on “Közép-Tisza-vidék”); *Sziráki, Zsuzsa* (bibliography); *Velkey, Gábor* (theoretical background, summary and synthesis of results of former researches); *Vojtovics, Gábor* (summary of recent governmental programs).

## 1 General factors determining economical situation of Hungarian rural areas in the 1990s

The 1990s proved to be a vigorous decade in Hungary's history. The irrevocably "intruding" globalisation, Central-Eastern European processes caused by the disintegration of the communist block, national events of the change of regime, then the requirements for accession to the European Union together formed the changes of this period.

Hungary stepped to the line of transformation with a heavy heritage. The biggest part of the economy was characterized by out-of-date machinery, thus the economy had a non-competitive structure. Hidden unemployment was endemic. There was a general lack of modern corporate organizational-structural systems and up-to-date knowledge of corporate management and marketing. It lost its biggest markets because of the COMECON's collapse. Forty years were left out of the operation of democratic institutions, generations grew up under one-sided ideological pressure, socialized to dependant role aligned to the system of society of self-governance blocking and control from above. Tensions, decades-old grievances strained among towns and their countryside, because of forced development of centres designated by the district-making policy of the 70s on one hand, and settlements that lost their autonomy on the other hand.

*Economic globalisation* swept over the country. The political change of regime removed every obstacle that hindered the influx of foreign capital to the country with – by the way – open-economy. Moreover, governments definitely supported the country's adhesion to the globalised world economy. During the privatisation, which was intended to dismantle the state ownership dominant in the former economic structure, the country's most important factories fell into foreign hands. Foreign investors played an outstanding part in the process of the economic restructuring. This is characterized well by the fact that in Hungary the total sum of foreign direct investment, which stemmed from privatisation and green-field investment reached 19 billion (19,000 million) USD by the end of 1997. (Revenue from privatisation meant 47.7% of the foreign capital influx.) In accordance with the traditions of Hungarian economic history, the ratio of German participation became the highest in Hungarian investments, though at the same time French and American investors played an ever increasing role in Hungarian privatisation. (Csáki-Macher, 1978).

Foreign influence became over-dominant especially in the food industry (sugar, oil and dairy industry), which affected sensitively the rural economy, and in the energy industry.

Big (food) retail networks were sold even in the earliest stage of privatisation, which – together with the establishment of big hypermarkets – made national agri-

cultural producers vulnerable, contributed to the acceleration of the already significant inflation and the exacerbation of social problems. Due to the constant increase in production costs and the total lack of the protection of national food market unfortunately nowadays the village dwellers satisfy their need of vegetables, meat and dairy products in multinational hypermarkets.

The accomplishment of *cultural globalisation* was brought by the increased number of journeys, the rapid spread of communication instruments (though it still lags far behind developed countries) and particularly the appearance of commercial TV broad casting corporations and the major part of the media caught by foreign proprietors. Even in the smallest village the same material and intellectual products are available just like in bigger towns. The world opened, at the same time a part of it got lost. Those who lived in villages could face sharply the closed way of their own community, the poorness of opportunities offered by their living place through and due to the values strengthened by the media. At the same time opportunity arose that the more remote areas could be known and their conditions measured by “postmodern” set of values could be recognized as utilisable economic resources.

*Transition to market economy* demanded the dismantling of state proprietorship, the strengthening of private enterprises and the construction of market institutions.

Nevertheless, *privatisation* was the most determinant economic process of this period. During a uniquely short period – eight years – the entrepreneurial assets of the state decreased to the 20% of the total assets of the entrepreneurial sphere. It can be measured as positive that the former state property – in face of the Czech experiences – got into the hands of real owners (*Macher, 1997*). The dwellers of rural areas engaged in the privatisation mostly by the compensation and the reorganization of former agricultural co-operatives.

The *compensation* started as the historical delivery of justice for the aggrieved of the communist system, thus the former owners damaged by the collectivisation of agriculture, the persecuted for political reasons and the prisoners of war. Although, the struggle of political groups and persons competing with each other made it obscure, complicated, bureaucratic and finally none of the groups intended to be compensated could be managed to satisfy with this measure consuming 500 billion forints. Just the opposite: “compensation became a particular kind of delusion. It looked different than it was. As many social groups, they saw the process and made it look in as many ways” (*Mihályi, 1998. 165. p.*). Compensation – in opposition with every other intention – served basically the enrichment of the ambitious entrepreneurial group, and for the least part the interests of the village and the peasants. As two-thirds of former land-tillers’ inheritors are town dwellers, the most significant resource of the countryside, land, forests, agricultural buildings and instruments formerly owned by co-operations fell in outer hands.

In the period of the change of regime *the elimination of co-operative property in the agriculture* came forward as the pivotal question of politics. Co-operatives had to hand over 40% of their land for compensational reasons. The privatization of the other part of co-operative assets started with the denomination of land, movable and immovable property and the definition of ratios of share. Throughout the country the active members of co-operatives received property notes worth 40% of the 260 billion forint-co-operative-property equivalent to 15% of the entire national property, the retired and the outer proprietors got 40% and 20% respectively. Those who obtained shares in this way could announce their retirement until the end of 1992, and could take property out of the co-operative. 10% of co-operative assets were privatized in this way. During the transition the number of co-operatives did not decrease, but between 1988 and 1993 it increased by 30%. It is true that at the same time the size of the land cultivated by them diminished by 30% (Hamar, 1999).

Reorganized co-operatives continued farming in land on lease, which increased costs significantly and deteriorated their competitiveness. Moreover, the reconstruction of proprietorship in agriculture coincided with the radical reduction of agricultural subsidies and export benefits. Costs of agricultural production grew steeply. (For example, the price of diesel oil increased threefold.) Guarantees were denied by the state and the land market was frozen for protecting the value of compensation notes, there was a lack of mortgage, thus banks did not grant credit. For the lack of credit the operation of agricultural firms became impossible, and they went bankrupt en masse. In 1993 the management of co-operatives collapsed in effect, and it coincided with the abolition of the law that obliged them to employ their members. During six months 300 thousand people left co-operatives and former members could not take their shares out of the co-operatives. They could just sell them like the retired did, who consumed them in a short time. According to estimates, property worth 10 billion got out of agriculture in this way (Harcza-Kovács-Szelényi, 1994).

By 1992, *gross agricultural production* fell to 62% of the level of 1988 because of the 20% fall of domestic demand and the sharp decrease in the number of agricultural firms. In 1992 and 1993, 10% of arable land remained uncultivated. The profitability of the branch kept falling due to food prices, which could not keep with high inflation. While in the other branches of national economy the GDP grew almost threefold by 1996 since 1990, the growth in agriculture was hardly one and a half times as great. According to data, decollectivisation did more harm in production than collectivization in the turn of the 1960s (Harcza-Kovács-Szelényi, 1994).

In this economic situation, no investment was made in the agricultural sector, which otherwise badly needed modernization. The some 750 thousand new land-owners are not capable to be good owners, users of their land without machines,



capital, professional knowledge and market connections, utilize it with a loss and low efficiency or lease it. The basic condition of household farming, which earlier was done besides work and played a key role in modernizing Hungarian villages was the integrator, who provided market connections and organized the division of labour between big plants and small producers, disappeared with the disintegration of co-operatives. 700 thousand small producers (with 1–3 ha) were left alone, even their hope for integrating to commodity production was eliminated. Agricultural employment declined from 1088 thousand people in 1988 to 250 thousand in 1993 (*Harcza–Kovács–Szelényi*, 1994).

The liquidation of co-operatives brought with itself not only the transformation of proprietorship and the former production structure, but the disintegration of supply systems in the villages. Communal, social, cultural and community services operated earlier by co-operatives dissolved or their maintenance meant a burden for local governments (which frequently exceeded their power). Even together with these, agriculture remained a significant branch of economy in the countryside.

*In the transformation of economic structure*, besides the straightforward decline in the role of agriculture, the dynamising force of rural economy definitively proved to be the industry. Strong connection was indicated between the change in rural GDP and industrial output (*Kiss*, 1998). However, in terms of employment the dominancy of services grew. According to the number and ratio of jobs in services the settlement slope can be drawn sharply. Tourism became one of the country's most dynamic branches, though time by time exaggerated expectations were defined for the branch. In the 90s in micro villages, the number and ratio of touristic enterprises, besides agricultural ones, increased. Commuting possibilities tightened in the 90s. Despite this, 40–60% of employees of rural settlements got a job in another settlement. In the fact that how many rural inhabitants or what ratio of them commute to the workplaces of other settlements, the accessibility of the village has a relatively small role. The extent of economic power a town has is more crucial than the closeness of that town (*Kovács*, 2003). Commuting between small villages is also frequent, which is indicated by the fact that 25–40% of local jobs are occupied by dwellers of other settlements.

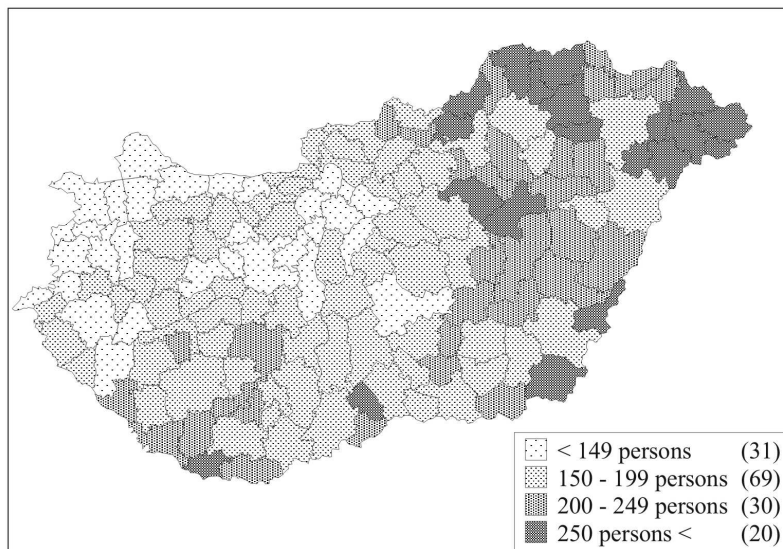
## 2 General and regional characteristics of long-term unemployment

### 2.1 Concept, interpretation, social and economic effects of long-term unemployment

Working age inhabitants who have been looking for a job and have not found one for at least a year are called *long-term unemployed*. It may be disputable, however, *who* can really be regarded as long-term unemployed. Statistical surveys do not always work with the same definitions. Sometimes those unemployed for more than 180 days, sometimes those for at least a year are considered to be long-term unemployed (*Figure 1*).

Figure 1

*The total number of inactive and dependant persons per one hundred employees*



Source: Census of 2001, Hungarian Central Statistical Office.

According to the interpretation and the definition of the OMMK (National Centre for Employment and Methodology, at present: Employment Office) a person is long-term unemployed if he or she is over 18, and has been registered by the job centre for at least a year, and during this period of time he or she has met the obligation to co-operate, and has not been granted any kind of non-financial support for a year, or all the interruptions and the duration of active supports have not exceeded the total of 31 days. The *employment act* only defines the criteria of unemployment, one item of which is registration. However, many people are not included in the long run, and they are left unaided with their problem, almost without any social control (passive unemployed).

The concept of long-term unemployment does not only mean quantity, but unlike temporary unemployment it implies potential *social danger*, and has a number of *negative effects* on society. The fact that those ousted from the labour market are likely to face such a situation permanently will result in very severe social conflicts. One of its dangerous consequences is poverty. From a financial point of view, the lack of income followed by complete poverty will become the major problem. Unemployment benefits and supplementary unemployment benefits are not enough for families to make both ends meet, although they are forced to do so. Meanwhile, those having lost their jobs will live in increasingly difficult social conditions, and potential *employers will gradually become averse* towards them, so the whole process will end up in passive unemployment, as having given up all hope, people will find it senseless to keep looking for new jobs (Füzessy, 1995). In this way those concerned will both get into very hard financial conditions and by being completely excluded from society, will suffer considerable moral harm. Besides, serious social-psychological dangers, such as isolation, loss of social prestige and self-esteem, conflicts in the family, health problems, or even the danger of suicide may threaten such people (Walkené, 1997). In towns and villages afflicted by this problem, uncontrollable and long-term unemployment of masses has led to new phenomena like the appearance of beggars in the streets, the impoverishment of the middle layers of village society, using up reserves and an increase in the number of divorces and alcoholics. The young, well-educated and venturesome part of inhabitants migrate from these villages whereas older, less educated, unambitious layers tend to stay there (Laki, 1996). Long-term unemployment *devaluates human capital*, which in itself will *harm the chances of finding jobs*. Long-term unemployment starts a vicious circle which, besides individual and family tragedies, causes the decline of certain regions as well as goes with the accumulation of social and economic problems.

The attempts to find a solution can basically be either correction or prevention. Correction-oriented solutions try to handle the situation after losing a job, while prevention focuses on the situation before losing it. In our opinion unemployment could be prevented to a greater degree by joining social forces, by a more co-ordi-

nated activity of the bodies of government, employers and employees, by the modernization of the system of vocational training and other measures (Walkené, 1997).

The organizational system of institutions of employment policy is capable of adjusting to the given conditions, even to the regional unevenness of the labour market, but its major task is to control situations and solve consequences. The partial solution of the accumulated tensions and the increasing poverty can still be successful by the efforts of social policy but in the long run, it is only the development of the economy of regions that can lead to real solutions, which is a part of *regional development* and not that of employment policy. Current local difficulties of individual areas can be overcome with different means of regional development policy after a thorough examination of local causes. Employment policy, social policy can only provide efficient help in co-operation with regional development (Fazekas, 1996).

## **2.2 Long-term unemployment in Hungary and the trends of its changes**

### ***2.2.1 Changes in the number and proportion of the unemployed***

It was in the mid-80s that open unemployment appeared in Hungary and it was at that time that various reform programmes were started to modernize the economy. At the beginning unemployment was regarded as a natural consequence of these programmes, as a concomitant phenomenon of the change of economic system.

With unemployment spreading, a registration system of the unemployed had to be introduced so since 1987 it has been possible to follow the changes in the number of the unemployed. At that time the number of unemployed people registered with job centres showed a slow increase but the statistical figures were by no means all-embracing, which was the result of the fact that only a part of those seeking jobs registered for those organizations, so there was a big difference between the number of registered and actually unemployed people. According to the national census in 1990 there were 95,000 unemployed people, which meant 1.8 % of all active employed, in registrations, however, there were much fewer, only 24,000 of them.

The increase in the number of the registered unemployed was dramatic in the first years of the 1990s. A considerable part of the unemployed was made redundant due to economic reasons mainly because the factory or the company they had been working for had closed down, and not through fault of their own. The other part, however, lost their jobs for quite different reasons. While at the beginning of

1991 100,000 unemployed people were registered and the unemployment rate in January was 2.1%, in December 1992 663,000 people were registered and the unemployment rate reached 12.3%. It was in February 1993 that the number of registered unemployed people reached the peak of 705,000, with an unemployment rate of 13.6%. This can mostly be explained with the decline of the economy, but the fact that the unemployed became interested in being registered started to play an important part. (According to the Employment Act [1991. IV], the unemployed were granted some kind of unemployment benefit if they were registered with a job centre after January 1991 – *Table 1.*)

Table 1  
*Changes in the unemployment rate in the 1990s (January data)*

Year	Unemployment rate %	Year	Unemployment rate %
1991	2.0	1996	11.7
1992	8.2	1997	11.4
1993	13.9	1998	11.0
1994	14.0	1999	7.0
1995	12.0	2000	6.4

Source: Employment Office, 2001.

After a period of fast growth unemployment reached the peak very quickly, and it was induced by the sudden loss of Eastern-European markets and the transition into market economy.

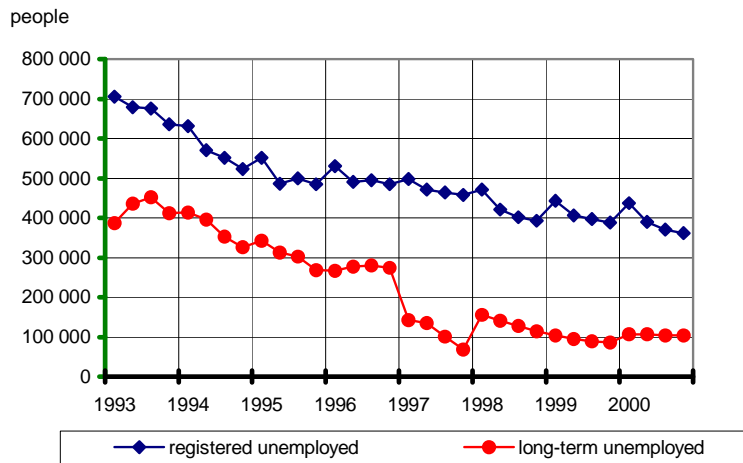
After the peak there were only few people who became unemployed, but there were also just a few who could be employed again. (*Figure 2–3.*)

### **2.2.2 Changes in the number and rate of long-term unemployed people**

The number of those long-term unemployed published in official statistics also reached its peak in 1993, but unlike the above mentioned unemployment figures it was only in the third quarter of the year. After it a slow decrease started, which became an apparent stagnation in 1996. It was apparent because owing to the lack of data collection the description of actual long-term unemployment with real data is only possible in an indirect way. (It is true both to the regular surveys of labour force carried out by the KSH [Central Office of Statistics] and the figures of job centres.) Statistics of long-term unemployment are distorted by the following factors:

Figure 2

*Changes in the number of the unemployed and in the number of long-term unemployed (1993–2000)*



Source: VÁTI OVO, 2001.

