

**LABOUR MARKET
POLICY TOOLS
(JUNE 2017–MAY 2018)**

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This chapter summarizes the main legislative changes of policy tools in the field of the labour market between June 2017 and May 2018.

1 INSTITUTIONAL CHANGES

1.1 Vocational training system

The modification of the Vocational and Adult Training Act¹ of 18th December 2017 (entered into force on 1st January 2018) increased the weight of practical training and established the so called sectoral skill councils on 1st of July 2018. Members of the sectoral skill councils are delegated by the sectoral stakeholders of the given economic sectors. The body is able to make proposals on the modification of the National Training Register (NTR), the modernisation of the training contents, the operation of the training system and prepares forecasts in order to determine the directions and goals of the training programmes.²

In order to strengthen practical training, the quota on the maximum number of training contracts has been abolished.³ In addition, training contracts of 9th grade students do not terminate automatically at main activity training companies. The modification enables parties to conclude a so-called pre-training contract between October and April already before the first vocational year.

In addition to this, vocational secondary school students at the 11th and 12th grade are also allowed to conclude a training contract (regarding the profession that could be achieved in the given grade, for at least 250 hours per academic year). The range of other institutions and organisations entitled to conclude a training contract has also been widened. The new rules make it clear that the student has to accomplish the uninterrupted professional practice in the duplicated grade even if they had previously accomplished it. According to the former legislation practical trainers had to have appropriate basic vocational qualification and practical knowledge. Moreover, in professions with master craftsmen requirements only those were entitled to teach as practical trainers who themselves also obtained the title of Master qualification. In line with the modification from the academic year of 2019/2020 practical trainers are obliged to complete a training course for practical trainers together with an exam with the exception of trainers who already have a master craftsmen examination, a tertiary degree or those who are above the age of 60.

1.2 Family and Career Point

In the framework of the tender HRDOP-1.2.9-17 'Women in the family and at work'⁴ 71 'Family and Career Points' (formerly Female Information and

1 Act 92 of 2017 on the modification of certain rules on education, vocational training and adult training and other related laws.

2 See on page hbkik.hu.

3 Whether an enterprise with practical training as main activity is entitled to hire more than 12 apprentices is not any more determined by the proportion of revenues in relation to the practical training normative used but the revenues of the company and the number of employees or the form of the company (self-employer).

4 See in the [description of the call for tender](#).

Service Centre/Women Centre) were established until the end of 2018 countrywide – except in the Central Hungary region. Based on common operative rules the main goal of the centres is to improve the labour market situation of women, to spread atypical forms of employment and promote work-life balance. The colleagues of the centres provide special training courses and counselling to women in order to help them in returning to the labour market and to facilitate the reconciliation of work and family life. Each centre co-operates with at least 20 local employers on the basis of an agreement and promotes atypical and flexible forms of employment through training and legal counselling.⁵

1.3 Establishment of pensioners' cooperatives

A new form of cooperative the so-called pensioners' cooperative for public interest was introduced on 1st July 2017 with the aim of promoting the employment of retired people. Pensioners hired through the cooperative are exempted from the payment of social security contributions and they only have to pay the personal income tax. In addition, the employment does not influence the financial amount of pensions.⁶ The association concludes the contract with the employer and the loan for the activity performed cannot be lower than the minimum wage or the guaranteed wage minimum according to the proportion of the working time.⁷

2 SUPPORTS

2.1 Unemployment benefit

As a result of the growth of the minimum wage⁸ in 2018 (see point 5.1) the maximum amount of the unemployment benefit was also increased. Hence, from 1st January 2018 the monthly maximum of the unemployment benefit is 138,000 HUF while the monthly amount of the unemployment assistance before pension is 55,200 HUF. Job-seekers participating in an intensive training programme accepted by the employment office are provided with a wage substitution benefit of an amount between 48,918 HUF and 81,530 HUF.

2.2 Rehabilitation and invalidity benefits

In January 2018, the amount of rehabilitation and invalidity benefits increased by 0.8 percent which means that its basic amount reached 98,890 HUF.⁹

Act 191 of 2011 on the benefits of persons with reduced working capacity¹⁰ and other related laws was supplemented by the rules of the exceptional invalidity benefit. The new rule established benefit opportunity for those disabled who, according to their health status and the grade of their work capacity loss were eligible for benefit but due to the lack of the necessary insurance time required by the law are not provided with benefits.

5 See on page csaladbaratorszag.hu.

6 Act 89 of 2017 on the modification on certain acts in connection with the establishment of pensioners cooperatives for public interest.

7 Act 146 of 2017 on the modification of certain acts in connection with the employment of recipients of miners' transitional benefit through pensioners cooperatives for public interest.

