

**LABOUR MARKET
POLICY TOOLS
(MAY 2015 - MARCH 2016)**

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The chapter only includes policy tools whose regulation underwent substantive changes between May 2015 and March 2016. Tools operating without changes and the legal regulations applicable to them are described in detail in earlier issues of the Labour Market Yearbook.¹

1 INSTITUTIONAL CHANGES

1.1 The system of vocational education and training is transformed

The Ministry of National Economy merged the schools taken over from the *Klebelsberg Institution Maintenance Centre* into vocational education and training centres in July 2015.² The centres were granted educational and financial autonomy, while the schools operating as units of the centres were granted partial financial autonomy.³

According to government plans, vocational secondary schools will be turned into vocational “gymnasia”, while vocational schools will become vocational secondary schools in the school year 2016/2017.⁴ Vocational gymnasia will offer two vocational qualifications in addition to the secondary school leaving certificate, while vocational secondary schools will provide vocational training followed by preparation for the secondary school leaving certificate.⁵ However, the share of general knowledge subjects will decrease significantly in both school types.

1.2 The National Office for Rehabilitation and Social Affairs (NORSA) is transformed

According to press reports, the government is planning to dissolve or transform several financially autonomous institutions of the sector, in order to reduce bureaucracy. These reports state that – similarly to the National Labour Office, merged into the Ministry for National Economy in 2015 – the National Office for Rehabilitation and Social Affairs will be integrated in the Ministry for Human Capacities.⁶ The general and financial management of services supporting the integration of disabled job seekers in the labour market, so far managed by NORSA, is expected to be taken over not by the Ministry but by another government agency, for example the Equal Opportunities of Persons with Disabilities Non-profit Ltd. The local administrative offices of NORSA were already taken over by the metropolitan and county level government offices in April 2015.⁷

1.3 The professional autonomy of local labour offices decreases

The competence of local government offices was expanded and as a result the employer’s rights over the staff of local labour offices were transferred from

1 For last years’ analysis see *Cseres-Gergely-Varadovics* (2015).

2 146/2015. (VI. 12.) kormányrendelet.

3 The vocational training centres have been established. Ministry for the National Economy, 30 June 2015.

4 The government have decided on transforming vocational education and training. Ministry for the National Economy, 9 April 2015.

5 The transformation of the vocational education and training system aims at improving the quality of education. Ministry for the National Economy, 29 January 2016.

6 Government to dissolve fifty agencies. *Népszava*, 3 April 2016.

7 Government decree 70/2015. (III. 30.)

the heads of employment departments of county level government offices to the heads of local government offices in April 2015.⁸

2 BENEFITS

2.1 The amount of unemployment benefits

The minimum and maximum of job seeker's allowance was raised in line with the rise in the minimum wage in January 2016. The amount of the employment substitute support (a flat rate, means tested allowance) for the long-term unemployed did not change. The wage of public works participants did not increase either.⁹

2.2 Changes in disability benefits

The review of eligibility to disability benefit, launched in 2012, is progressing more slowly than originally planned. In order to accelerate the process, the NORSA was authorised in September 2015 to include experts not employed by the government in the review committees and if supplementary health or ability assessments are needed, these may be outsourced to independent service providers.¹⁰ For the sake of further simplification, review committees may decide not to examine an individual if earlier expert opinions state that their condition is incurable. Finally, after August 2015, individuals reaching retirement age in five years may be granted exemption from the review if the regular review took place during that five-year period.¹¹

3 SERVICES

3.1 New client profiling system

Following a lengthy preparation period, the new client profiling system was launched in the local labour offices in January 2016. The essence of the project financed from the EDIOP (Economic Development and Innovation Operational Programme) 5.1.1. scheme¹² is to place clients in one of three categories on the basis of questionnaires completed by them. The first includes those who are capable of finding employment on their own, the second those who need assistance in finding employment, while members of the third category are recommended for participation in a public works programme.

3.2 Reporting vacancies to the mayors

A new law effective from 13 July 2015 enables employers to register their seasonal labour demand locally, at the mayor's office, between 1 May and 31 October (provided they opt for simplified employment).¹³ The aim of the measure was to encourage employers to register summer seasonal jobs and in this way to increase the number of jobs in the open labour market offered by local labour offices to the long-term unemployed (or public works participants).