1) Statistics do not include those who are not in touch with job centres because attempts to find a job have been unsuccessful for a long time so they have decided to give up co-operation with the job centre.

From the appearance of unemployment in Hungary till 1995–96 the period of trying to find a job was continuously increasing. After 1996 the figures do not show significant changes, the then characteristics seemed to become stable. Taking the changes in the unemployment provision (i.e. in the duration and sum of the unemployment benefit) into consideration, the declining indicators of the first 4–5 years, then their stagnation means that at least 30% of the registered unemployed basically resigned themselves to the extremely low benefit (i.e. the regular social benefit of working age people). The sum of this kind of benefit is determined by the local government on the basis of social background and it is granted after the termination of the unemployment benefit and that of the subsequent supplementary unemployment benefit, the amount of which is also determined on the basis of social situation. It is granted only if the unemployed person is willing to co-operate with the job centre. These figures, however, do not include the unemployed who, due to their social background (because of the per capita income of the family) have not been granted a supplementary unemployment benefit or social benefit, as continuous co-operation with the job centre could be important for these people

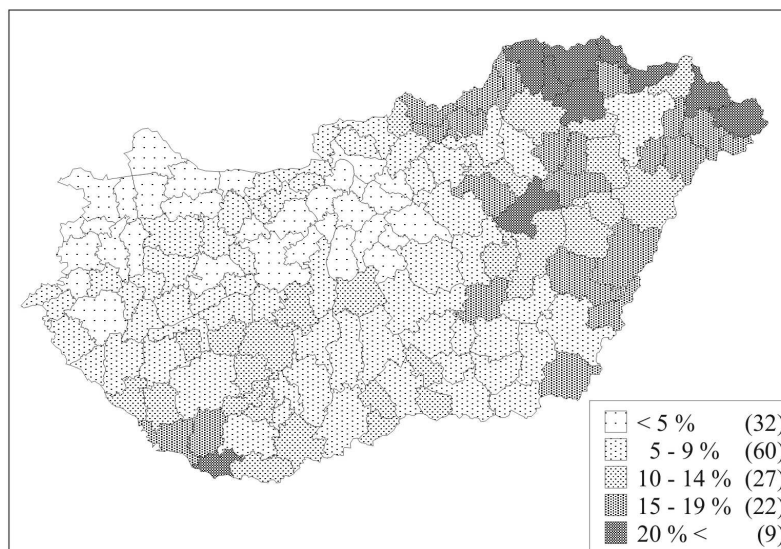
only because of the placement service they provide, which has not been successful in the long run either. (International experience suggests that only 15–30% of all unemployed with a new job could find one on the primary labour market in the competitive sector as a result of the placement activity of a job centre.) (Table 2.)

2) Escape into inactive status has become a general phenomenon.

The proportion of the economically active population with the age group of 15–75 showed a dramatic decrease after 1990, and it was typical of the whole country until 1995–96. After 1996 this trend changed, there was a slight increase in the proportion of the economically active population or at least it did not decline any more in the more developed regions, where the first signs of economic growth appeared earlier, and the rate of decrease of previous years had also been slower. In more backward areas of the country, the decline before 1996 was more dramatic, which began to stagnate after 1996 (Baranya, Hajdú-Bihar, Heves, Jász-Nagykun-Szolnok, Nógrád, Somogy counties).

Figure 3

*Proportion of registered unemployed within the active age population*



Source: T-STAR database, 2000, Hungarian Central Statistical Office.

Table 2

*Division of the unemployed according to the length of time spent seeking employment, %*

Year	<1	1–6	7–12	13–18	19–24	>24	Total
1992	10	43	28	10	9	–	100
1993	7	33	27	15	17	–	100
1994	7	28	23	15	17	9	100
1995	6	27	22	14	8	23	100
1996	5	25	21	14	10	26	100
1997	5	27	21	14	9	24	100
1998	4	30	21	13	9	22	100
1999	5	29	21	13	9	22	100

Source: KSH. Time Figures of the Survey of Labour Force 1992–1999.

The counties in the worst economic situation showed the most dramatic decrease before 1996, and it continued worsening after 1996, too, though at a considerably slower rate (Békés, Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg counties). (We have to emphasize the fact that the demographic indicators of the population do not account for changes of such scale.) The considerable differences between the ratios of the individual counties seem to be in close correlation with the rate of decrease, i.e. in the counties with a worse rate of employment, a considerably higher number of people become inactive and choose other forms of provision (*Figure 4*).

The signs of the lack of long-term unemployment refer to continuously and unambiguously increasing trends. Such signs are:

3) One of the primary reasons why the unemployed were seeking new jobs was the ceasing inactive or dependant status. It had been increasing and had come close to as high as 10% by 1999. The escape strategy mentioned above was also often temporary only. The rate of the people whose employment was obviously temporary (seasonal), also showed a considerable and continuous increase (*Table 3*).

4) Among those entering the provision system and are not at the beginning of their career, however, the rate of first entrants has decreased considerably since 1995, while according to the figures of job centres there are no changes in the number of entrants (those becoming registered unemployed), neither in the number or rate of the unemployed at the beginning of their career. All this means that more than 90%, in some counties even 98–99% of entrants not at the beginning of their career have already been unemployed, so they are returning clients (*Table 4*).

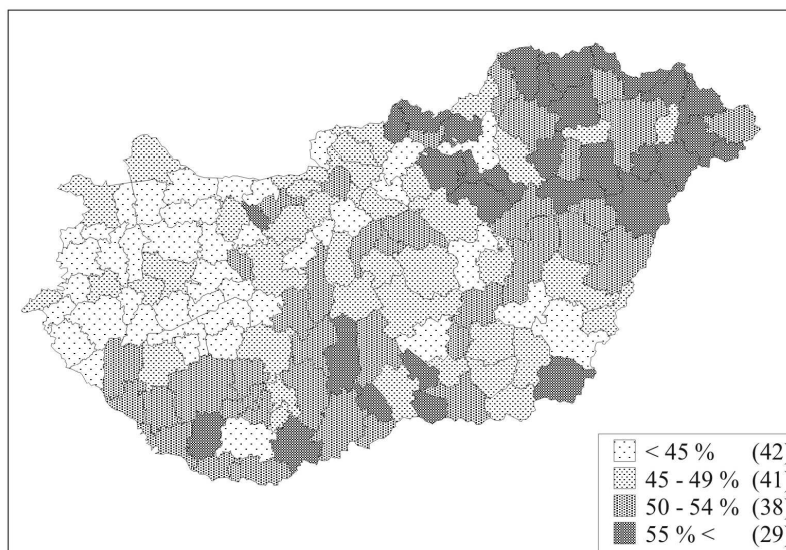


The high rate of those who are not first entrants but have acquired entitlement to some kind of benefit compared with all those granted some kind of benefit refers to the significance of active means and shortages in their efficiency. Not unlike the figures of the previous table, this indicator also emphasizes the same regional differences that could be seen in the case of the activity rate.

All in all it can be stated that, without a considerable development of economy and without a considerable increase in the number of new jobs, at least two thirds of all the unemployed registered with a job centre, and the vast majority of the unemployed not registered with a job centre are threatened by being pushed out of the labour market for a long time or even for ever. What is more, taking the specific Hungarian economic and social transformation processes into consideration and on the basis of experience gained so far, it is highly probable that the overwhelming majority of the long-term unemployed belonging to older age-groups, coming from crisis industries, unskilled labour force or those with a trade that is

Figure 4

*Proportion of long-term unemployed (over 180 days) within all registered unemployed*



Source: T-STAR database, 2000, Hungarian Central Statistical Office.

Table 3  
*The primary reason for the unemployed seeking new jobs (figures expressed in percentage)*

Year	Lost their jobs	Quitted their jobs	Their sole proprietorship wound up	Their seasonal work is over	Finished their studies	Discharged from the army	Family or financial reasons	Young mothers on child-care leave, students or pensioners wanting to work	Termination of child-care leave	Others
1992	73.46	8.16	2.08	0.65	8.48	0.81	3.35	0.35	0.00	2.66
1993	72.95	7.13	0.33	1.96	9.51	1.88	2.38	1.76	0.00	2.11
1994	68.54	8.06	2.21	1.84	10.78	2.51	1.68	1.47	0.00	2.91
1995	67.44	8.20	1.78	2.03	11.61	2.08	1.78	1.48	1.93	1.68
1996	66.53	8.45	0.37	2.84	11.14	2.05	2.16	1.45	2.74	2.26
1997	60.42	9.49	2.62	4.53	9.37	2.43	3.16	1.49	2.95	3.53
1998	59.44	9.95	2.42	5.01	9.00	2.59	3.41	2.04	2.42	3.72
1999	56.91	11.13	2.01	6.89	10.46	1.87	1.94	1.45	3.39	3.96

Source: KSH. Time Figures of the Survey of Labour Force 1992–1999.

Table 4

*The rate of first entrants not at the beginning of their career and that of those who are not first entrants but are entitled to some kind of benefit compared to all entrants (monthly average – %)*

County	The rate of first entrants not at the beginning of their career compared with all entrants			The rate of those who are not first entrants but are entitled to some kind of benefit compared with all entrants		
	1995	1997	2000	1995	1997	2000
Budapest	35	28	22	10	14	36
Baranya	24	10	2	46	33	55
Bács-Kiskun	22	17	7	45	37	52
Békés	11	8	1	61	53	62
Borsod-Abaúj-Zemplén	9	7	-2	58	41	59
Csongrád	21	11	5	44	34	50
Fejér	23	22	11	41	31	52
Győr-Moson-Sopron	23	22	17	44	41	53
Hajdú-Bihar	15	8	4	51	40	55
Heves	13	11	2	56	47	58
Jász-Nagykun-Szolnok	12	7	2	58	44	60
Komárom-Esztergom	20	13	9	46	37	54
Nógrád	13	6	2	59	55	68
Pest	28	27	17	38	28	47
Somogy	16	11	6	57	47	63
Szabolcs-Szatmár-Bereg	5	2	-2	64	46	58
Tolna	20	13	3	50	32	59
Vas	27	21	16	42	38	53
Veszprém	14	13	7	55	43	59
Zala	24	16	10	40	34	54
Country	20	14	6	46	37	55

*Note:* The negative figures in the table come from calculation with monthly averages  
*Source:* OMKMK. Time Figures of Unemployment Registration 1995–2000.

difficult to convert, or the long-term unemployed with a low degree of adaptability, as well as mostly uneducated, unskilled gypsy unemployed will be pushed to the periphery of the labour market even in the case of an economic boom and modernization. In their case only a state-supported, rather costly and complex training and employment programmes may improve their situation moderately. (During transition, and in the period following it, the chances of younger generations with more up-to-date knowledge become more favourable, but as far as individuals are concerned there are always some exceptions.)

Regarding changes in the rate of unemployment, striking differences can be seen between towns and villages, urban and rural areas.

In 1994 45% of the unemployed lived in villages, which was much higher than the rate of the village population compared with the whole population (37%). As for the distribution of the unemployed on the basis of where they live there were no changes till 1998, but, except for big villages, every kind of village had more unemployed inhabitants than in 1994. The unsafe situation of rural areas can be proved by the fact that the smaller number of inhabitants a village has, the higher the rate of unemployment is and the more rapid the growth of the number of the unemployed is (Bódi–Obádovics, 2000). (Table 5.)

In 1994 the danger of long-term unemployment threatened smaller villages more than big ones or towns. In very small villages the rate of those long-term unemployed was almost as high as 70%. Until 1998 their rate fell to almost half of it, and the backwardness of rural areas began to slacken. The changes are caused by the characteristics of the registration system and factors of interest as well as the increase in the number of those pushed out of the labour market permanently, rather than an increase in successful and lasting returns to the world of work.

### **2.2.3 Composition of long-term unemployed people**

The composition of those long-term unemployed is markedly different from the demographic composition of the whole population and unfavourable features are strengthening.

As far as the *distribution between sexes* is concerned, the originally higher number of unemployed men, which had been the result of a lot of redundancy in industry was continuously decreasing. In 1993 41.1% of all long-term unemployed people were women, subsequently 58.9% were men on a national level. By 2001 there had been some minor changes in the ratios. Owing to the fact that the chances to get a job were better for men, the difference in the ratio of sexes among all long-term unemployed people was getting smaller (women: 42.2%, men 57.8%) (Nagy, 2001).

The ratio of women in the rural population was lower, partly because of the higher number of those employed in tertiary branches, which reacted in a less sensitive way to the redundancies made necessary by the change of system, and partly because women in villages were more likely to be housewives, fewer of them got to the labour market than those of the same age-group in towns, so a much smaller number of them became registered unemployed (Bódi–Obádovics, 2000). In four years, however, the rate of unemployment of women in villages rose in reverse relationship with that of men as a result of the fact that it decreased at a smaller pace than the rate of unemployment of men (Table 6).

Table 5

*Distribution of the unemployed among towns and villages of different size and legal status (1994,1998)*

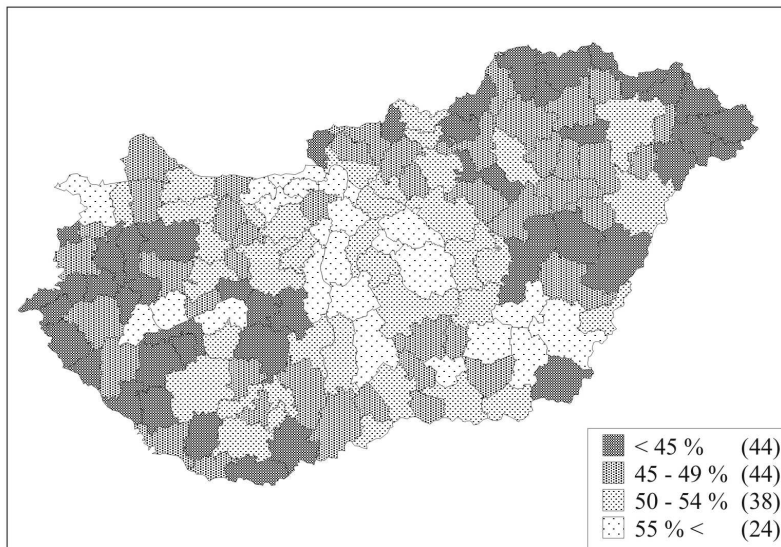
Unemployed people	Villages				total	Country towns without Budapest	Budapest	Country total
	under 500 inhabitants	with 500–999 inhabitants	with 1000–2999 inhabitants	with more than 2999 inhabitants				
1994								
Number (1000 people)	20,2	35,4	109,3	81,1	246,0	241,8	58,3	546,1
– Rate (%)	3,7	6,5	20,0	14,9	45,1	44,3	10,7	100,0
For 12–24 months	25,2	24,9	25,7	25,4	25,4	24,2		25,1
For more than 24 months	42,9	42,3	41,1	38,0	40,0	37,2		36,8
1998								
Number (1000 people)	16,5	27,3	82,0	60,1	185,8	186,4	34,2	406,4
– Rate (%)	4,1	6,7	20,2	14,8	45,7	45,9	8,4	100,0
For 12–24 months	21,9	20,7	22,2	21,4	21,7	20,9		21,0
For more than 24 months	11,6	9,2	10,6	11,1	10,7	11,9		11,1

Source: Bódi-Obádovics, 2000.

The distribution according to age showed the dominance of older age-groups. The most remarkable change was that the rate of the long-term unemployed who were younger than 19 years of age decreased considerably. As a result of the decrease in unemployment and the requirements of employers of the private sector, the rate of unemployment within this age group had become negligible by the year 2000. In the opinion of some experts, private companies prefer to employ beginners or those coming from the state sector rather than unemployed people. Another reason for the considerable decrease is that after 1995 those who could not find a job right after leaving school were not registered as unemployed. Since those belonging to younger age-groups are generally more active, take part in retraining courses in higher numbers and so it is easier for them to meet the expectations of the labour market, there was a decrease in the rate of the 20–29 year-olds, too (Csaba, 1999). Besides, with the rate of the middle-aged being almost the same, the rate of older age-groups, i.e. the rate of those over 40, rose from 40% to 48.6% (Figure 5).

Figure 5

*Proportion of women within the long-term unemployed (over 180 days)*



Source: T-STAR database, 2000, Hungarian Central Statistical Office.

There is no significant difference between the composition of age and types of villages and towns, which again underlines the more backward situation of rural areas since the rate of working-age people is lower in smaller villages. That is why belonging to the younger age-group does not reduce the danger of becoming unemployed in small villages (*Bódi–Obádovics, 2000*).

As far as *education* is concerned, a higher rate of those with a lower level of education was typical among long-term unemployed people. There was some increase in the rate of the uneducated, i.e. those with 8 classes of primary education only, or even less than that, though not a considerable one. Their total rate changed from 46,9% to 47,6% by 2000, and to 48,9% by 2001, and they continue making up nearly half of all long-term unemployed people. In spite of the fact that proportions hardly changed in the examined period, the number of the uneducated decreased considerably. The number of those long-term unemployed decreased by 32,294 such people who had not even finished their 8-form primary school studies, and by 130,875 people with only primary education. The reason for this is that a lot of mostly old long-term unemployed people had retired, or had become inactive. In rural areas most of the unemployed had a level of education lower than the national average. 42% of the unemployed living in villages had completed maximum 8 classes of primary school, 10,3% of them had not even completed their primary school studies. The two groups make up more than half of all unemployed villagers. There was a decrease in the rate of better-educated unemployed people in villages, too, but only to a smaller degree than in towns, which made the chances of unemployed villagers to find jobs on the labour market more unfavourable (*Table 7, Figure 6*).