8 On the [increase of the minimum wage](#).

9 See the [act](#).

10 See the [act](#).

2.3 Childcare benefits

As a consequence of the minimum wage increase¹¹ in 2018 (for details see 5.1) the maximum amount of the child care fee (gyed) – which equals to 70 percent of the doubled amount of the actual minimum wage – was increased to 193,200 HUF in 2018. The fixed amount of the graduate child care fee (diplomás gyed) was increased to 96,600 HUF in the case of a BA and to 126,350 HUF in the case of a MA degree. In addition, from this year recipients are eligible for this benefit until the second birthday of the child. The maximum amount of the infant care allowance based on equity (csed) and the child care fee based on equity – as their amount are also determined by the minimum wage – increased too (to 276,000 HUF and 138,000 HUF).

3 SERVICES

3.1 Development of labour market services of local municipalities

In the framework of the programme ‘HRDOP-1.5.2-16 Development of human services with territorial approach’ local municipalities and municipality-maintained enterprises could apply for a support for the development of human public services from March 2017. Applicants have to guarantee that they will contribute to the improvement of the employability of disadvantaged groups and will strengthen their labour market situation.

3.2 Development of lawful employment

The program on the ‘Development of lawful employment’ EDIOP-5.3.7-VE-KOP-17 started in June 2017 and aims at improving working conditions and promoting lawful employment through the development of health and safety at work and by strengthening the labour inspectorate. The budget of the programme is 3.8 bn HUF and is implemented by the Ministry of Finance (former Ministry for National Economy).

4 ACTIVE LABOUR MARKET MEASURES AND COMPREHENSIVE PROGRAMMES

4.1 Tightening of the public works programme

The gradual cutback of the public works programme has been quicker than originally planned by the Government Decree 1139/2017 (of 20th of March) in 2017. In 2017 the planned budget of the public works programme was 325 bn HUF in the Hungarian national budget and 225 bn HUF in 2018 however, factually only 261 bn HUF was used in 2017.¹² The planned budget for 2019 is 180 bn HUF which (in real value terms) will not further decrease in the forthcoming years.

¹¹ See the [act](#).

¹² On the [cutback of public works](#).

4.2 Extension of the central labour market programme ‘From public work to the business sector’

The extension of the central labour market programme ‘From public work to the business sector’ was announced in July 2017. The aim of the programme is to promote business sector employment of those PWs participants with a vocational qualification who are motivated and are ready and capable for work. The programme contains two new support elements: 1. Employers could also hire a mentor (a professional supporter) with wage support, 2. Participants could be provided by labour market services. The new programme support elements were available between 1st July 2017 and 31st December 2018. The total budget of the programme is 5.8 bn HUF.

4.3 The aim of public work and the determination of preferentiated settlements from the respect of public work

According to Gov. Decree 1952/2017 of 13th December¹³ the main goal of public works for the year 2018 is to encourage PWs participants to leave public work and contribute to satisfying the seasonal labour demand in agriculture as well as to increase the employment and employability of those who are not able to enter into the primary labour market. An additional goal is the improvement of housing conditions and social integration of the Roma as well as promoting social integration of former detainees, balancing territorial labour market inequalities and improving the life quality of PWs participants. Finally, it also aims at increasing the population retention capacity of the countryside while supporting self-sufficient and self-sustaining settlements and social enterprises.

4.4 Employment cooperatives, partnerships, pacts

In June 2017 tenders ‘TOP-5.1.1-16 – County level employment agreements, co-operation in the field of employment and economic development’ and ‘TOP-6.8.2-16 – Local employment co-operation in cities with county rights and their surroundings’ were published with the aim of supporting employment co-operation, partnerships and the implementation of training and employment programmes. The programme provides support to the expansion of the local labour markets, the training and employment of job-seekers as well and ensures the necessary means to enhance the co-operation of the local stakeholders. The target group of TOP-5.1.1-16 are county level municipalities while that of TOP-6.8.2-16 are municipalities of cities with county rights. The budget of the former programme is 1.4 bn HUF and 6.7 bn HUF for the latter.

4.5 Encouraging social enterprises

The tender ‘EDIOP-5.1.7-17 – Encouraging social enterprises’ started in June 2017 and its aim is to reinvigorate and stabilise social enterprises in order to

¹³ See [Government decision](#).

establish long-term employment opportunities. The budget of the tender is 15 bn HUF.

4.6 Pilot programmes on strengthening the social economy and promoting labour market integration of the most disadvantaged groups

The tender ‘HRDP-1.11.1-17 – Pilot programmes on strengthening social economy and promoting the labour market integration of the most disadvantaged with the co-operation of NGOs and enterprises’ commenced in July 2017. The aim of this measure is the introduction and spread of sustainable social enterprise models in the social economy with the involvement of the most disadvantaged groups. The budget of the programme is 785 million HUF.