⁸ Ministerial order 7/2015. (III. 31.) on the organisational and operational regulations of the metropolitan and county government offices.

⁹ Government decree 170/2011. (VIII. 24.).

¹⁰ Government decree 247/2015. (IX. 8.).

¹¹ Act CXXXIII of 2015.

¹² Preparations were financed from the SROP 1.3.1. programme.

¹³ Act CXII of 2015.

4 ACTIVE LABOUR MARKET TOOLS AND COMPLEX PROGRAMMES

4.1 The expansion of public works

In addition to increased budgets, the range of those eligible to participate was also expanded: since 1 August 2015, persons who submitted a claim to be recognised as a refugee, protected persons and beneficiary of subsidiary protection as well as third-country nationals who are obliged to stay at a place designated by immigration authorities may also participate in public works programmes.¹⁴

In accordance with the objectives of public works for 2016, the gradual expansion of the Start Programme has to be continued and the opportunity of longer term employment ensured (for the planned increase in expenses see *Table A1* in the *Annex*). In order to better target the programme, the relevant government decree specifies the list of “municipalities of high priority in respect of public works”.¹⁵

The government allocated 27 billion HUF for the training of 50 thousand public works participants in the EDIOP 6.1.1. scheme published in August 2015.¹⁶

4.2 Measures supporting the integration of public works participants in the open labour market

Regulations have been amended in the summer of 2015 and then at the start of 2016 to increase the share of public works participants entering the open labour market. Pursuant to the new regulations effective from 13 July 2015,¹⁷ participants rejecting simplified employment and those whose additional employment is terminated either by themselves as employees (or by the employer) with immediate effect may be excluded from public works.

Since January 2016, a new, positive incentive, “allowance for finding employment” has been granted for former public works participants who have found a job in the primary labour market.¹⁸ The amount of the allowance is the same as the amount of employment substitution support payable for the period from the termination of public works participation to the date until the public works programme was supposed to last if the individual did not find employment.

In order to improve access to training and services supporting labour market integration, it has been regarded as public works participation “if the public works participant engages in training improving his/her adaptability to the labour market or (...) a maximum of three days of labour market service annually” since 13 July 2015.¹⁹

The Ministry in charge announced that a new programme was launched on 1 February 2016 with a budget of 3 billion HUF (cf. the total budget of 340 billion HUF of public works for 2016), which is planned to facilitate the integration of 20–25 thousand public works participants in the primary labour market.²⁰

¹⁴ Act CXXVII of 2015.

¹⁵ Government resolution 1040/2016. (II. 11.).

¹⁶ Call for applications EDIOP 6.1.1-15. In euros, the amount of the budget is around 90 million (the HUF/EUR exchange rate is around 300).

¹⁷ Changes in the law relating to public works. 30 July 2015.

¹⁸ Government decree 328/2015. (XI. 10.) on the “allowance for finding employment” for public works participants.

¹⁹ Act CXI 2015.

²⁰ New programmes to boost employment to start in the first half of 2016. Ministry for the National Economy, 5 January 2016.

4.3 A new programme for supporting the long-term unemployed to enter employment

The new EDIOP 5.1.1 scheme published in April 2015 – similarly to earlier SROP schemes – supports the training and wage subsidies of the long-term unemployed as well as providing the services and tools encouraging their self-employment.²¹ The primary target groups of the scheme are young people aged 25–30 looking for their first job, job seekers with low qualifications and those looking for employment for at least six months, persons returning to the labour market after parental or filial leave, job seekers aged over 50 and those exiting public works. The total budget of the scheme for the 2015–2018 period is 102 billion HUF.

4.4 The Youth Guarantee programme

The Youth Guarantee programme announced in autumn 2014 was launched in March 2015, with the same content but financed from different sources in the convergence regions and in Central Hungary (from EDIOP 5.2.1 and the Competitive Central Hungary Operational Programme (CCHOP) 8.2.1 respectively). The local labour offices provide tailor-made mentoring and active tools for young people aged 15–25 not in education or employment. As a first step, job seekers registered for at least six months are eligible to participate in the programme.