The *mental situation* is based on empirical research. *Zoltán Józai* states that a considerable part of all unemployed think they are less useful and appreciated members of society whereas the other part does not seem to be affected by social-psychological harms. The latter group consists of women, country people and those having a low level of education, mostly those whose life is based on several pillars, and those around them do not look down on them just because they are jobless.

A further group is made up of those who irritate the population with their lifestyle, behind their apparent unemployment there is a considerable financial background, a high income, which they very often do not even conceal. Their number can be estimated on the basis of the number of those who reject community work. Among those willing to do community work the number of those on sick pay is higher than in the case of those with similar jobs. The reason for this is not only the worse health conditions of workers but also work morale and attitude to work (*Józai, 1998*).

In 1997 13% of all long-term unemployed people had never had a job, which raised a new kind of social problem and harmed the chances of successful employment.

Table 6

*Distribution of sexes among the unemployed according to the legal status and size of towns and villages (1994–1998)*

Sex of the unemployed	Villages				total	Country towns without Budapest	Country total	Rate of the unemployed living in villages compared to the national rate
	under 500 inhabitants	with 500–999 inhabitants	with 1000–2999 inhabitants	with more than 2999 inhabitants				
1994								
Women	37,1	37,8	38,9	40,6	39,2	41,9	41,5	42,7
Men	62,9	62,2	61,1	59,4	60,8	58,1	58,5	47,1
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	45,2
1998								
Women	38,9	40,5	41,5	44,0	42,0	46,6	45,2	42,6
Men	61,1	59,5	58,5	56,0	58,0	53,4	54,8	48,6
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	45,9
Decrease in the rate between 1994 and 1998 (1994 = 100%)								
Women	85,6	82,6	80,0	80,2	80,1	85,8	81,1	
Men	79,5	73,8	71,7	69,8	72,8	70,8	69,7	
Total	81,6	77,1	74,6	74,0	75,5	77,1	74,4	

Source: Bódi–Obádovics, 2000.



Table 7

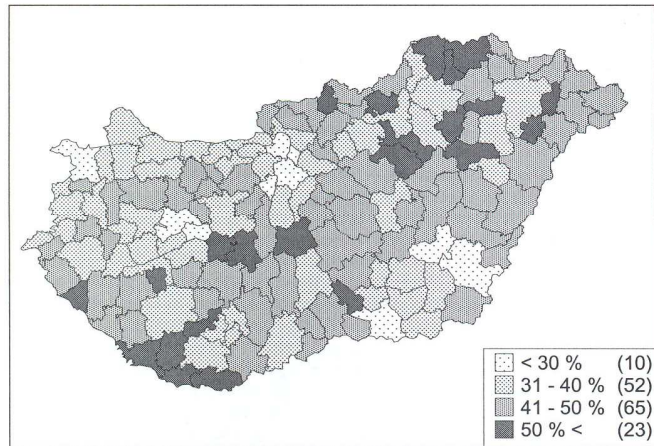
*Distribution of the unemployed according to the level of education in towns and villages with different legal status and size (1994, 1998)*

Education	Villages				total	Country towns without Budapest	Country total	Rate of the unemployed living in villages compared with the national rate
	under 500 inhabitants	with 500–999 inhabitants	with 1000–2999 inhabitants	with more than 2999 inhabitants				
1994								
Less than eight classes of primary education	13,7	11,5	10,2	9,0	10,3	6,5	7,8	59,4
Eight classes	45,3	42,0	42,0	41,1	41,9	31,1	35,9	52,9
Vocational schools	32,0	34,4	34,6	34,9	34,5	37,1	35,2	44,3
Secondary education	8,8	11,6	12,7	14,4	12,8	23,3	19,5	29,8
College, university	0,6	0,9	1,0	1,1	1,0	2,8	2,3	19,5
1998								
Less than eight classes of primary education	10,4	9,2	8,0	6,7	8,0	4,6	5,9	61,5
Eight classes	43,9	42,3	40,9	39,7	40,9	29,6	35,0	53,7
Vocational schools	34,7	35,0	36,0	36,2	35,8	37,5	36,0	45,6
Secondary education	10,1	12,6	14,1	16,2	14,2	25,1	20,6	31,6
College, university	0,9	0,9	1,1	1,3	1,1	3,3	2,5	20,6

Source: Bódi-Obádovics, 2000.

Figure 6

*Proportion of the unskilled within all registered unemployed*



Source: T-STAR database, 2000, Hungarian Central Statistical Office.

Source: T-STAR database, 2000, Hungarian Central Statistical Office.

### 2.3 Relationship between long-term unemployment and other regional characteristics

Unemployment has shown significant differences in various regions and types of villages.

- a) On one hand the so-called 'east-west slope' has developed. While the rate of unemployment in Budapest and in the western counties has always been far under the national average, it has always exceeded it in the eastern and north-eastern parts of the country.
- b) On the other hand, there are further significant differences in the rate of unemployment within counties and smaller districts. Among smaller regions differences may be as big as tenfold, (at the end of 1993 the difference between the rates of unemployment in Sopron having the most favourable situation and Encs, Nagyecséd, Gönc, the least favourable districts, was exactly tenfold). (Table 8.)

- c) Finally, the differences between the individual types of villages and towns are not negligible either. There is a high rate of unemployment especially in small villages and in those that are far from cities. This is partly the result of the dramatic decrease in agricultural labour force. Between 1990 and 1993 the number of those employed in agriculture decreased by 520,000, and this high degree of work force reduction in agriculture changed the situation of village people dramatically. On the other hand the labour supply had exceeded the demand of the local labour market earlier, so till the end of the 1980s more than one million people commuted between where they lived and where they worked. Such commuters were the first to lose their jobs and getting back to their village they added to the number of the unemployed (Laki, 1996). It was all the more difficult for commuters to find a new job because employers simply could not afford to cover their travel expenses. Therefore those living in villages are much more inflicted by unemployment than those living in towns (Tóth-Varga, 1994).

*The difference between the life conditions and chances of the population in big cities and in rural areas is growing continuously. The inhabitants of rural regions tend to fall behind increasingly and to a larger extent than the differentiation of the whole of the population. Of six ex-socialist countries (Poland, Bulgaria, Russia, Slovakia, The Czech Republic and Hungary), this hopeless situation seems to be the most insoluble in Hungary. In the opinion of Csité and Kovách, the 'backwardness of the country' is partly the result of political activities. After the change of system the political leaders did away with the farm-structure of agriculture in an extremely short period of time, which had not only economic-political reasons but it also dispersed the managements of co-operatives. However, while liquidating the co-operatives no actual alternatives were offered to replace them. The properties of the co-operatives were privatized in a controversial way, as a consequence of which the former losers of collectivization lost the major part of their property for good. Members of co-operatives that did not own any land, were left with no agricultural jobs. Since all central resources had been withdrawn from the economy, neither agriculture nor the local industry could employ the people living there. From the beginning of the 1990s smaller villages could hardly cope with the ever growing number of social tasks resulting from the increase in the rate of unemployment simply because they had not enough financial resources. Owing to the small number of inhabitants, the local personal income and trade contribution could not as much ensure their own financial resources as in big cities (Csité-Kovách, 1997).*

Table 8

*Micro-regions with the highest rate of unemployment*

Name of the micro-region	Number of inhabitants	Number of the unemployed	Number of those long-term unemployed	Rate of the long-term unemployed within the population	Rate of those long-term unemployed compared with all unemployed people	Number of villages with a rate of more than 10% of long-term unemployed people
<i>Sellyei</i>	13,312	1,492	883	6.6	59.2	13
Encsi	35,307	4,098	2,291	6.5	55.9	10
Vásárosnaményi	37,245	4,240	2,292	6.2	54.0	3
Szerencsi	63,217	6,640	3,809	6.0	57.4	4
<i>Edelényi</i>	35,702	3,646	1,889	5.3	51.8	6
Szikszói	19,885	1,982	1,005	5.1	50.7	1
Nagykállói	32,009	2,578	1,540	4.8	59.7	1
Polgári	14,497	1,236	695	4.8	56.2	–
<i>Tiszafüredi</i>	41,509	3,741	1,974	4.8	52.8	1
Sátoraljaújhelyi	43,353	3,860	1,994	4.6	51.7	5
Nyírbátori	44,587	3,828	2,045	4.6	53.4	2
Sárospataki	28,024	2,308	1,188	4.2	51.5	1
Salgótarjáni	68,124	5,331	2,846	4.2	53.4	–
<i>Szigetvári</i>	27,894	2,368	1,165	4.2	49.2	3
Baktalórántházi	23,614	2,215	983	4.2	44.4	–
Ózdi	75,276	6,353	3,101	4.1	48.8	–
Kazincbarcikai	64,649	5,433	2,660	4.1	48.9	1
<i>Mátészalkai</i>	66,477	5,190	2,709	4.1	5.2	–
Csengeri	14,135	1,201	561	4.0	46.7	–

*Note:* The micro-regions in bold italics are the sample regions of the research.  
*Source:* KSH TSTAR 1998.

*Regional differences in unemployment* are comparatively big and they have become bigger with the growing rate of unemployment, but they have been practically unchanged in recent years. As it turns out from Károly Fazekas's examinations, the regional differences of unemployment are not the result of short-term individual cases but strategical characteristics, long-term historical and cultural traditions and features of individual regions (Fazekas, 1997). Consequently the changes in the labour market at the beginning of the 1990s resulted in a more severe shock, especially where the original situation had been unfavourable. With the help of factor analysis, which is suitable to point out the factors of regional differences, the marked differences are attributed to four main factors by Károly Fazekas:

- degree of urbanization,
- degree of development of the tertiary sector,

- the distance of the regional centre from Budapest and the Austrian border,
- proportion of gypsy inhabitants (Éder, 1996).

Due to the effect of the above factors regarding unemployment figures the areas along the axis of Budapest and Vienna, the environs of big cities, environs of Lake Balaton and Budapest, and the southern part of the Great Hungarian Plain have favourable conditions. The opposite pole is the north-eastern part of the country and the middle and eastern parts of the Great Hungarian Plain. The extremely low rate of employment of the areas inflicted by crisis sectors of industry can be looked upon as exceptions. Typical regions struggling with the highest rate of unemployment, are the agricultural regions that had been pushed aside earlier, too, and that had weak infrastructure, not well-educated human resources, an underdeveloped trade and service sector (Fazekas, 1997).

*The regional division of long-term unemployment* is also influenced by the above mentioned regional factors. In the regions with long-term unemployment there is a definite lack of enterprise. The existing farming organizations, which have mostly emerged from former co-operatives, have a very low demand for labour force, a simplified structure of production and a very low level of exploitation of the means of production. They cannot even guarantee the continuous employment of their extremely low number of employees. In the case of the stagnation of production further, at some places as high as 20–30%, redundancy can be expected. Private farms, if there are any, are only able to employ a fraction of ‘free’ labour force (Tóth-Varga, 1994). For lack of important employers and other economic entities, local governments are often forced to economic activities.

In the most threatened regions there is an ever increasing difference between the demand and supply of labour force. There may be a demand for better trained labour force, but its quality is the lowest in these regions. Consequently labour shortage and long-term unemployment may be typical simultaneously. Erika Csabai thinks that the demand of the regional labour market plays an important part in unemployment becoming long-term. She is of the opinion that the question of whether there are any vacancies available in the village where the person made redundant lives or at least not far from it, affects long-term unemployment much more than personal characteristics (Csaba, 1999).

In the most critical areas more than half of all registered unemployed have not found a job for at least half a year. Most long-term unemployed people live in the North-Hungarian region, which is the most severely inflicted by unemployment. Their rate of unemployment exceeded the annual average of 54% in 1997. (Borsod-Abaúj-Zemplén, Heves and Nógrád counties). Győr-Moson-Sopron, Vas and Zala counties in Transdanubia and Bács-Kiskun, Csongrád and Békés counties on the Great Hungarian Plain are in the most favourable situation. Compared with the number of the population the most (4% and above) long-term unemployed people live in the following micro-regions.

### **3 Foreign methods and experience in alleviating long-term unemployment**

#### **3.1 Typical models**

In the course of the recession following the first and the second oil crisis, unemployment practically trebled in industrial countries, what is more in some countries, (Belgium, Spain), it became six times and nine times as high as it had been (OECD, 1992). At the same time extremely big regional differences became typical within individual countries, as well, and the attempts to solve the problem of unemployment by traditional centralized therapies, i.e. by different social security benefits or unemployment benefits, by decisions made centrally (from top to bottom), and by co-ordinational mechanisms remained ineffective. As the system of unemployment and social benefits could not prevent families and communities affected by unemployment from sinking into poverty neither from the depression of the whole local society, the demand for the replacement of the passive way of granting benefits by active methods of support, i.e. for local labour market management techniques and programmes of development of local economy became increasingly strong.

Governments of highly developed market economies, local governments in the affected regions, organizations of safeguard, companies and other social and economic institutions reacted to the changes comparatively quickly and the models for the main initiatives for managing regional employment crisis focusing on job creation beyond the main stream of the labour market were formed in a very short period of time and accepted and exercised more and more widely. Local employment initiatives built up from bottom upwards are different from the way profit-oriented companies try to help and also from traditional active means of labour market. Their basic characteristic feature, the active means of labour-market become more and more significant, the importance of the subventions aiming at the increase in the demand for labour force decreases, however, labour market training becomes more important and the programmes supporting the increase in the enterprise capacity of the area get bigger preference. They are development programmes that usually but not exclusively aim at personal services and activities that are useful for individual smaller communities, i.e. the organization of jobs that could not be created without special employment support. They are important means and media of social cohesive forces, partly because they ensure job opportunity for groups of the labour market at a disadvantage, especially for those long-term unemployed. On the other hand the created jobs are socially useful, for example because they provide low-cost services for those having had financial background and for dependants and they also help to develop new markets often on a local level and in small

proportions. They mostly are of a self-supporting nature. The programmes may be especially successful in developing new products and services, first of all in encouraging the growth of oecological markets. Since it is only after a comparatively long period of time that these projects become financially viable, the state sector has to take financial part in granting subsidies necessary for the start and also has to help to set up the organization and develop work structure (Frey, 2001).

Various categories are set up according to how severe the danger of unemployment is and how necessary programmes of employment development are. On this basis there are four categories, the first one being developed agricultural regions, which are very often far from economic and political centres and from which skilled labour force migrates to other regions. The second category includes town agglomerations with a diversified economic structure; the third one includes regions with an overwhelming proportion of crisis sectors and with a one-sided economic structure. The fourth category includes regions with mixed economy, where both industrial and agricultural activities are present. As a general principle it can be stated that the programme to be formed has to adjust to the characteristic features of the region and to the nature of the problems that have to be solved (Fazekas, 1993).

The declared purpose of these programmes is to reach the groups at the periphery of society, the groups that are in danger of being excluded from the world of work ultimately, they have to help them to return to society, in which the primary task is to improve both their chances of employment and their overall situation. In this sense these initiatives may mean the first and the most important step, i.e. they try to make them suitable for getting steady jobs later. All this makes comprehensive, concerted activities consisting of several elements (employment, training, social support, mental care, access to information, counselling) necessary. The operators are the already 'existing' participants of the labour markets, first of all non-profit organizations. Their services and products involved in the projects will be sold on the market, from which they have their own income. Besides their economic activities they have important social functions, which profit-oriented companies cannot be expected to aim at and this is what makes subsidies necessary for a certain period of time, generally in the beginning.

Through the support of the European Social Fund these initiatives exist in all of the member states, and owing to the Phare support they have appeared in the European ex-socialist countries, too. However, the part they play in the labour market is still negligible.

The European countries have reacted to these challenges in three basically different ways. These reactions have been influenced by the specific problems and local conditions of the given country (group of countries).

a) In Great Britain the development of market forces had priority, as a consequence of which the expenses of both active and passive supports have decreased. Within the active means the less costly programmes inciting people to look for jobs – have gained importance, whereas supports trying to increase employment have practically ceased. To solve the problem of long-term unemployment this model supports three kinds of initiatives:

- bridging support, which enables the unemployed to be trained and gain work experience at the same time
- support for community enterprises, which are expected to become self-supporting after a certain period of time
- supporting young unemployed people so that they may become entrepreneurs (benefits, loan, counselling)

b) In Germany the system of job-creating measures, which relies mostly on public funds and is basically an independent sector (socio-oecological sector), is called *second labour market*. As regards the different rates of unemployment in the eastern and western parts of the country, the programmes launched in these two areas show significant discrepancies. In the western part of the country the attempts to make those long-term unemployed or those who find it extremely difficult to find a job return to the labour market are more typical, whereas the high number of employment enterprises in the eastern part of the country is the result of the total collapse of the economy, i.e. the groups the latter initiatives try to aim at are more highly-educated, more motivated and younger than in the former case. Employment projects have three purposes:

- setting up companies, which may become self-supporting in a certain period of time,
- bridge-role with the purpose of training and stabilizing the unemployed socially and psychologically through community work, which is the first step to enable them to return to the market sector by sending them to vacancies,
- creating protected jobs to employ people who are not capable of joining the labour market, neither temporarily nor regularly.

c) France has made the biggest progress in applying the model aiming at a significant increase in the rate of employment by organizing the services provided for households and individuals to a market, which has been called ‘social economy’ since the White Book of the EU. The measures taken with the purpose to develop the service sector have been applied for more than a decade in the country. An estimated number of several hundred thousand full-time jobs can be created in these areas. Taking advantage of these opportunities depends on three factors, on the availability of actual payments, organization of supply and the level of the services (professionalization of trades).