4.7 Supporting job creation investments of micro-, small-, and medium sized enterprises

In August 2017 ‘NEF-2017-SME Supporting job creation investments at micro-, small-, and medium sized enterprises’ and in January 2018 ‘NEF-2017-2-SME Supporting job creation investments at micro-, small-, and medium sized enterprises’ calls for tenders were published. The aim of the two tenders was reducing territorial differences, establishing territorial cohesion and strengthening the local economy. The budget of ‘NEF-2017-SME was 10 bn HUF while of ‘NEF-2017-2-SME 5 bn HUF.

4.8 Women in the family and at the workplace

Call for tender ‘HROP-1.2.9-17 – Women in the family and at the workplace’ was published in June 2017 in order to improve the labour market situation of women and to facilitate the reconciliation of family and work. The programme also aims at increasing the fertility rate while improving the financial situation of families as well as increasing social prestige and the mental health and self-estimation of mothers through promoting a smoother and quicker return to work. The budget of the tender is 14.1 bn HUF.

4.9 Supporting labour market integration of disadvantaged persons

The tender called ‘Supporting labour market integration of disadvantaged persons by local means’ in the framework of HRDOP-1.1.7-17 commenced in May 2017. Its goal is to improve the labour market situation of persons with the involvement of non-governmental organisations having their headquarters or establishment in the less-developed regions of Hungary. The budget of the programme is 6.0 bn HUF.

4.10 Supporting the employment of disabled people

The call for tender ‘HRDOP-1.1.6-17 – Supporting the individual or in-group employment of disabled persons’ commenced in June 2017. The programme

ensures special competency and skill development as well as training opportunities for the target group in order to improve the efficiency of the employment of disadvantaged persons. The budget of the tender is 1.1 bn HUF.

4.11 Chance at home

The call for tender ‘Chance at home – HRDOP-1.2.11-16’ was published in May 2017. It provides support for young persons who live, originally come from, or would like to settle down in, settlements with 3,000–20,000 thousand inhabitants in disadvantaged regions. The support provides help to these young people in establishing their livelihood and family life. The budget of the programme is 11 bn HUF.

4.12 ‘Establishing workers’ accommodation’ central labour market programme

Central labour market programme ‘Establishing workers’ accommodation’ was published in January 2018 and provides support for the construction or renovation of buildings which are appropriate to ensure accommodation for at least 80 workers. The budget of the programme is 5 bn HUF.

4.13 Changes in connection with housing support in order to promote mobility

The maximum amount of the mobility support for workers provided by employers – introduced in 2017 – has, from 1st January 2018, significantly increased. The maximum tax-free amount of the support is equal to 60 percent of the minimum wage (instead of the former 40 percent) in the first 2 years of the employment; 40 percent in the next 2 years (instead of the former 25 percent); and 20 percent in the fifth year (instead of the former 15 percent). A further change is that – unlike the former rules – the support is also available for employees with a fixed-term contract as well as for temporary workers from 2018.¹⁴

4.14 Supporting the entrepreneurship of job-seekers and young persons

The call for tender on ‘Supporting the entrepreneurship of job-seekers and young persons – training and mentoring – EDIOP-5.2.7-17’ was published in June 2017 with the aim of encouraging job-seekers above the age of 30 and young persons below 30 to become entrepreneurs in greater numbers in Hungary. The budget of the programme is 6 bn HUF. In addition, in April 2017 ‘EDIOP-5.2.7-17 – Supporting youth entrepreneurship’ and ‘EDIOP 5-1-10-17 – Supporting the entrepreneurship of job-seekers’ tenders were published. EDIOP 5.2.7-17 is targeting enterprises established by young persons at the age of 18–25 registered in the Youth Guarantee System or young persons at

¹⁴ Act 77 of 2017 on the modification of certain acts on taxation and other related laws.

the age of 25–30 registered as job-seekers. At the same time EDIOP 5.1.10-17 targeted individual undertakings and companies established by registered job-seekers above the age of 30. The goal of both programmes is to prepare participants to start their own business (as self-employer or in the form of a micro-enterprise). The budget of EDIOP-5.2.7 was 16 bn HUF while of EDIOP-5.1.10-17 it was 8 bn HUF.

4.15 Development of digital labour market competencies in the Central Hungary region

The programme ‘Development of digital labour market competencies in the Central Hungary region – CCHOP-8.5.4-17’ commenced in June 2017 and aims at improving digital competencies of the population in order to improve labour market performance. The budget of the programme is 1.3 bn HUF.