The programme guarantees that young job seekers get a quality offer within six months (and within four months later in the future). For unqualified young adults it may involve obtaining a qualification and for the qualified it may be work experience in the private sector, which is supported by the employment service by offering 100 per cent wage subsidies for 90 days (without an obligation for the employer to retain the young worker) and by reimbursing the costs of travelling to work.²²

Participation in public works does not qualify as a quality offer, that is, the local labour office cannot offer a public works contract for the participants of the programme; however, if the young job seeker asks for it they can enter public works. Wage subsidies can also be provided in the Youth Guarantee programme: 70 per cent of the wage and employers' contribution (social contribution tax) for a period of eight months but in this case the employer is obliged to retain the employee for a further four months. The programme supporting the self-employment of young job seekers, also related to the Youth Guarantee, was launched in January 2016.²³

4.5 Funding for not-for-profit providers of rehabilitation was terminated

SROP 5.3.8., completed in July 2015, funded the development and operation of 61 new and 33 old service providers in order to facilitate the labour market

21 EDIOP 5.1.1. call for applications.

22 Annex to Parliamentary resolution 88/2009. (X. 29.)

23 The programme to support youth entrepreneurship was launched in the central region. Ministry for National Economy, 26 January 2016.

integration of disabled job seekers. In addition to capacity building, the programme also included methodology development: the unified methodology for providing labour market services and a service analysis system have been developed, which help to measure the performance of labour market service providers according to unified criteria.

However, the new service providers involved did not receive state funding after the end of the programme and some of them have to date discontinued offering their services. The 33 “old” service providers were granted state funding until the end of March 2016. In the coming years, the government is planning to finance not-for-profit service providers from the Human Resource Development Operational Programme (HRDOP) and CCHOP; however, these programmes have not yet commenced.

4.6 Expansion of the Job Protection Action Plan

Although it is not managed by local labour offices, the Job Protection Action Plan, operated by the National Tax and Customs Administration, basically functions as a wage subsidy programme. The programme, which started in 2013, reduced the wage costs of employers by more than 135 billion HUF in 2015 and in this way supported the employment of 326 thousand employees aged over 55, 290 thousand employees with low qualifications, employed in unskilled jobs, 160 thousand young people looking for first-time employment, 40 thousand mothers with small children and 30 thousand long-term unemployed persons.²⁴

Since July 2015, the Job Protection Action Plan has also covered agricultural employees aged 25–55, involving 20 thousand employees until the end of the year.²⁵

5 POLICY TOOLS AFFECTING THE LABOUR MARKET

5.1 The personal income tax rate continues to decrease

The flat rate personal income tax rate fell from 16 to 15 per cent in January 2016.

5.2 The minimum wage increases

The State Secretary of the Ministry for National Economy in charge of labour market and training, representing the government, concluded an agreement on the minimum wage with three employers’ organisations and two trade union confederations. Accordingly, the minimum wage in 2016 is 111 thousand HUF gross (compared to 105 thousand HUF in the previous year), while the guaranteed minimum wage is 129 thousand HUF gross (compared to 122 thousand HUF in 2015).²⁶ The wage for public works has not been raised (monthly 79,155 HUF gross).

²⁴ [Employment at a record high again](#). Ministry for the National Economy, 5 January 2016.

²⁵ [Burdens of employers reduced by 135 billion through the Job Protection Action Plan](#). Ministry for the National Economy, 8 February 2016.

²⁶ The ‘guaranteed minimum wage’ applies to jobs that require at least secondary education.

Annex

Table A1: Expenditures and revenues of the employment policy section of the national budget, 2011–2015 (mHUF)