The first and the most important condition is that services should be affordable for households, which depends on supports granted to reduce their prices. (Price reduction creates jobs, which justifies supports economically.) Such supports can be: tax-allowances, company contribution to the personal services of employees, reduction of expenditure on wages, supported job contracts.

The demand for services greatly depends on the choice of services, i.e. on the scope of supply. This can be developed by: introducing financially supported organizational forms and tax-allowances.

And in order to increase the level of services: quality trademarks have been introduced, the process of professionalization was accelerated by developing and supporting vocational training.

### 3.2 Typical techniques

While trying to solve employment problems the efforts to increase the enterprise capacity of the region have always had priority. Whereas the basic aim of local governments was to attract profitable companies to the region and in this way increase the local tax-paying potential, since the 1980s financial support of existing enterprises and safe employment have become more important (*Bennett-Krebs, 1989*). This statement is first of all valid for the countries of the EU, but certain signs of it can also be felt in Hungary already, mainly in the economically more developed areas.

In the field of enterprise development revitalisation programmes based on the characteristics of the area have become increasingly important. There is a special emphasis on the following:

- a) operating the management of the local labour market;
- b) strengthening the market of local products, community marketing;
- c) strengthening the local capital market;
- d) developing an innovative technological environment (conditions for technological parks, innovation centres, incubator houses and work from home);
- e) development of co-operatives;
- f) organization of mutual aid societies and community enterprises.

*The management of the local labour market (Campbell, 1995)* is aimed at achieving harmony between local employers, local labour and local economy while keeping their interests in view. It examines the innovation and diversification opportunities of employers, their labour force demand, and the ways of how to satisfy it, in the hope of being able to create new jobs for one or several local inhabitants and preserve the old ones. With full knowledge of the explored correlations the efficient labour-market management focuses first of all on mobilization, network

development and information of those involved in the labour market and connecting the supply and demand side the market, e.g. local labour market observers, training institutions, universities, development agencies, local governments, employment and enterprise advisors, managers of employment projects, local communities and their leaders, trade unions.

In regions with severe unemployment, strategies focus on developing labour-intensive economic sectors and encouraging the ‘hard core’ of the unemployed to join in. The four basic methods of employment-centered development of local economy are the following:

- 1) preparation of labour force for the vacancies offered by employers;
- 2) widening market opportunities for products or services that add to the number of vacancies;
- 3) trying to find socially useful, (even if only seasonal) jobs;
- 4) organizing and sending unemployed people to vacancies (training and retraining are just one of possible methods, and employment problems cannot be solved by mere training).

In the countries of the European Union the following innovative solutions have become widespread (*Campbell, 1995*):

- *Agreements between partners*: schools, universities, training institutions and employers reach an agreement in order to connect education and training and employment in a direct way. Training courses are designed with employers involved and the other way round, employers are willing to employ a certain number or all of the participants of training courses. In this case the demands of employers and the skills of potential employees will meet.
- *Training courses geared to those involved*: training courses which prepare members of socially disadvantaged groups for jobs provided by a certain employer.
- Setting up ‘*Training Help Points*’ in order to increase the range and accessibility of information about existing educational and training opportunities. They usually aim at a special group of people or region, since those at a disadvantage on the labour market do not usually have sufficient information, either.
- *Safeguarding of interests*: the value of local workforce can be increased by introducing qualifications indicating the skills and abilities of participants of the labour market and by having these qualifications accepted as well as by developing a local system a references. In the interest of employees employers should be encouraged, if possible compelled, to avoid any discrimination according to sex, ethnic or age in their methods of selecting new labour force and to pay acceptable wages.

- Organizing *public services* may also help the participants of the labour market who are both geographically and socially at a disadvantage when trying to overcome the obstacles others than those in connection with skills and abilities. E.g. setting up day nurseries and kindergartens with reasonable opening hours for their children.
- *Return strategies* aim at employing those again who disappeared from the labour market for a while, and are at a disadvantage in some way. Such a strategy can be studying besides a part-time job in order to develop a commitment, refresh abilities and prepare for a job.
- A typical way of *direct creation of jobs* is employing those with unfavourable social background in local public institutions, where they do some kind of community work to satisfy local demands (e.g. protection and improvement of the environment, public utilities, construction work, maintenance of buildings, security service or looking after old people). The same jobs can be done in the form community enterprises, too.
- *Encouraging self-employment* by counselling, providing professional aid for a longer period of time. It is a wide-spread method for young people.
- 'Non-market' methods of *local exchange and trade* are used when there is a direct exchange of services, 'vouchers' between the members of the community, which makes it possible to have jobs that are done in the interest of the community and in order to satisfy its needs acknowledged.

*Strengthening the local market* is one of the basic strategies of self-development. Improvement of the chances to enter the market has three aspects: improving external sales, strengthening local services and organizing non-market economic activities into a system. The key to the establishment of the local market is diversification. It does not aim to serve small local economic entities, as it did in the past, but helps the village to adjust to systems of bigger areas. On one hand strong local market is a precondition of the growth of the resources of those entering the market. On the other hand it also contributes to their resources. One of the most important criterions of the local market is that the owners of the resources, (labour force, land and capital) should mostly be local people (Miklóssy, 1999).

A special means of strengthening the local market is *community marketing*, when institutions of the public sector (state, local government) play a part in it.

A special, innovative way of the improvement of the degree of *capital supply* is the solution that 'loan circles' provide. This alternative model offers the following possibilities:

- Access to credit for those who have their own business ideas, but cannot meet the requirements necessary for raising a loan from traditional credit institutions;

- Intensive training in order to acquire the knowledge of how to set up and operate micro-enterprises;
- Development of a network providing social and professional support.

The idea of the *incubator houses of entrepreneurs* appeared at the beginning of the 1980s. The aim of the institution of the incubator house is to increase the chances of the new enterprise and help its development in the beginning (to reduce the danger of winding up the enterprise, its vulnerability and to increase its profitability). In the incubator house of entrepreneurs there are premises, supports and services, which are adjusted to the special needs of newly-founded companies.

The functions of incubator houses are as follows:

- Supply of real estates – changeable, enlargeable premises for a limited period of time at a lower price than that of the free market;
- Shared services – commonly used equipment and services mainly in the case of office work (secretary's office, telex, conference hall, etc.)
- Counselling entrepreneurs – in the fields of control, marketing, accountancy, research and technological transfer, privileged links to the academic environment.
- Exchange between the entrepreneurs, integration into the professional network, technical and moral support of the management. The incubator house reduces the isolation of the management in the fragile period of the life of the enterprise, strengthens the soundness of the new enterprise. Access to information and other services is of the utmost importance.

The idea of *co-operatives* is not a new one at all, although it is looked upon as one of the innovations. 'By co-operatives we mean an association in which several economic entities conduct some kind of transaction or have it conducted in one common plant while the economic entities preserve their independence' (Márton-Szeremley, 1995).

Co-operatives can be distinguished from companies, e.g. joint stock companies on the basis of three principles:

- One member – one vote, i.e. the right to take part in decisions does not depend on the financial share
- The aim is to reach the highest possible purchase price rather than to increase the profits of the company.
- The accumulated gains are turned back into production

The revival of co-operatives reached its peak in regional development in the 1990s.

On the basis of foreign examples it is easy to see who those participating in the efforts to find solutions for employment problems are, and to confirm the fact that

a solution can only be the result of co-operation of those involved and division of labour. Partners co-operating to alleviate long-term unemployment are:

- a) the unemployed themselves and their families,
- b) central government and its institutions,
- c) organizations for safeguarding interests,
- d) local governments,
- e) local entrepreneurs,
- f) training institutions,
- g) civil organizations.

### **3.3 Employment objectives of the European Union**

The main issues of the policy to increase employment in the European Union were determined in Luxembourg in 1997. The objectives of the year 2000 are as follows: (Nagy, 2001).

I Employability – a new, active labour force policy to prevent unemployment, long-term unemployment and discrimination.

- preventing the long-term unemployment of young people,
- preventing the long-term unemployment of adults,
- supervising the system of benefits and taxes, stimulating people to look for jobs, encouraging an active old age,
- stimulating social partners to sign employability agreements,
- ensuring conditions for life-long learning, especially information technology and encouraging the participation of elderly employees,
- improvement of the school system in order to decrease the number of young people dropping out,
- development of the qualifications of young people,
- active policies to support handicapped people, ethnic minorities and other groups in unfavourable situation.

II Enterprise – a new employment policy to create jobs, especially in the field of services and to exploit the job-creating effect of information society.

- a considerable reduction of maintenance costs and the amount of paper work,
- encouraging self-employment and enterprise,
- exploiting local employment opportunities, the role of social partners,
- benefiting from the job opportunities in the service sector, information society and in the environment sector,
- decreasing general taxes and non-wage like costs of labour force,
- examining the decrease in the rate of the General Turnover Tax.

III Adaptability – a new policy at work to stimulate social partners to modernize work structure and to develop human resources.

- agreements of social partners on the modernization of work structure,
- more flexible job contracts according to the various employment forms,
- supervision of tax-like obstacles in order to refresh professional knowledge within the enterprise.

IV Equal opportunities – a new policy to make the harmony between family life and life at work possible and to apply the principle of equal opportunity in all measures of employment policy:

- enforcement of the principle of equal opportunity in policies,
- balance between the unemployment rates of men and women, enforcement of the principle of equal wages for both sexes,
- initiating family-friendly measures and services,
- making the return to the labour market easier.

The above mentioned objectives can be found as recommendations in national employment policies and the programmes of the European Union. Supplementary programmes of the Union are: European Social Fundm, EQUAL – community initiative.

## **4 Hungarian experience in alleviating long-term unemployment**

### **4.1 Individual strategies of long-term unemployed people**

The fact that long-term unemployed people are usually socially disadvantaged, too means a real obstacle for them to be able to change their situation on their own. Lack of qualifications goes with social, mental and health problems. Meanwhile, employees' habits, attitudes and the unconscious restraint on their performance in past decades make it rather difficult to make positive changes in their situation and to handle the phenomenon on a national level (*Mátyási et al. 1991*).

In recent years more long-term unemployed people living in the country have chosen the above-mentioned individual strategy and have earned the necessary income in agricultural small-scale production. The research financed by the National Employment Fund in 1993 involved 449 people who had been trying to find a solution by becoming agricultural smallholders and by joining farmer's unions. The results of the research show that most agricultural small enterprises have taken the first steps only and can only be regarded as a kind of enterprise that were set up under the pressure of circumstances. In the mid-1990s the only thing that could be

registered was that most of those affected were forced to follow the strategy of having several steady sources of income, i.e. completing their income from their agricultural small enterprise with other sources. So, at best, it is some agricultural part-time job that they have as a second job, otherwise it is a supplementary agricultural activity besides a pension, unemployment benefit, social benefit, etc. The capital, equipment, markets and their share of the market etc. of the examined small enterprises lag far behind the level determined by international trends and competitiveness (Laki, 1996). By the mid-1990s conditions (accessibility of capital, economic risk, markets) had changed to such an extent that it became obvious: small-scale production cannot solve the problems caused by unemployment.

Both the strongly limited number of vacancies in the country and the inappropriate level of education and vocational training pose an obstacle to successful employment. The individual strategy to overcome this obstacle may mean participation in some form of training and conscious self-management. The motivation to take part in training courses is extremely low.

Because the two most obvious strategies of restart has proved to be impracticable for some (objective or subjective) reasons, two typical layers have appeared among those long-term unemployed:

- 1 A group has appeared that has been pushed to the periphery of society on all levels. The complete lack of opportunities makes it impossible for them to take part in the division of labour offered by market economy in any way. Their *situation 'under society'* is reproduced again and again because with no qualifications their children will follow in their footsteps. Most of them are gypsies, which makes finding a solution all the more difficult. Traditional methods are by no means to the purpose so 'rural underclass' has become one of the major social problems of the turn of the millennium (Csíte-Kovács, 1997).
- 2 The other group is a bit more successful but all they can achieve is survival. They develop a way of living which makes it generally acceptable that they do not intend to undertake a steady job, just some casual ones, they prefer to work in household farming or reorganize the division of labour in the family. They are careful to be able to certify employment long enough to entitle them to renewed unemployment benefit. However, this layer is active after all, they have preserved their ability to work. They will undertake steady jobs again, if the local supply of vacancies broadens and if they can earn a payment that is higher than the social benefits they are otherwise entitled to (Nagy, 2001).

It is just a smaller group, the third one, that is able to have steady employment again, and the members of an even smaller group may become entrepreneurs. The most socially disadvantaged layer is represented by families where there are neither

active breadwinners, nor pensioners, their members are either unemployed, or on child-care leave or dependents.

The results of the survey carried out among the *participants of the social land programme* reinforce the above facts. Most of those asked would *first of all* like to work somewhere on a regular basis or they rely on social benefits. The members of a minor part of this group do not know what they will do, childbirth or retraining seem to be temporary solutions for them. Farming on the field of their own does not seem to be an attractive and/or realistic opportunity. A high proportion of gypsy beneficiaries wish to have a proper job, they count on social benefits, insecurity is not typical among them, but some of them are preparing for setting up an enterprise or they intend to have some more children. Social benefits, day-wage and retraining opportunities come *second* in the order of importance. Regular employment does not seem to be a realistic opportunity any more, but undertaking an enterprise under pressure as a possibility is regarded as more feasible. Insecurity is bigger in this case. Those in charge of the social land programme, which aims at encouraging people to work in agriculture, may draw a lesson from the fact that beneficiaries do not want to do farming on their own piece of land, not even in the second (or third) place, although one fourth of the whole sample have got their own suitable arable land. The gypsy people interviewed are more unwilling to take part in a retraining course they prefer/they feel more compelled to work for day-wage than those who are not of gypsy origin. If asked about what would happen in the third place, almost the whole sample becomes quite uncertain saying 'we shall manage somehow'. Going on with innovation dimensions it is important to underline that the higher the number of those living in one household, the higher the proportion of the answers 'we shall manage somehow'. The idea of enterprise, retraining or day-wage is brought up vaguely, but after two 'unsuccessful' attempts their typical attitude to life is hopelessness. In this third phase there are no differences within the sample, neither territorial nor ethnic differences, almost everybody represents the point of view of 'we shall manage somehow'.

## 4.2 Government programmes

Since the 1991 enforcement of the act of employment and provision of the unemployed, the individual elements of the system, the registration system and provision of the unemployed, the information system and operation of job centres as well as the so-called active means of employment policy to prevent unemployment and help the jobless to find a job again have become everyday routine. And it is so in spite of the fact that in the past ten years almost all elements of the system have undergone radical changes. Besides the natural ambition to handle the anomalies and problems arising during the operation of the system, these changes, from the



points of view of budget and financing, have mostly caused an increased relative shortage of resources of employment policy. Consequently, instead of the optimization of the operation of the system, it was the distribution of the resources and the ambition to exhaust them as fully as possible and to solve the most urgent problems that played the most important part.

The policy of the government and the activity of employment offices focus on applying traditional means even today in spite of the increasing number (though still a low proportion) of complex labour market programmes, which aim at smaller groups, improve chances of employment even on the long run in a more appropriate way, but are more time-consuming and costly. This can be seen in the objectives of the Labour Funds and the programmes of the National Employment Fund (OFA) and in the exploitation of their resources.

#### **4.2.1 Labour Market Fund**

By concentrating and administering financial resources of unemployment and vocational training uniformly, the Labour Market Fund (MPA) finances unemployment benefits, adaptability of labour force, the social security of employees of economic entities under liquidation, development of vocational training and employment of people with reduced working capacity and ensures financial conditions for the operation of the labour market organization.

Before the Labour Market Fund (MPA), from 1991 to 1995, the present allocations worked as an independent Fund. Until 1995 the Fund and then Allocations did not essentially change as far as their objectives and function are concerned, only certain tasks expanded.

As for the operation of the Labour Market Funds, it has *got two well distinguishable functions*. One of them is *provision* and the other one is *support*. Those applying for support have to do so by on the basis of the legal measures relating to it, and it is paid from the Solidarity Allocation. The sums paid from the Employment, Vocational Training, Rehabilitation and Wage Guarantee Allocations are qualified as support.

The *incomes* of the Labour Market Fund are made up of employers' contributions, other incomes, rehabilitation supports, repayments, contributions to vocational training, paying off loans for vocational training and sums from privatization.

Between 1996 and 1998 67.5% of the incomes of the Labour Market Fund came from employers' contribution and 22.2% from employers' contribution. The two kinds of contribution made up 90% of all incomes. 5.3% of the income of the Labour Market funds came from vocational training contribution. In 1996 the receipts from the budget subsidy and the privatisation income were equivalent with the

estimated incomes of the Fund. In the same year the income from privatization was 7.2%. Between 1996 and 1998 the receipts from other incomes were 1.4%. Nearly half of other incomes increased the employment allocation. The majority of other incomes came from the violation of agreements, volunteer payments and other kinds of incomes. The most important source of income was the repayment of supports paid for job creating investments earlier.

0.7% of the receipts of the Fund resulted from the rehabilitation contribution and the repayment of rehabilitation supports. In 1998 there was an increase in both the per capita sum of the quota-type obligations and the number of those obliged to pay a contribution. The employer is obliged to pay a rehabilitation contribution to help the employment rehabilitation of those with a reduced working capacity, if the number of his employees is more than 20, and the number of those with a reduced working capacity employed by him makes out less than 5%.

The *expenses* of the Labour Market Fund are included by the individual allocations on the basis of the same legal title of expenditure as follows:

- Employment Allocation – active employment support;
- Vocational Training Allocation – support and development of vocational training;
- Solidarity Allocation – unemployment benefit;
- Supplementary Unemployment Benefit Allocation – contribution to supplementary unemployment benefits, social benefits, and employment of those entitled to them;
- Wage Guarantee Allocation – meeting the wage obligations of economic entities under liquidation towards employees;
- Rehabilitation Allocation – contribution to the employment of people with reduced working capacity;
- Operation Allocation – operating and developing the National Organization of Labour and the Trustee of the Fund.

The *employment allocation* is of utmost importance from the point of view of alleviating long-term unemployment. It is used for helping employment, preventing unemployment and handling the situation of socially disadvantaged people. Between 1995 and 1998 it had 24.5% of the Labour Market Fund, which meant 64,078.4 million Ft. The bigger proportion of the allocation (80%) is distributed between counties and the capital. The counties with a disadvantageous labour market get more financial resources for distribution for the purpose of supporting training, unemployed people becoming entrepreneurs, widening the range of employment: wage subsidy, community work, job creation, maintenance of jobs, taking over contributions in connection with employment, employment of young unemployed people.

Within the Labour Market Fund, from the employment allocation in 1996 15,081.8 million Ft and in 1998 26,163.1 million Ft were spent on financing active employment on both central and decentralized expenditure. Within the employment allocation sums spent on decentralized expenditure were distributed between counties and the capital as follows: between 1995 and 1998 Borsod-Abaúj-Zemplén county got 14.9%, Szabolcs-Szatmár-Bereg county 9.5% and Hajdú-bihar county 6.6% whereas Vas, Zala, Győr-Moson-Sopron were granted only 1.8; 2.3; and 2.4% from the employment fund.

Of all supports granted by the employment allocation between 1994 and 1998 the amounts paid for community work were the biggest, 35.7% compared to all other supports, while 26.4% were spent on training, 16.4% for other purposes, 12.8% on wage subsidy and the least sum, 8.6% was spent on creating new jobs.

The financial aid for community work can be granted to local governments and non-profit organizations which send unemployed people to carry out community work. The employment office can reimburse maximum 70-90% of their direct expenses resulting from employment on the basis of contractual agreements and subsequent monthly accounts. The financial assistance paid for community work has the greatest share from the Labour Market Fund, i.e. 35.7%, which was continuously increasing from 1994 to 1998. In 1995 the scope of traditional community work was widened by its special forms done by those entitled to supplementary unemployment benefits. In 1996 employment offices spent 2568.8 million Ft on the community work done by those entitled to supplementary unemployment benefits. In the same year 85.4 thousand people entitled to supplementary unemployment benefit participated in community work. In 1998 8694.4 million Ft was distributed from the decentralized employment allocation by employment offices. In the same year 116.1 thousand people took part in community work, (3.8 thousand of them at the beginning of their career). The most backward counties, i.e. Borsod-Abaúj-Zemplén county had a share of 16.3%, Szabolcs-Szatmár-Bereg county 10.7% and Budapest 8.2% of all financial assistance spent on community work. The least amount was granted to Vas, Tolna and Győr-Moson-Sopron counties.

*Financing the training of employees* is one of the most important elements of active employment policy both in the counties and in the capital. The state subsidizes vocational training and retraining and refresher courses in different forms. In 1996 3208.0 million Ft was spent on labour market training by employment offices. In the same year 66.8 thousand people took part in this kind of training. In 1998 the biggest amount and proportion was spent again on labour-market training (735.6 million Ft). The number of people involved in this training in 1998 was 81.7 thousand, with 2.1 thousand people in the central training programme, and 24.4 thousand at the beginning of their career. Between 1994 and 1998 the financial assistance spent on training was 26.4% of all employment allocation. Between 1994 and 1998 the majority of all supports spent on training young people were

granted (with the exception of Budapest and Pest county) to the more backward counties, (e.g. Borsod-Abaúj-Zemplén county 8.6%, Hajdú-Bihar county 6.8% and Jász-Nagykun-Szolnok county 5.9%).

*Financial aid provided for covering wages* can be applied for by employers that submit their applications to the local employment office and in return of the financial aid are willing to employ unemployed people who have been registered for at least six months as well as lengthen their employment for at least the same period of time after the termination of rendering aid. Rendering financial aid to unemployed young career starters registered for at least three months with the purpose of enabling them to acquire work experience is one of the different kinds of financial aid granted for covering the expenses on wages. In 1996 1808.8 million Ft was spent on employment of those long-term unemployed and on wages, with 29.7 thousand beneficiaries. In 1998 1832.6 million Ft was spent on wages, 2266.8 million Ft on creating opportunity to acquire work experience with 49.6 thousand beneficiaries of the employment aid, 23.3 thousand of which were career-starters, (20.1 thousand took part in acquiring work experience). Between 1994 and 1998 the aid spent on wages was 12.8% compared with the aids granted by the employment allocation. The most aids spent on wages were granted to underdeveloped counties struggling with employment problems, such as Szabolcs-Szatmár-Bereg county (10.9%), Borsod-Abaúj-Zemplén county (10.7%), Békés county (7.0%). The least proportion was used up by Baranya and Somogy counties.

*Providing financial aid for creating jobs* was possible until 2000 in the case of regions with an especially low rate of employment to help long-term unemployed layers to find jobs. The regions could apply for this kind of financial aid to employment offices by competition. After it, with the exception of development aids granted from the rehabilitation allocation, support decisions were centralized. The financial aid spent on creating jobs makes up the least, 8.6% (7922.2 million Ft) of all aids provided by the employment allocation. In 1996 employment offices used up 832.1 million Ft from the decentralized funds for creating jobs. In 1998 this sum was 32,508.8 million Ft, 1552.6 million Ft of which was spent on traditional job creation, which, together with the 128.3 million Ft job-creating investment financed by regional development made up a total of 1680.6 million Ft. The financial aid granted to encourage self-employment was 8.9 million Ft. In 1998 more than 3,000 new jobs were created and financed from the decentralized allocation. The financial aid provided for job creation was the highest in Borsod-Abaúj-Zemplén county, 20.2%, in Szabolcs-Szatmár-Bereg county, 10.6%, and in Bács-Kiskun it was 7.5%. The least financial aid was granted to Budapest, 0.5%, Vas county 1.0% and Zala county 1.1%.

*The financial aids provided for other purposes* are rather compound. First of all, the Labour Market Fund contributes to preparing employers and employees for the EU, but it also includes the financial aids provided from the employment allocation

which cannot be placed with any other resources. Financial aids granted for the purpose of encouraging self-employment, preserving jobs, expenses of taking over contributions, supporting non-profit organizations and financing collective redundancies have also been ranked here. Between 1994 and 1998 the financial aids rendered for the purposes was 16.4% of all aids financed from the employment allocation. Borsod-Abaúj-Zemplén county received 21.5%, Budapest 10.0%, Szabolcs-Szatmár-Bereg county 8.5%. Vas and Győr-Moson-Sopron counties received the least.

The amount of all financial aids was continuously growing between 1995 and 1998. The distribution of the employment allocation among countries happens with the help of an allocation model having several factors, but basically in the proportion of registered unemployed people. Taking the financial aids received by the counties into consideration, Budapest (11.5%) and Borsod-Abaúj-Zemplén county (10.4%) received the highest financial aid, i.e. 23,850.9 million and 21,478.2 million Ft. The lowest financial aid was granted to Vas (2.3%) and Nógrád (3.0%) counties.

#### **4.2.2 Programmes of the National Employment Public Fund (OFA)**

The National Employment Public Fund (OFA), as a public fund of the government plays an important part in the system of institutions aiming at alleviating unemployment and extending employment. During eight years of its operation OFA has improved the situation of almost 160,000 people, has received 4,500 applications, has signed about 1,900 contracts and has granted 6.9 billion Ft financial aid.

The most typical *principles* and *areas* of the activity and the *support policy* of the National Employment Fund (OFA) are as follows:

- experimental introduction and application of new means of active employment in backward regions and layers,
- active participation in establishing the so-called second labour market, which is outside the main stream of the labour market,
- strengthening partner relationships and co-operation between the local representatives of employment policy, (local governments, civil, economic and labour organizations),
- contributing to the establishment of complex sponsoring and service systems and networks,
- co-ordinating resources in financing programmes, consistent application of joint finance aspects.

*The division of applications according to the types of towns and villages* has changed compared with previous years. The dominance of the capital has decreased slightly, there has been an increase in the number of successful applica-

tions submitted by county towns, but most successful applications for financial aids still come from the capital city. It was in 1999 that small villages were taken first of all applicants in local and regional programmes in the history of the OFA, and while more than half of all applications came from the capital, it was 24% of all those granted financial aid. The last in the order of the different types of towns and villages receiving financial aids are county towns.

*The division of supported programmes according to target groups* shows that in labour market services (first of all FIT and Programmes of the Forum of Career Choice) the number of students is domineering. The number of unemployed career starters have exceeded 10,000 in alternative programmes alone. The 1,840 unemployed people employed with the help of the NEF (OFA) consists of mostly career starters, however, the number of socially disadvantaged young people and that of gypsies is also considerable. In 1999 altogether 30,534 people took part in financially aided projects. The number of long-term unemployed people increased considerably, so did the number of gypsies among them. At the same time the proportion of unemployed career starters and of those having reduced working capacity increased, too compared with previous years.

Applicants are very different *according to the type of organizations*, too, however, non-profit organizations became dominant after 1998. Funds, social organizations, non-profit companies, churches and denominations represented 66%, organizations financed by state budget resources made up 24% (typically as implementers of programmes of the forum of career choice and research programmes). In 1999 30% of those receiving financial aids were associations, 18% were funds, 4% non-profit companies. 10% of participants of the market were limited companies, 5% sole traders, 4% co-operatives and 3% were partnerships. (Table 9.)

*The rate of participation of counties and the capital* reflects the average of the previous years both as far as the number of submitted applications and the rate of successful applications are concerned. After the capital city the most applications arrived from Hajdú-Bihar county. Csongrád, Baranya and Zala counties were the most successful, because almost 50% of the applications from these counties received some kind of financial aid. From this point of view Szabolcs-Szatmár-Bereg county has managed to strengthen its position, while Hajdú-Bihar and Borsod-Abaúj-Zemplén counties had only 30–33% again. Regarding the submitted applications, after the capital, Szabolcs-Szatmár-Bereg, Borsod-Abaúj-Zemplén and Hajdú-Bihar counties got forward (more than 60 projects arrived from all the three counties). In 1999 34% of 708 applications received a financial aid, which is the same as the average of the previous years. The first on the list of successful counties is Zala (50%), the second is Veszprém (45%) and Baranya is the third (41%).

Since its foundation, the NEF (OFA) has regarded the competitions advertised for the non-state organizations of the labour market as a part of its support programmes.

Table 9

*Sums spent on NEF (OFA) programmes in 1998–1999*

Serial number	Support programme	Sum of the support (Ft)	
		1998	1999
1	The support programme of Social Partners SZP-99	199,964,536	99,950,000
2	Restart programme UK-99	95,606,109	80,000,000
3	Support for professional meetings and publications for the non-state organizations of the labour market NP-K	24,898,000	19,468,000
4	Support for local governments of villages inflicted by flood and inland waters ÁV-99		89,916,074
5	Job seeking R-99	104,000,000	103,500,000
6	Complex programme for work from home TM-99		28,000,000
7	Support for programmes of developing local economy and local entrepreneurial initiatives GF-99		103,824,000
8	'I work again' programme UD-99	79,446,000	109,999,000
9	Mass redundancy TL-99		98,744,891
10	Research into labour K-99	58,056,000	56,746,932
11	Support for community and non-profit enterprises, personal, (social) services NP-SZ		75,265,000
12	Transit-employment programmes of organizations carrying out non-profit activities NP-T	250,000,000	234,515,000
13	Alternative labour market service programme for non-state organizations of the labour market NP-A	65,131,000	71,607,000
14	Programme for local governments with the purpose of employing unemployed people for a longer period of time or supporting the maintenance of families ÓK-99		115,554,000
15	Programme to develop and strengthen small enterprises in operation VF-99		149,967,400
16	Support for local employment programmes aiming at permanent employment NP-V	372,970,000	137,021,000
17	Establishment of an Employment Information Counselling Service FIT-99	26,000,000	29,930,000
18	Encouragement of part-time employment and extension of employment RM-99	23,319,696	36,779,700
	Professional Forums for Choice of Career	12,600,000	
	Other programmes	118,050,000	
Total		1.271.479.981	1,846,324,997

Source: [www.ofa.hu](http://www.ofa.hu).

On the basis of the experience in the past six years, the NEF (OFA) made and advertised a concerted, complex system of several elements to support employment and service programmes of non-profit, non-profit organizations in 1998. The tender programmes provided the following for the non-state organizations of the labour market (funds, associations, non-profit companies):

- alternative labour-market services,
- supporting the programmes aiming at lasting employment and local activity,
- professional, methodological help of organizations involved in alleviating unemployment, e.g.:
  - professional and methodological services of associations consisting of non-profit organizations involved in employment,
  - supporting the organization of conferences and meetings as well as issuing publications financially,
  - operating and developing a monitoring system,

All in all, 235 applications for 4,074,000 thousand Ft financial aid arrived from the non-state organizations of the labour market. The fact that about 60% of all applications of the year 1998 were submitted for the programmes of non-profit organizations (75% of all claims of the year) indicates partly the activity and resource claim of the sector and partly that the second labour market is getting stronger.

In 1998–1999 the NEF (OFA) was running about twenty different programmes spending altogether 1.2 and 1.8 billion forints. The most typical programmes are:

*1) The reintegration programme for the realization of training and employment – Transit Employment*

In 1998 the NEF (OFA) advertised the transit employment programme for supporting the combined training and employment programme of the unemployed at a disadvantage on the labour market, and their labour-market reintegration in a further developed form. The supported programmes are meant to provide vocational training and employment for socially disadvantaged young people struggling with behaviour and adapting problems, and young people under state care or addicts who have not completely recovered yet and young people without secondary education.

Transit employment projects are aimed at implementing a training form which is combined with employment, does not belong to the educational system and at the end of which students are awarded OKJ (National Training Register) qualifications. Such training projects are preceded by a thorough selection, career orientation, remedial or refresher courses, motivation, completed with continuous services for solving the psychological and social problems of the participants and followed



by their employment and after-care. In 1999 two kinds of applications were accepted. Partly the applications of non-profit organizations that were submitted for financial aid for a further cycle of a transit employment that had been accepted earlier by the NEF (OFA), and partly the applications of organizations which wanted to launch a transit project for the first time. There were six applicants of the former type ('old' applicants) and twenty-one ('new') applicants of the latter type, who had to submit their applications in two steps. Five of the 'old' applicants, who had accomplished all their tasks for the first cycle, received a total of 235,526 million Ft. Seven of the 'new' applicants managed to get through the first round and six of them submitted their application of the second round, too. Due to lack of resource, the NEF (OFA) could not support these applications.

## *2) Programmes for providing alternative labour-market service*

The programmes aimed at typically special groups of people who were at a disadvantage on the labour market and were difficult to reach by the institutions of local governments and applied complex means to be able to consider the personal problems and ambitions of the unemployed, too. The primary purpose of the services provided by the programme applying for a financial aid was to reach those not registered and those registered and long-term unemployed as well as unemployed young people who had completed their studies or were career starters and those who, due to some special problem (health, education, social background, etc.) could hardly find employment on the labour market without help, or for whom the only opportunity could be a steady, protected and socially motivated employment. Its secondary purpose was to reach those non-state organizations, which had taken over the solutions that could serve as models. While evaluating the applications, preference was given to the programme which was aimed at a special group of people or at those who had never taken part in state services of the labour market.

Between 1996 and 1999 the Advisory Body of the NEF (OFA) supported 64 alternative labour market service programmes with a total of 390 million Ft. More than 200 applications have been submitted for the competition so far. At present 24 programmes are being realized. It is a good thing that the financing possibilities of local programmes have been expanded. As a result of the amendment of the employment act in the year 2000, and according to Act Flt 13/A §, by providing services the labour-market organization may contribute to seeking vacancies, obtaining jobs or suitable labour force as well as preserving jobs. While realizing alternative programmes a bigger emphasise has been placed on establishing the quality system of labour-market services since last year. In accordance with the decision of the advisory body the quality control objectives of nine organizations were granted financial aid in the year 1999. The training and attitude of quality control encouraged in education, health and social areas have also strengthened the demand in the labour market, employment sector for testing, introducing and

applying quality systems. Important results have been achieved in this field, so it will remain one of the main objectives for organizations providing alternative labour-market services to support quality-conscious process organization, control and development activities and the application and completion of services with a quality system. On the basis of the experience of the year 1999 the purpose of the Public Fund is to establish the quality system of the NEF (OFA) and to compile the Handbook of Quality Control in the years to come. As a part of it a 'NEF (OFA) Quality System Standard' specified for the sector and target group has to be compiled for the organizations implementing labour-market services and projects.