Expenditures	2011	2012	2013	2014	2014	2015	2016
	actual	actual	actual	plan	actual	plan	plan
1. Active subsidies							
Employment and training subsidies	25,774.8	22,017.2	25,105.9	27,000.0	28,120.8	14,000.0	16,172.0
Co-financing of EU-funded employability (and adaptability) projects	3,970.7	6,967.0	16,279.6	17,130.0	17,130.1	11,064.6	3,808.7
Public works ^a	59,799.8	131,910.7	171,053.4	231,105.3	225,471.1	270,000.0	340,000.0
SROP 1.1. Labour market services and support	19,754.4	29,772.3	33,804.9	41,000.0	35,790.1	7,500.0	54.5
SROP 1.2. Employment stimulation normative support	9,774.8	16,250.1	14,477.3	3,200.0	1,080.1		
Reimbursement of social security contribution relief	5,147.7	4,784.1	3,277.5	5,000.0	551.5		
Pre-financing labour market programmes for 2014–2020				10,000.0	0.0	49,200.0	54,700.0
2. Vocational and adult training subsidies	27,921.1	16,516.0	18,736.2	26,400.0	24,725.9	16,000.0	13,819.0
4. Passive expenditures							
Job seekers' allowances	124,543.2	64,067.2	51,819.9	56,000.0	49,235.0	50,000.0	47,000.0
Transfer to Pension Insurance Fund	1,221.5	907.0	961.3	313.9	451.6	400.0	0.0
5. Payment of wage guarantee subsidies	5,363.0	6,606.6	5,487.8	6,000.0	4,178.5	6,150.0	4,950.0
6. Expenditures on operations	86.7	100.0	1,472.8	1,600.0	2,418.3	3,050.0	3,283.4
9. Debt management expenditures (technical)	303.6						
13. Balance keeping and risk assessment							389.5
15. Supplementary subsidies for employers		5,222.9					
16. Sectoral subsidy for minimum wage raise			7,000.0		9.1		
17. Other expenditures			22.3				
Total expenditures	283,661.3	305,121.1	349,498.9	424,749.2	389,162.1	427,364.6	484,177.1

Revenues	2011	2012	2013	2014	2014	2015	2016
	actual	actual	actual	plan	actual	plan	plan
25. Revenues of SROP measures	26,247.6	42,827.3	51,276.1	46,000.0	39,776.7	43,000.0	51,700.0
26. Other revenues							
Other revenues, regional	734.2	559.0	602.3	750.0	1,507.8	1,000.0	1,000.0
Other revenues, national	1,316.8	1,113.6	1,376.8	1,000.0	2,537.1	1,000.0	1,000.0
Other revenues from vocational and adult training	781.2	1,020.1	692.6	650.0	216.8	800.0	800.0
31. Vocational training contribution	49,415.5	80,352.5	60,398.7	57,071.1	60,910.8	63,134.0	56,996.1
33. Redemption of wage guarantee subsidies	977.8	792.0	1,046.1	1,000.0	934.5	1,000.0	1,000.0
34. Debt management revenues (technical)	303.6						
35. Part of health insurance and labour market contributions payable to the National Employment Fund	186,596.3	127,096.6	125,614.6	125,041.5	135,819.4	141,772.9	150,476.4
36. Funding from the national budget	64,000.0	71,273.8	20,000.0			8,449.0	95,000.0
Part of the social contribution tax payable to the National Employment Fund		67,284.5					
Contribution related to the Job Protection Action Plan			91,542.7	95,936.7	95,936.7	100,541.7	105,769.9
Total revenues	330,373.0	392,319.4	352,549.9	327,449.3	337,639.8	360,697.6	463,742.4
Pending items ^b	202.0	270.3	-964.6				
Changes in deposits	46,913.7	87,468.6	-2,086.4	-97,300.0			
Total	330,596.9	393,040.4	351,560.1	424,749.2	389,162.1	427,364.6	484,177.1
At 2011 prices (deflated by a consumer price index)	330,596.9	371,845.2	320,117.2	380,295.4	348,432.8	383,403.9	434,807.2

^a Contains public works expenditures in 2011, and the expenditures of the Start work programme after 2011.

^b It contains the revenues from the European Globalisation Adjustment Fund in 2011.

Source: Acts on the budget of the relevant years (plan) and the implementation of the budget (<http://kfib.hu/hu/torvenyek-zarszamadatok>); in the case of 2013 the 153 779.8 is corrected with the provisions of government decrees 1507/2013. (VIII. 1.) and 1783/2013. (XI. 4.) (an extra 26 118 million funding for public works); in the case of the 2014 plan the 183 805.3 is corrected with the provisions of government decree 1361/2014. (VI. 30.) (an extra 47 300 million funding for public works).