### *3) 'I work again' programme*

The objective of the financial aid programme is to establish service points for long-term unemployed people so as to provide person-oriented alternative labour-market services for them. The 'I work again' programme, which is the adaptation of a British model, is a special labour-market service based on local partnerships, and establishes partnership between the organizations interested in alleviating unemployment. By using specific and geared methods, it helps the unemployed to access complex services, and to fit themselves to the labour market again. It develops direct and personal relationships with both sides of the labour market: with the employer and the employee, it shows an attitude to both directions that is helping, supporting and initiative. Its target groups are: long-term unemployed people, among them those granted a supplementary unemployment benefit, unregistered unemployed, gypsies, those with reduced working capacity, homeless people, ex-convicts and those who had grown up in state care. The programme provides an alternative method for alleviating long-term unemployment, which is useful for all the people of the local community involved in solving the problem, both for the local government and for other participants of the economy. In 1998 14 applications were submitted by long-term unemployed people in the subject of the realization of the special service, five of them was supported by the advisory body and they were granted a total of 79,500 thousand Ft. They have the intention of involving 4650 people in the programmes altogether and wish to employ 1400 people. The organization carrying out the program had to undertake to operate the new service providing unit for at least two years, and develop partnership with other participants of the labour market. The NEF (OFA) meets 80% of all expenses necessary for carrying out the programme. Associations, funds and non-profit companies could take part in the competition.

### *4) Supporting the personal (social) service activities of community and non-profit companies*

The programme tests if, with civil organizations co-operating, the non-profit sector is capable of creating new jobs in the area of health, social and personal

services, and whether there is a solvent demand of households for certain services. The primary purpose of the programme is to increase the number of the employed by expanding employment and by integrating the service of personal help provided free of charge or as black work in private homes into the world of organized work. In the framework of the programme there is an opportunity to increase the employment capacity of the social sector by establishing community, non-profit companies, as well as by contributing to the maintenance of existing ones. Last but not least the program intends to help the co-operation between local governments and non-profit organizations by providing not costly but efficient social services. To achieve the above-mentioned objectives, the Advisory Body of the NEF (OFA) ensured about 90 million Ft for the realization of seven programmes, which creates the conditions for employing 110 unemployed people. The project plans of 1999 have again verified the assumption that the employment capacity of personal (social) services can be increased with the co-operation of the civil sector, i.e. it is worth devoting knowledge and further resources to it as these employment possibilities can be expanded.

*5) Supporting the organization of meetings for non-profit organizations and publications*

The purpose of supporting conferences is to enable the dialogue between organizations, institutions and people working for alleviating unemployment, to contribute to making the results of the efforts to alleviate unemployment, and the programmes realized by non-profit organizations public as well as giving publicity to their ambitions. Supporting publications is a good way of informing the unemployed and the non-profit organizations, which means helping them as a target group more extensively. The supporting programme helps non-profit organizations to get to know the Hungarian and international practice of alleviating unemployment and the applied means and models. The target group of the programme consists of associations, funds and civil organizations taking part in alleviating unemployment.

*6) Support programme for financing initiatives to develop local economy and to encourage enterprises*

As a result of the professional co-operation between the Ministries of Labour of the USA and the Hungarian Republic the project called Rapid Response was present in Hungary between 1994 and 1999. It was its mission to encourage the Initiatives to Develop Local Economy and to Encourage Enterprise (HGVK), i.e. to take part in planning and co-ordinating local development processes and launching concepts and programmes elaborated together to develop economy, (investments, encouragement of enterprises, improvement of the rate of employment). The American programme closed in the summer 1999. In order to benefit from the

results and to make the model serve on, the Prime Minister's Office initiated an Agreement of Co-operation between the Ministry of Economy, the Ministry of Social and Family Affairs and the Ministry of Agriculture and Regional Development to continue the programme. Within its framework NEF (OFA) undertook to continue it temporarily and in May 1999 it advertised the HGVK partnership programme. The purpose of the programme is to encourage local, micro-regional initiatives to develop economy and self-organizations to support compiling micro-regional strategic plans and programmes to develop economy, to help micro-regions, especially the backward ones struggling with an employment crisis situation, catch up with other regions, to co-operate in launching job creating processes and encouraging enterprises. It should also provide financial aid to the evaluation of the situation, strategic plans and the determination of actual development projects. The 1999 application of the NEF (OFA) urged to launch processes that were based on the co-operation of the participants of the micro-region, (local governments, entrepreneurs, civil organizations): The success of the programme is proved by the fact that there were 70 applications submitted to the competition, 27 projects of which were supported by the Advisory Board with 107 million Ft.

#### *7) Restart Programme*

The Restart Programme makes unemployed career starters with a low level of education suitable for labour-market training as well as helps them to adjust to the labour market. It also includes complex projects which help unemployed young people to adapt themselves to the society and find employment as soon as possible. In the years 1998 and 1999, 92 organizations handed in project plans to the Restart programme of the NEF (OFA), 27 of which were financed by the Advisory Board with a total of 176 million Ft. In 1999 most applications arrived from the most backward counties of the country. 26 organizations from the North Hungarian Region, (Szabolcs, Borsod, Hajdú and Békés counties), 12 organizations from the South Transdanubian Region, (Baranya, Somogy and Zala counties), which makes out more than one third of the applicants. There are two supported organizations from Budapest and 25 from the country. 11 organizations from the North Hungarian Region, (Szabolcs, Borsod-Abaúj-Zemplén and Hajdú-Bihar counties), nine organizations from the South Transdanubian Region, (Baranya, Somogy and Zala), i.e. more than two thirds of the applicants were sponsored by the NEF (OFA). The final evaluation of the results of the Restart programme will take place in spring 2001, but it is obvious now, too, that less than 25% of the almost 400 unemployed young people taking part in 13 supported projects dropped out. The best results, (the lowest number of those dropping out, the highest number of those finding jobs), were achieved by the organizations that had a considerable network of personal or formal organizational (state, market, non-profit) relations. The least effi-

cient are the organizations that cannot communicate with the target group in an appropriate way, and cannot handle the emerging conflicts successfully. Although the NEF (OFA) will not advertise the Restart programme as an independent programme in 2000, but it has built its individual elements into the employment programmes both for gypsies and for local people.

*8) Supporting programmes for non-profit enterprise activities with the purpose of lasting employment*

Since 1996 the NEF (OFA) has been giving preference and supporting local employment initiatives with considerable amounts of resources. Such projects are mainly carried out by non-profit organizations and contribute to the development of the secondary labour market. In this case local efforts aim at services and activities that are useful for the local community and that create jobs for long-term unemployed people. Such projects play a socially important part because, as a result of local co-operation and collective acquisition of resources they provide services at a low price, and they also contribute to the development of local (new) markets and to the operation of local economy. According to the experience of the NEF (OFA) the process of their becoming strong and self-supporting requires much time and studying, and setting up and operating organizations as well as developing local programmes need considerable professional and financial support. The 1999 programme supported local initiatives which are aimed at long-term unemployment by self-supporting community programmes. The programme consisted of four topics. The first two included the support of the programmes of non-profit organizations that have surplus remainings and contribute to the employment of people with reduced working capacity. A new feature is supporting programmes aiming at cultural and educational activity. In the course of the same year 43 applications were submitted, 16 of which were granted a financial aid of 140 million Ft, which made it possible for 218 unemployed people to find jobs. During last year's competition it was verified again that through the programme the secondary labour market is expanding and there is an increase in its employment capacity, too, and models are forming, which are able to work in a market-conform way and save costs and are cost-efficient. The most important thing about the programme is that there is a decrease in the number of the unemployed and their chance to get to the labour market is increasing.

*9) Programmes of local governments contributing to the employment of the unemployed and/or their self-support*

Most difficulties in economy, especially tensions originating from unemployment affect local governments. People usually expect local leaders elected by them to solve their subsistence and social problems. According to the experience of the NEF (OFA) local governments are interested or can be made interested in solving

the tensions caused by the local employment rate and they are ready to make use of their own resources for this purpose. It could be seen from the experience gained from the experimental tender programmes in 1996 in Borsod, Nógrád and Szabolcs counties, when the NEF (OFA) supported the local government programmes that were aimed at lasting employment of unemployed people or helping families to achieve self-support. It meant 103 million Ft financial aid for 30 programmes with the participation of about 860 unemployed people. By now most of them have proved to be successful. The 1999 employment policy of the government pointed out that programmes have to be elaborated and realized to help groups that are at a disadvantage from the point of view of the labour market to find jobs again, and to contribute to the improvement of equal opportunity of employment for those living in backward areas. Consequently the 1999 competition was aimed at improving the employment rate of socially disadvantaged people living in small villages, (with less than 5000 people) all over the country. Financial aid was granted to the local governments that wanted to implement local employment programmes (to protect the built and natural environment, to develop the social provision system, to make use of tourist attractions, etc.). Applications came from all over the country, which was a sign of the favourable reception of the competition opportunity. 1344 people were planned to be involved in the programmes. The Advisory Body supported 18 applications out of 69 with a total of 115 million Ft. The supported local governments can be found in 10 countries. 15 of the supported projects intended to achieve lasting employment and three of them to help the unemployed and their families to achieve self-support. Local governments involved 510 people in these programmes. According to the experience of the NEF (OFA), it is worth focusing on and ensuring resources for local employment projects that can be connected to regional development programmes, too.

*10 Support programme to develop and strengthen active small and agricultural enterprises*

*a) Small enterprises*

Small enterprises play a decisive role in creating new jobs after the change of system in Hungary. Therefore the government pays a special attention to the improvement of their employment capacity. In 1999 the NEF (OFA) advertised competitions for the first time as an experiment, the aim of which was to support programmes for active small enterprises that intend to increase the number of their employees so as to develop and make their enterprise sound as well as make use of professional counselling services and by marketing improve their marketability and competitiveness and promote their company. With the programmes aiming at an increase in the number of employees and counselling NEF (OFA) supported the enterprises that employed career starters and/or registered unemployed people who had been retrained by employ-

ment offices for at least a year. In the programme aiming at increasing the number of employees the expenditure on wages of the employees and/or the extras of the expenditure on wages whereas in the counselling programme the expenses of counselling could be supported. In the information programme of promoting the company the NEF (OFA) provided financial aid for publishing and popularize the material including the information. 47% of applicants were sole traders, 12% were partnerships and 41% were Ltd-s. The financial aid provided for enterprises made the employment of 23 unemployed people possible.

*b) Agricultural enterprises*

The social-economic changes of the last century caused serious problems especially in agriculture. The unfavourable effects of these changes were further worsened by the natural disasters that agricultural enterprises have had to cope with several times in recent years. The chance to reduce the damage of agricultural enterprises of the villages that had been hit by the 1999 disasters caused by flood, inland waters, heavy rains and storms by competition meant a kind of expansion of the already existing support programme aiming at developing and strengthening active small enterprises. The target group of the programme consisted of those who were employed in agriculture and due to the damage done by flood and inland waters could not work on their fields and would probably have been dismissed as a result of the damage their employers had to suffer. The enterprises of the affected villages could submit their applications for support for the wages of those manual workers who they had intended to dismiss. The NEF (OFA) supported 67 applications with a total of 345.9 million Ft. In this programme.

In spite of the impressive programmes, the amount of the sums spent on the programmes of the NEF (OFA) is quite negligible and their proportion is not growing either. Another trend within the NEF (OFA) programmes is the increase in the number of the programmes which are advertised by exclusive competitions, on the basis of invitations.

#### **4.2.3 Supporting social land programmes**

With unemployment growing and labour market marginalization and segmentation strengthening, the universal entitlement of social protection began to cease in a legal and a hidden way (*Standing*, 1993). The progress of the changes in social policy which was giving up the idea of universalism was accelerated by the application of active means.

The social land programme as a social transfer can be traced back to the bill of the Hungarian minister of Home Affairs, Ferenc Keresztes-Fischer regarding the National People and Family Protection Fund in June 19<sup>th</sup> 1940. After it the experiment called 'County Public Welfare Co-operation Mátészalka' was launched by Lajos Esztergár. The main principle of the activity was that benefits and poverty policy are not the appropriate methods to improve the situation of the needy in an efficient way, so he left the form of the solution of social tasks to the economic sector. His social altruistic co-operation 'gives loans to every individual in need so as to make it possible for them to get economically strong, get rid of their financial difficulties and be able to be independent (*Esztergár*, 1941). It is also important that benefits should be adjusted to individual needs. (Stages: goat → goose → chicken → pig → beehive and house) and if 'the person in need has not got the necessary morals and knowledge, help should be combined with imparting knowledge and teaching him how to economize' (*Esztergár*, 1941).

The revival of the social land programme in the 1990s is based on this idea of handling the micro-mezzo-macro problems/disadvantages in a complex way. The objective of the land programme is to improve the quality of the lives of socially disadvantaged families and those long-term unemployed and living in villages and rural areas and to persuade them to use their labour force in agricultural activities. The main idea of the project is support and services in kind.

The support system that makes the development of the land programme possible is aimed at the *least developed* areas of the country. The support system that is working in the form of competition with *invitation* is available for the villages of certain regions only. The selection of the regions *fits into* the national system of regional development based on statistics by considering territorial disadvantages and the opinions of county councils of regional development (*Serafin*, 1997).

According to the examinations done by Zsolt Szoboszlai and his colleagues (*Szoboszlai*, 1997), three thirds of those asked would like to *continue* the land programme. The main *motivation* seems to be supplementing the income, the amount of food the family needs and the fodder for household farming. One fifth of the beneficiaries had some income, the scatter and territorial division of which are both uneven.

Besides financial incomes the social land programme has brought some profits in kind for the majority, (about two thirds), of favoured families. Its value was either really smaller than incomes in money, or those involved underestimated it, or assessed it inaccurately.

The data collected about *the ways the incomes had been used up* confirm the *social* objective of the land programme. Four fifths of beneficiaries spent their land programme incomes of a few ten thousand Ft. on basic essentials, on food. They were not enough for buying durable consumer goods or means of production. One third of those asked, (a higher proportion of the gypsy sample), feel that their lives



have changed as a result of the land programme. In spite of this the 'hand-to-mouth existence' is rather typical of the everyday lives of beneficiaries.

#### **4.2.4 The effect of employment programmes**

The active means applied to prevent unemployment and to contribute to the employment of the jobless, (training, retraining, wage subsidy, supporting the process of becoming entrepreneurs, community work, supporting employment in reduced working hours), have affected hundreds of thousands of unemployed people for some years. The results of the studies show however, that the efficiency of the public funds spent for this purpose is rather limited. The mission of the International Labour Organization (ILO) working in the Hungarian Ministry of labour organized a survey in 1992/1993 with Japanese financial support so as to be able to analyse the labour market success of people having participated in retraining and community work programmes. The sample areas were Borsod-Abaúj-Zemplén, Hajdú-Bihar and Somogy counties. On the basis of the survey it can be stated that:

- After retraining the situation of those taking up a job becomes a bit more stable, more secure on the long run than in the case of those who have not grabbed the retraining opportunity, but it is just *a slight positive effect* that can be proved. The social utility of retraining programmes could be increased by more specified programmes aimed at men, elderly people, the less educated and the unskilled.
- The rate of employment of those participating in community work is only slightly better than that of other unemployed people. Community work can be regarded as a successful strategy because it keeps those involved outside the status of being unemployed, it is a kind of programme that means income, it prevents people from losing their working ability but is not really an effective means to enable people to find good jobs (*O'Leary, 1995*).

On the basis of ample statistical sources the study by Éva Sziklai gives a detailed analysis of the active means of employment policy applied in 1996 (training support, different methods for encouraging people to become entrepreneurs, part-time jobs, training programmes for career starters, community work, job-creating investments, early retirement, etc.) and of the differences in the numbers of those taking part in the individual means. In 1996 it was community work that contributed most to alleviating unemployment. Apart from community work the role played by labour market training and retraining and wage subsidies has to be emphasized. Regarding their volume, covering travel expenses, part-time employment, early retirement and becoming entrepreneurs played a less significant part in alleviating unemployment in 1996, too. The new employment policy programme

launched for career starters on July 1<sup>st</sup> 1996, which was to provide help for young people by enabling them to gain work experience and by employment supports, was chosen by fewer young people than expected (Sziklai, 1997).

The programmes where the employment indexes of those involved in active means are favourable, very often turn out to have supported people who had originally had more chances to find jobs. It is especially true in the case of jobs created by retraining and wage subsidy.

The programmes supporting job-creating initiatives outside the main stream of the labour market, are still of experimental nature and are not very wide-spread.

Consequently, it is not surprising that in spite of the increase in the proportion of active means and in the number of unemployed people involved in them, the proportion and number of the unemployed who are threatened by being pushed out of the world of work permanently is continuously growing.

#### **4.2.5 Problems of approach**

The insufficient efficiency is caused by the wrong approach of employment policy. For example:

- They do not take into consideration that long-term unemployment has economic and social reasons and consequences different from temporary unemployment. Therefore:
  - Alleviating it is not only the task of the Ministry of Labour but it demands a *wide-range social co-operation*, too. The government should encourage public dialogues especially in the regions with a high rate of unemployment, publish the statistics of labour market processes and maintain and enlarge data bases.
  - They also have to harmonize the objectives of macro-economic policy and employment policy by supervising the tax and credit policies. The growth in macro-economy is not necessarily accompanied by job creation and by job creation it is not always the long-term unemployed that find jobs, so the government should elaborate special programmes to encourage creating jobs for those long-term unemployed.
  - With training and education overlapping, a thorough supervision of the educational system is unavoidable.
- The quality system of employment centres is absolutely indispensable both for preventing and alleviating long-term unemployment, but civil organizations and those based on communities can often provide special services more efficiently, which can satisfy the needs of long-term unemployment more sufficiently. The government has to encourage and support the co-op-

eration between employment centres and local partners involved in alleviating long-term unemployment, so e.g. local governments, community organizations and civil organizations should be supported from various funds, both from state and private funds. However, a just, efficient and continuous way of financing has to be based on the evaluation and analysis of the effects of independent programmes (*Employment Policy ... 1995*).

- Assistance systems themselves have their own mistakes, which can be defined by the concepts of ‘unemployment trap’ and ‘poverty trap’. On one hand, benefits are comparatively high compared with salaries and wages, so they do not incite people to try to find jobs. On the other hand it may also happen that after the expenses of having a job the remaining net income is lower than the social benefit, and in both cases it is lower than the minimum sum necessary to cover basic essentials. The changes affecting unemployment provision have been planned with all these in view. An issue of this is that regular social benefits can be granted on condition that there is a co-operation with the assigned social institution. The purpose is that the person in question should be able to improve his own situation the way of which may range from training to community work. Another of its issues affects the concept of wealth, which means that, above a specified level of property, (real estates, or valuable movables), the benefit cannot be applied for. The reform of the pension system, social insurance and disability provision makes harmonization of social benefits and new insurance systems necessary, giving priority to the income security of those having reduced working ability. In principle the basic purpose to achieve is that those able to undertake a job should make their living on wages, which is not really the near future (*Németh, 1997*).

The biggest problem, however, is that the development of the labour organization and the switch over to market economy were two simultaneous processes, the organic adaptation to the market environment is not very typical of the organization. In the past decade the employment policy has been handling crises, especially those that were mostly the result of recession and the insufficient operation of markets. This is the basis for the mentality and the attitude, which, from a kind of anti-market point of view, regards (has regarded) the substitution, sometimes simulation of (labour) markets to be the basic task of the labour organization. On the basis of the experience of the past years this attitude is not tenable. Whether we have the increase in the inequality of individuals and families or that of regions in mind, nobody hopes nowadays that these inequalities could be compensated by mere state redistribution or a financing policy successfully. The efficient market activity is not only the precondition of the stability of companies or entrepreneurs, but it is also an unavoidable factor as far as the improvement of the life conditions of employers and their families and the development of their surroundings are concerned. Today,

especially regarding the hopefully lasting boom, supporting equal opportunity and more just access to markets and labour markets has become the primary public task. All these must not lead to the reduction of public responsibility for those lagging behind or giving up those sinking into poverty (and their big families) in any way. However, it is obvious that supporting their chances of successful market participation is an increasingly serious and realistic objective.

On the basis of the expected 5% growth of the GDP alone, a considerable increase can be anticipated in the rate of unemployment. If this growing rate of accumulation is accompanied by an expansion of personal (e.g. housing), entrepreneurial and public institutional investments, it may result in further favourable increase in demand on labour markets. Tax-reforms, reduction of withholding rates and expenses on employment, especially in low-wage categories, including taxes belonging to part-time, atypical employment can contribute to these processes considerably. An increase in demand can also be expected from strengthening international integration as well as from widening employment opportunities abroad, too. Although a rise in retiring age or the more severe criteria of disability pension may result in a temporary rise in the number of the registered unemployed, the primary question is not the trend of registration but rather the increase in the activity and employment rates. Unlike the trends of the past years, today it is necessary to widen the clientele of the labour market organization, trying to involve all those for whom still there is a chance of employment regardless of their status (inactive people, pensioners, dependents, housewives, etc.).

All these make the turn in attitude imperative so the primary task of the labour market organization is not the protection against the effects of the market any more, but it should play an offensive, market developing and stimulating part, which gives priority to access markets and to make successful market participation more just. The 'market turn' does not only imply changes of content but makes certain changes in attitude necessary, too. E.g. it must not be ignored that in the issues of employment it is not the labour market organization but participants of the market that play the most decisive part. The successful employment policy does not only mean that it is not the state institution that employs people but also that the effect of its mediatory activity causes changes in the labour market.

According to international experience the role of official intervention into the employment of the unemployed has decreased considerably in recent years. However, the forms of assistance of the organization that strengthen motivation, encourage, provide counselling and information services for those seeking jobs and through which the unemployed may have better chances, bigger self-confidence and self-respect when looking for jobs, have undeniable positive effects. Interestingly enough, the number of vacancies registered with the labour market organizations of the countries having achieved considerable success in alleviating unemployment and increasing the rate of employment did not decrease in the period of

success. This means that the primary motivation of success was not the mediary activity itself but rather that exploring vacancies resulted in an activity which led to an increase in demand on the labour market. The nature of labour markets does not very much differ from e.g. real estate markets. The appearance of demand generates further demand, and activity and perceptible demand lead to a rise in prices (in this case: in wages).

Consequently the disfunctions of the labour market should not be substituted by direct state means, the state should not simulate, take or fill in the place of markets but they should influence the operation of the labour market by indirect techniques of stimulation, regulation and supervision. Such indirect means are:

- Stimulating employment of target groups privileged from a social political point of view (long-term unemployed people, gypsies, handicapped, elderly people, etc.), even with subventions (e.g. taking over the expenses on wages) if necessary;
- Stimulating public purpose, welfare activities of employers (e.g. training);
- Providing intensive, widespread information that is accessible for everybody, expanding and supporting mediation, counselling and other services;
- Market relations, and supervision meeting modern requirements (civilized, European), including consistent fight against any form of discrimination and strengthening institutions providing legal supervision of enforcement of employees' rights.

### **4.3 Initiatives of local employment**

Owing to the limited financial and human resource bases of local development the employment initiatives of villages and micro-regions have basically been determined by the trends of government supports and the rules of access. Innovative local and micro-regional initiatives were started first of all by joining the NEF (OFA), the social land programme and various PHARE programmes.

The objectives, the way of realization and indicators of efficiency of some actual Hungarian employment policy projects (Social Land Programme of Sarkad, START Labour Fund of Szentgotthárd, the activity of the Human Service Centre of Szolnok, social land programmes, etc.) can be studied in the special literature. (Éder, 1996) The results of the previous research have been reinforced by our own case studies. In the field of local employment initiatives, according to the research carried out in small areas having the highest rate of long-term unemployment:

- 1) Innovative initiatives are less typical of the most backward regions. They mostly use the means of public utility employment and not very efficiently, either. They usually take the opportunity of entitlement to supplementary

unemployment benefit and the conscious, purposeful performance of not very sensible tasks. A reason for this may be disagreement within the region or the lack of colleagues having the necessary knowledge or organizational skills, or both at the same time.

- 2) Creating new jobs by developing local enterprises is almost impossible, because there are no local enterprises, and there are no experts of enterprise development, either. Programmes launched to help the unemployed to become entrepreneurs are hindered partly by the above-mentioned lack of enterprise development experts and partly by the composition of the unemployed, but sometimes also by envy. To become entrepreneurs some people would need such a high financial aid that other local people living in similar financial conditions could hardly tolerate. A further obstacle to the accessibility of the necessary support is the requirement of the applicant's own resources.
- 3) The range of activities of local governments about long-term unemployment involves mostly ensuring the minimum conditions necessary for the entitlement to supplementary unemployment benefit and encouragement to undertake casual jobs. Local governments are also interested in that those getting unemployment benefit, supplementary unemployment benefit or other forms of benefit should undertake casual work, even if it is not reported, as they cannot make both ends meet on benefits only (*Laki, 1996*).
- 4) A significant way of solving the problem of unemployment is training or retraining. In 1993 out of 600 thousand unemployed people less than 17 thousand people took part in some form of retraining. All of the different forms of training are good if they mean some kind of support, even if it is just that it gives hope and helps preserve self-esteem, and mental, physical and moral (mental hygienic) conditions. The people's college as a flexible form suitable to adjust to the current direct needs may play an important part in training the unemployed, including retraining, preserving mental and moral conditions during unemployment, acquiring the motivations to become open to new demands. The people's college programme of vocational training, retraining and personality development is based on Hungarian and Western European experience. It may make it easier for those still employed to face unemployment and it may contribute to preventing unemployment, too. The people's college may help enterprises, explore entrepreneurial and market opportunities or initiate useful community work or other alternatives (*Szász, 1993*).
- 5) To solve social problems strong civil organizations are needed, too. Besides the important part they play, social projects alone are not sufficient without the support of political decision makers, local governments or administration. The operation of civil services has to be supported by legal regulations,

the professional and social public opinion has to be made to accept their 'bridge' role. Social projects with their appropriate financial independence, special training forms guaranteed by professional experts and with strategic planning are efficient methods of employment policy, but they must not be 'overburdened' (Füzessy, 1995).

- 6) Although still in their infancy, and not known by this name yet, community enterprises have already appeared. A part of them emerges from the social land programme, another part is organized in response to the pressurized economic activity of local governments or civil organizations due to the complete lack of local enterprises. The pressure to take part in economy is the result of the necessity to operate and utilize local resources and depressing employment problems.
- 7) In places where there have been attempts to launch local development programmes, they usually stop, do not prove to be maintainable after the financial assistance has ceased. The reasons can be found in the market inviability of the activities. They prove to be inviable because they are not able to find the market gap where they could place their special, individual, good quality products or services. This is mostly caused by the lack of the individual nature of their products, quality problems, or the insufficiency of marketing knowledge, but most often by the lack of the necessary working capital. Support programmes do not calculate with these things, either, especially not by ensuring the expertise and the working capital after the investment period. They do not take into consideration that the sales of the products of local small serial production requires special expertise, but it is these regions where there is the least of it. They especially lack experts who could work in the non-profit, community sector.
- 8) The fact that target regions lack practically everything that would be needed for launching enterprises poses a real obstacle to utilization of local resources and the maintenance of the projects in progress. The most serious problem is the lack of capital, but there is no technological or marketing expertise or premises or technology suitable for the purpose, either. Inviting external enterprises that could remedy this situation could be a solution, but it would involve the danger of losing control over local resources thus making local people defenceless. The other possibility could be to ensure the missing factors in 'incubator houses' and following the launched business activity from a professional aspect for a while. The implementation of this idea is made all the more difficult by the fact that in the Hungarian support practice of economy village level incubator houses are not accepted and the professional services cannot be provided economically within a village, it needs at least a micro-regional network.

- 9) Although every endangered micro-region has got their governmental, local governmental or even economic and civil participants who are interested in improving the rate of employment and within it alleviating long-term unemployment, they can hardly ever co-operate. The ‘micro-regional round table’ launched in Zala county, or any other initiatives of the kind have not appeared yet in the examined region. The multilateral dialogue, which was a result of the ‘Rapid Response’ programme, broke off after the programme was over. The ‘round table’ cannot work owing to the lack of people in charge of continuous organization, or in an even worse case, because there is disagreement and personal, internal conflicts prove to be an insurmountable obstacle.

## **5 A proposal for the development of strategies to alleviate long-term unemployment**

### **5.1 A new approach to the objectives and priorities of employment policy**

The degree of development of a country is usually measured by GDP per capita. The quotient of the GDP and the number of population can in fact be interpreted as the result of the product of multiplication of two quotients.

$$\frac{\text{GDP}}{\text{Population}} = \frac{\text{GDP}}{\text{number of the employed}} \times \frac{\text{number of the employed}}{\text{population}}$$

The GDP per one employed person expresses the productivity of the employed, and the ratio of the employed and the whole population expresses activity. If the increase in the GDP per capita is regarded as the most important objective of the economy development programme, then two important consequences have to be drawn from it. On one hand the maximalization of both factors of the product of multiplication (both quotients) has to be achieved, on the other hand both indexes are in close connection with the employment policy, the efficiency and the extent of the labour market.

Consequently, the objectives of the employment policy are as follows:

- 1) to increase the productivity of the utilization of labour force,
- 2) to employ the highest possible number of people

If only efficiency is increased, and meanwhile the proportion of those employed is decreasing, there will be no rise in the GDP per capita. (Not only in principle,



but also on the basis of recent experience there may be a situation, where the expansion of employment has been achieved at the expense of productivity, or just the opposite: the improvement of productivity is mostly due to the fact that the groups with low (under the average) productivity have been pushed out of labour markets, and in this way the number of the employed has been decreased.)

The increase in the rate of employment is affected by the fact that the proportion of active (theoretically employable) groups within the whole of the population is decreasing, which in fact is favourable: today people have longer life-expectancy than they used to and children's schooling period is also longer than earlier. In the future these trends are not only expected to continue but to strengthen, too. All this requires improvement of the employment rates of active age groups, if possible in the foreseeable future. Consequently a rise in the employment rate can only be achieved by involving active age groups in the labour market who in principle could already be employed (on the basis of their age). These groups are typically the poorest and the socially most disadvantaged groups in Hungary, who have been pushed out of the labour market for a long time. In general a low level of education and the lack of any vocational training are typical of them. Among them there is an especially high proportion of people living in underdeveloped regions and villages, women, gypsies and mentally or physically handicapped people. The problem is made all the more serious by the fact that in these groups there are bigger families, a higher number of children than the average. Thus the possibilities of expanding employment especially together with the criterion of increasing productivity are in close connection with alleviating the most serious social problems.

The changes in the rate of activity has a twofold effect on the national budget. Those who work produce income for the budget by their taxes and contributions. In the case of those who are pushed out of the labour market any kind of provision (unemployment benefit, maternity benefit, old age or disability pension, social benefit, etc.) appears as expenditure in the balance of the budget. These expenses are further increased by the secondary effects, through which social, health, criminological or other public expenses are growing.

A higher rate of employment can generally be achieved by integrating such groups into the labour market. As these groups can be characterized by low labour market values, an alternative for them can be a low-wage, very often part-time or other atypical job. In such a situation it may be advisable:

- to raise the minimum wage,
- to support their return to the labour market by different forms of social provision,
- to use different means to encourage employers to take on groups with a low degree of education, and low working ability. Most of these means can be strengthened by raising the value of the minimum wage and by the supervi-

sion of the extremely high withholding rate of low wages, (e.g. termination of the one-sum health contribution).

*The productivity of labour force utilization* is mostly based on knowledge and can be achieved by an economic strategy concentrating on strengthening and accepting branches of economy that represent a high technical and technological level. Only in this way is it possible to take part in the global competition and the international integration. The labour force of long-term unemployed people in its present state cannot be utilized in such branches of economy. It has to be taken into consideration that from the point of view of the short-term objectives of employment policy, such branches play a negligible role. However, strengthening all branches of economy that make the appropriate economic environment suitable for adapting such high-level branches may be of utmost importance. Thus small and medium enterprises that are able to adapt flexible forms of employment are very important, especially in the fields of economic services (trade, catering, tourism, some other financial, representative sales network), human services and care (household and care services, 'babysitting', etc.) construction industry, development of communal infrastructure, maintenance and preserving the values of the landscape, parks and gardens in rural areas. After suitable training, the labour force of those in the periphery of the labour market could also be utilized in these areas.

A key question of employment strategies is how the long-range objectives of the productivity and educational level of the labour force and the possibilities of expanding the employment can be co-ordinated in the foreseeable future (or at least the effects neutralizing each other can be reduced.) Taking this point of view into consideration, support has to be granted to the interventions which serve both objectives at the same time, or which concentrate on achieving one aim while not reducing the chances of achieving the other one.

Such interventions may be:

*a) Making labour markets more dynamic*

From the point of view of both long-term objectives and the short-term objectives of expanding employment the most important task is to make labour markets more dynamic. With this aim in view, the most important areas are as follows:

- Improvement of the comprehensibility of the labour market.
- Development of information services strengthening comprehensibility for both those seeking jobs and those seeking labour force.
- Strengthening services connecting and intermediating between existing demands and supplies.
- Broadening the capacities of 'life-long learning', especially in the areas of teaching non-school-like abilities (IT, foreign language, communications, self-managing abilities, etc.) stimulating mobility, supporting it on regional, national and international levels, as well.

*b) Upgrading labour force*

From the point of view of long-range perspectives, the most important question is broadening the capacity of education and improving its quality. Upon social political consideration, besides all this the importance of supplementary programmes, has to be emphasized, (remedial courses, supplementary services providing social help (such as e.g. transporting handicapped people, school bus, babysitting, etc.), grant programmes, student's hostels, etc). These things give the children of the people at the periphery of society better chances to take part in the labour market one day, and they prevent backwardness and exclusion from developing into an inter-generation problem.

The incentive systems that make employers interested in investments corresponding to the objectives of the employment policy (i.e. in financing and accepting vocational training, or partially meeting the expenses of mobility), can be introduced, mostly through the tax system, in the foreseeable future.

*c) Priorities aiming at broadening employment*

The dominance of the 'direct state' intervention in the employment policy, which has been typical so far, has to be replaced by the ambition to adapt market effects. To achieve this change:

- In the case of (especially active) programmes of employment policy, more attention has to be paid to make supported programmes productive in the sense that they should produce valuable goods and services for some people.
- It is necessary to try to find mutual advantages in the relations developed with markets and employers and to confirm the contractual forms of co-operation while taking interests into consideration.
- It is also important to consider the maintainability of employment when defining target groups and those involved in any kind of support and the amount of support. All this also depends on the confirmation of the co-operation by contracts and by making it vocationally and financially controllable.

## **5.2 Changes of content in the trends of the practice and programmes of financial support**

In connection with supports of employment policy it is necessary to lay down the principles. These principles, which generally seem to be obvious, have to follow, have to correspond both to the principles of the employment policy of industrial countries and the trends of transformation in the institutions of the labour market in EU countries and the points of view of the EU and the ILO laid down in documents.

- All forms of support aim to make it possible for more people to find a job in the labour market, possibly in fields, where taking up a job satisfies the personal interests of both the person seeking a vacancy, and the entrepreneurial interests of the employer and the general economic and social public interests.
- The most essential aim of assistance programmes is to ensure the subsistence of people who have lost their jobs and who cannot find a new one, for the period while they are looking for a vacancy. Expectations of looking for a job have to be met consistently because the benefit is granted with the purpose of creating the condition for this activity.
- If it turns out that the person seeking a vacancy does not manage to find one he must be supported by information service, counselling or some other direct forms of support geared to their needs.
- If such forms of assistance are not sufficient to find the proper job, further, even ‘more active’ means have to be applied, first of all by supporting the access to training and retraining.
- What the active means of non-training have in common is that the user of the public money granted to him as a support is not generally the beneficiary, i.e. not the person looking for a job, but typically some kind of entrepreneur, an employer. Though the utilization of public money in active programmes can be efficient only when it serves the interests of the employer. Two aspects have to be taken into consideration while operating the programmes: on the one hand the person seeking a vacancy and aimed at by the programme should be the beneficiary of the support, and on the other hand some kind of a wider social group should be the indirect beneficiary of the support: private and public consumers, a local community, in a wider sense: ‘the public’.
- The participant of the active programme can become the beneficiary of the programme only if he thinks he has good prospects, which is realizable only if the work he does is of good quality, precise and in itself a kind of guarantee that the person will be employed also after the termination of the benefit. An indispensable pre-condition for this is that the employer should also be able to employ those doing good quality work after the termination of the benefit.
- The utility of the public can be realized in the active programmes only if the programme is ‘productive’ in the sense that the programme will result in some kind of valuable ‘consumable’ product or service that is attractive for the consumer.

Though these aspects have been regarded as obvious, they are not real practice in actual life. To make a progress from this point of view, too, emphasis has to be changed, especially as far as active programmes are concerned:

- The social and economic output and the required results of the programmes have to be emphasized to a greater degree.
- Risks of the expected output have to be shared more proportionally between the organization granting the money and the entrepreneur using the money. The supported organization has to take a bigger risk, a responsibility for the failure of the expected output to a bigger extent, and the decrease in the risks should influence more the design, target and realization of the programme (e.g. in the case of investment support and wage subsidy).
- The employer who has not even got potential chances of giving jobs to his employees after the programme is over, not even to the best ones, must not be supported at all. With the present financing system of local governments, this affects the programmes of public utility, public purpose and community work, too.
- Taking the characteristics of the labour market into consideration, ‘part-time’ possibilities have to be supported, too – part-time jobs, self-employing small enterprises (or ones employing family members), atypical forms of work, etc. All the countries with successful employment policy have mostly been able to make their labour markets more dynamic by supporting part-time jobs.
- While designing these programmes, it is necessary to react to spontaneous labour market developments more efficiently, like e.g. the spreading agency systems, delivery services, ‘labour force lending’ enterprises.
- Considering the fact that the overwhelming majority of those seeking jobs have a low working capacity, for whom low-wage, very often part-time employment is the only alternative, it is necessary to compensate the unfavourable fiscal incentives appearing in overtaxing low wages increasingly.
- The introduction of support forms that are spent on the employment costs beyond wages can considerably contribute to the improvement of the chances of employment of the socially most disadvantaged groups, and that of the situation of villages of the region. (Such costs arise e.g. from local, family background (mothers with young children) or from activity status (long-term unemployed people). An important positive feature of the latter programmes is that they can be well-targeted (determining target groups), embody a well-balanced interest, because wages have to be paid by the employer, their effect on the national budget is practically zero, (it is only the costs of paper work that mean net expenses), as the support gets back to the budget through social insurance and tax system.

### 5.3 Strengthening local employment initiatives

Besides support principles, some further measures are necessary for local employment programmes to spread and to increase their efficiency:

- 1) The primary obstacle to strengthen motivation is disagreement and lack of knowledge. The 'micro-regional employment round table' can contribute to solve both tasks. The 'round table' which has continuous talks, offers the opportunity for the co-operation of the representatives of the labour agency of the micro-region, local governments, micro-regional associations, economic chambers, training institutions, regional civil organizations, people's colleges. Their task is to analyze the employment situation, specifying problems, surveying potential methods of solution, elaborating suggestions in accordance with these methods, organizing the division of labour between the represented organizations. Efficient communication between the parties involved, choice of the suitable means based on consensus, programmes to handle crises which are elaborated on the basis of obvious regional development concepts (Éder, 1996) may lead to a solution.
- 2) The motivation can be strengthened partly by arousing the interest of local governments in seeking methods of lasting employment by introducing forms of support that are granted for a longer period of time, until the enterprise becomes strong enough in entrepreneurial areas and partly by introducing a bonus for finding a job again (Éder, 1996).
- 3) Each local project is a unique one, is based on local characteristics, so it is not possible to use the same method everywhere. However, ideas and model programmes that have been successful in other places are good means of recognizing possibilities and of working out details. For this purpose the model projects have to be made well-known. The data bank of local employment projects supported by the EU is accessible. By translating them into Hungarian, making a collection of Hungarian model projects and making it accessible for local developers may make it easier to take over innovations and to gear them to local characteristics.
- 4) On the basis of former experience and in order to increase market ability, special attention has to be paid to:
  - a) product development – good-quality, unique products based on local characteristics are needed,
  - b) the technology – preference has to be given to processes that correspond to quality regulations but need a high number of people involved in it,
  - c) good-quality work – the quality of the labour force has to be improved continuously by applying individual treatment,

- d) the management – to prepare local experts or ensure accessibility of external expertise,
  - e) working capital – without which even the best initiative will fail..
- 5) A good method to achieve market ability may be the support system of incubator houses in villages, which makes it possible to ensure locally: buildings and technologies corresponding to regulations; technological, training and marketing expertise used in favour of the activity.  
The latter can only be operated with a network of several smaller village incubator houses that are connected to an incubator house of some small town. Local people give their labour force and the ‘unique nature’ of the product, but they are in control of both local resources and the profits coming from the activity. Therefore this solution serves the interests of local development much more than the appearance of the premises of external entrepreneurs.
- 6) The most important of all innovative solutions is the propagation of the employment organizational techniques including the survey of local service demands, the many-sided utilization of labour force and various activities done for several employers.
- 7) When settling the legal and financial status of community enterprises that play a key-role in local employment projects, their characteristics have to be taken into consideration. Lower wage-like expenses of employees and easier ways of claiming a refund of the general turnover tax may increase their role in employment.
- 8) The national and regional methodological bases of local development have to be strengthened by supporting existing initiatives. These bases can help local initiatives by training, information, professional counselling or even by lending experts for a certain period of time.

## **6 Summary – the main statements of the research**

### **6.1 General and regional characteristics of long-term unemployment**

- 1) Long-term unemployment is not only a version of unemployment lasting for a longer period of time, but it is a qualitatively different category. It implies an especially strong social danger, because its negative effects form a strengthening spiral running downwards.
- 2) Owing to the characteristics of the Hungarian registration systems, the real trends of the changes in long-term unemployment are not sufficiently reflected by statistical figures. According to the statistics regarding registered unemployed people there is a decrease in long-term unemployment, but due to the fact that there is an increasing number of people who have become inactive, or given up co-operation with the labour organization and therefore have become unregistered, statistics are not really authentic.
- 3) We assume that in all probability unemployment is growing, which can be verified by the following facts:
  - there is an increase in the number of the unemployed who are seeking employment mainly because their inactive or dependent status has ceased,
  - there is a decrease in the proportion of those first entering the provision system among the registered unemployed people who are not career starters.
- 4) Among those long-termally unemployed the rate of women is still comparatively low but growing dramatically. A higher rate of those having a low degree of education and that of elderly people is typical.
- 5) The danger of long-term unemployment is higher in rural areas. It is in close connection with some other factors of regional development, like the degree of urbanization, the degree of development of the tertiary sector, the distance of the centre of the region from Budapest and the Austrian border and the proportion of gypsy population.
- 6) In the most critical regions more than half of all registered unemployed people have not found jobs for at least six months. The most long-termally unemployed people live in the North-Hungarian region, which is the most inflicted by unemployment. Besides the capital city, Győr-Moson-Sopron, Vas and Zala counties in Transdanubia and Bács-Kiskun, Csongrád and Békés counties on the Great Hungarian Plain have the most favourable situation.



## **6.2 Foreign methods and experience in alleviating long-term unemployment**

- 1) To handle employment problems, local employment programmes focusing on job creation outside the main stream of the labour market have spread considerably. A specified objective of these programmes is to reach the groups pushed into the periphery of the society and threatened by losing all hope ever to return to the world of work. To enable them to return to society first of all their chances of employment, their situation has to be changed. The basic characteristic feature of such programmes is advancing from the bottom upwards. On one hand they ensure jobs for socially disadvantaged groups of the labour market, especially for those long-termally unemployed. On the other hand, the jobs created are socially useful, e.g. because they provide low-expense services for those living in bad financial conditions and for dependents. Furthermore they help the development of new markets, often on local level, in small quantities.
- 2) There are three characteristic models in the European countries:
  - The English model focusing on the development of market forces
  - The German model based on public funds and on the secondary labour market, which is basically becoming an independent sector
  - The French model, which, in the frame of ‘social economy’ organizes services provided for households and individuals to a market
- 3) In the field of enterprise development emphasis has been placed on the revitalization programmes based on regional characteristics. From this aspect an important part is played by:
  - operating the local labour market management
  - strengthening the local labour market management
  - strengthening the local capital market
  - developing the conditions for innovative technological surroundings (technological parks, innovation centres, incubator houses, work from home)
  - developing co-operatives
  - organizing self-assistance organizations, community enterprises

## **6.3 Experience in alleviating long-term unemployment in Hungary**

- 1) Most of those long-termally unemployed are socially very disadvantaged people, which in itself is an obstacle for them to be able to improve their life conditions on their own. Since finding a new job or becoming an agricultural small-scale producer or entrepreneur or the strategies of employment after re-

training are not real alternatives for them, two typical layers have become dominant:

- a layer in the periphery of society that is reproducing its own disadvantageous situation,
  - a group of people which is satisfied with just a hand-to-mouth existence, living on casual jobs or household farming and who undertake jobs only sufficient enough to make them entitled to benefits.
- 2) Of all government means of handling the problem only the operation and effects of the Labour Market Fund, the National Employment Fund (OFA) and the Social Land Programme have been analysed. The insufficiency of the effect of the programmes refers to compound reasons and draws the attention to certain problems of approach.
  - 3) The mere fact that the problem of long-term unemployment has been referred to the competence of the labour organization has decreased efficiency. To increase efficiency considerably, far-reaching government measures, mature and more successful regional development policy, expansive social co-operation and co-operation between the ministries, and contribution to the development of backward regions, more intensive and efficient assistance to socially disadvantageous layers are needed.
  - 4) Civil organizations and those based on communities can often provide special services which can satisfy the typical needs of long-term unemployment more efficiently.
  - 5) Assistance systems themselves involve mistakes, which can be defined by the concepts ‘unemployment trap’ and ‘poverty trap’. On one hand the different benefits and forms of social provision are relatively high compared with payments (in spite of the considerable rise of minimum wages in the past two years), so they do not stimulate beneficiaries to try to find employment. On the other hand it may also happen that after covering the expenses in connection with employment, less income will remain than the amount of the social benefit. However it is less in both cases than the minimum sum necessary to make a living.
  - 6) The biggest problem, however, is that most of these programmes do not fit into the market environment organically. Sometimes there is a mentality or attitude domineering, which with a kind of anti-market approach, regarded (regards) the substitution or sometimes simulation of labour markets to be the basic task of the labour organization. Although by today, especially with the presumably lasting boom in view, the primary public task has become to support the more equal opportunity and just accessibility to markets and labour markets. All this cannot reduce public responsibility for those lagging behind and cannot mean

giving up those sinking into poverty (and their big families). At the same time we must take into consideration that it is a more serious and realistic aim to achieve to support them by improving their chances to participate in the market.

- 7) Owing to the restricted financial and human resource base of local development, the employment initiatives of villages and micro-regions are basically determined by the trends of the government support mentioned in the previous issue and by the regulations of accessibility. Innovative local and micro-regional initiatives have been started in connection with first of all NEF (OFA), the social land programme and various PHARE programmes.
- 8) Still in their infancy, and not yet known under this name, community enterprises have appeared. A part of them originates in the social land programme, another one, due to the complete lack of local enterprises, is organized as a result of the economic activity local governments or civil organizations are forced to do. The compulsion of economic activity originates from the necessity of the utilization of local resources and from the depressing employment problems.
- 9) Where there are attempts to apply local employment programmes, they usually cease to work, are not maintainable after the termination of the support. The reasons can be traced back to the market inviability of the targeted activities. They prove to be inviable because they cannot find the market gap, where they could place their special, unique, good quality products or services. It is partly caused by the lack of uniqueness of the products, or quality problems or insufficient marketing expertise, but most often by the lack of the necessary working capital. The support programmes do not deal with these things either, especially not with ensuring expertise and working capital after the investment period. They do not consider the fact that selling small serial local products requires special expertise, but especially in these regions there are not enough people having this kind of expertise, or people who wish to apply their expertise in the non-profit, community sector.
- 10) Utilization of local resources and maintenance of the projects going on are hindered by the fact that in the target regions practically everything is missing that would be necessary for launching an enterprise. There is no capital, but there is no technological and marketing expertise, no premises or technology suitable for the purpose, either. Inviting external enterprises that could remedy this situation could be a solution, but it would involve the danger of losing control over local resources thus making local people defenceless. The other possibility could be to ensure the missing factors in 'incubator houses' and following the launched business activity from a professional aspect for a while. The implementation of this idea is made all the more difficult by the fact that in the Hungarian support practice of economy village level incubator

houses are not accepted and the professional services cannot be provided economically within a village, it needs at least a micro-regional network.

- 11) Although every inflicted micro-region has got their governmental, local governmental or even economic and civil participants who are interested in improving the rate of employment and within it alleviating long-term unemployment they can hardly ever co-operate. The ‘micro-regional round table’ started in Zala county or any other initiatives of the kind have not appeared yet in the examined region. The multilateral dialogue, which was a result of the ‘Rapid Response’ programme, broke off after the programme was over.

#### **6.4 Proposals for developing strategies to alleviate long-term unemployment**

- 1) Objectives and priorities of employment policy have to be reconsidered. A starting point is the fact that GDP per capita as an indicator of the economic development of the country depends on the productivity of labour force utilization and the rate of employment. Increasing the former without the latter does not lead to the improvement of the indicator. The objectives of employment policy should therefore be: 1. Increasing the productivity of labour force utilization, 2. Employing the most possible people. These objectives also include the priorities accepted and applied in the countries of the European Union (these priorities are also known and have been declared in Hungary, but they have hardly been implemented or just with a low degree of efficiency) such as improvement of employability and a diverse and successful development of entrepreneurial skills, adaptability and equality of opportunity.
- 2) One of the most important sources of the improvement and reserves of employment rate may be crowds of people having a low labour market value, which increases the demand for the increase in the degree of education and for low-wage, often part-time and other atypical jobs.
- 3) Due to the long-run importance of knowledge-based successful sectors of economy strengthening economic sectors that contribute to the development of the suitable economic climate and environment and make them capable of receiving such successful branches, too, may play an important part in the improvement of productivity from the point of view of both short- and long-term objectives. Encouraging unemployed people to enter the labour market again has to be aimed at in such background branches.
- 4) As a consequence of all these ideas, support has to be granted to interventions which serve both objectives at the same time, and which focus on achieving one

objective without decreasing the chances to achieve the other objective. They can be as follows:

- making labour markets more dynamic,
  - upgrading labour force,
  - extension of employment.
- 5) The EU-conform principles of employment policy has to be implemented in practice, too. The most important of them is connecting the created jobs to marketable, maintainable activities.
  - 6) Among local employment initiatives the one aiming at ensuring the conditions of marketability has to be emphasized. Therefore the quality of the product, technology, working capital and suitable managerial skills should play an important part.
  - 7) A good means to provide external help to marketability is to support incubator houses of rural areas, when the usual incubation activity is done by a well-qualified management on premises in several villages.
  - 8) When settling the legal and financial status of community enterprises which play a key-role in local employment projects, their characteristics have to be taken into consideration. Lower wage-like expenses of employees and easier ways of claiming a refund of the general turnover tax may increase their role in employment.
  - 9) The ‘micro-regional round table’ may contribute to efficient communications between the parties involved in solving local employment problems, the choice of the means based on consensus, the well-qualified project management and the development of crisis-handling programmes elaborated on the basis of obvious conceptions of regional development.
  - 10) The national and regional methodological local development has to be strengthened by supporting existing initiatives. These bases can help local initiatives by training, information, professional counselling or even by lending experts for a certain period of time.

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