4.16 Job retention support – in order to maintain employment capacity of enterprises facing transitional challenges

In the framework of the programme called ‘Immediate action’ the call for tender ‘Support for job retention in order to maintain the employment capacity of enterprises facing transitional challenges’ (ACS_MEGŐRZŐ) was published in January 2018. The aim of the programme is to ensure the uninterrupted employment of the workforce by supporting the employment of those affected by mass dismissals. The budget of the programme is 3.9 bn HUF.

5 POLICY TOOLS AFFECTING THE LABOUR MARKET

5.1 Changes in connection with the minimum wage and the guaranteed wage minimum¹⁵

As from 1st January 2018 the amount of the minimum wage of full-time employees increased from 127,500 HUF to 138,000 HUF while the amount of the guaranteed wage minimum for skilled workers (in a job with a minimum qualification requirement of general or vocational secondary education) increased from 161,000 HUF to 180,500 HUF in the case of full-time employment.¹⁶

Based on a modification in November 2017 the Government has been entitled to establish a differentiated minimum wage and a guaranteed wage minimum for certain groups of employees. ‘Necessary requirements for the fulfilment of the job, the characteristics of the national labour market and the situation of the national economy as well as the attributes of certain economic sectors and the labour market characteristics of certain geographical areas’ have to be taken into account in the determination of the minimum wage and the guaranteed wage minimum.¹⁷ In addition, the modification declares that in the case of a performance-based wage the amount of the earn-

15 There are two types of minimum wage in Hungary, the minimum wage and the guaranteed wage minimum (for skilled workers). Employees in jobs with at least minimum secondary or vocational secondary qualification requirements are entitled for the guaranteed wage minimum

16 Government Decree 430/2016 of 15th December.

17 Act 159 of 2017 Article 202.

ings has to achieve the minimum wage or the guaranteed wage minimum on the condition of fulfilling 100 percent of the performance standards in case of full-time employment.¹⁸

5.2 Transformation of the tax and contribution system

5.2.1 *Decreasing of the social contribution tax and health contribution*

With reference to the favourable economic situation – and the slightly modified original plans of the Autumn Tax Package¹⁹ of 2016 – the rates of the social contribution tax and the health contribution paid by employers was further reduced from the former 22 percent to 19.5 percent each.²⁰

5.2.2 *Modifications in the personal income tax and the transformation of the cafeteria system*

The scale of tax-free benefits was complemented by the following items from 2018:

- The proportion of tax-free housing allowance was modified (see under point 4.13);
- In-hand benefits (e.g. meals, travel reimbursement) of vocational training participants became tax-free during the practical training;²¹
- Benefits provided to individuals participating in supported adult training, labour market training or labour market programme in order to promote social inclusion;²²
- Tax-free benefits were complemented by the support for student loan repayment up to a monthly amount equivalent to 20 percent of the minimum wage.²³

5.3 Student's summer job

The Ministry for National Economy published the students' summer work programme also in 2017. The programme (with a budget of 2.3 bn HUF) supported the employment of those young persons between the age of 16 and 25 at territorial and local municipalities or other institutions maintained by the municipality. The programme – besides the financial gain – could also help students fulfil a compulsory professional traineeship. Between 1st July and 31st August approximately 25–30 thousand young persons participated in the programme. With a daily maximum working time of 6 hours participants with a vocational qualification were provided with 120,750 HUF while without a vocational qualification 95,625 HUF per month.²⁴

18 Act 159 of 2017 Article 202.

19 Act 66 of 2016 on the modification of certain acts on taxation and other related laws, and Act 122 of 2010 on the modification of the National Tax and Customs Administration.

20 Act 156 of 2017 on the decrease of the social contribution tax and the modification of related laws. Social contribution tax and health contribution are both 20 percent according to Act 182 of 2016.

21 Act 77 of 2017 on the modification of certain acts on taxation and other related laws.

22 Act 77 of 2017 on the modification of certain acts on taxation and other related laws.

23 Éva Kelemen (Petricskóné) 2018: Cafeteria 2018, Tax journal, No. 3.

24 For information see page kormany.hu.

Annex

Table F1: Expenditures and revenues of the tight section of employment policy in the national budget, 2012–2018 (m HUF)*

	2012	2013	2014	2015	2015	2016	2016	2017	2018
	actual	actual	actual	plan	actual	plan	actual	plan	plan
Expenditures									
1. Active subsidies									
Employment and training subsidies	22,017.2	25,105.9	28,120.8	14,000.0	12,302.4	16,172.0	27,503.9	16,172.0	35,000.0
Co-financing EU-funded employability (and adaptability) projects	6,967.0	16,279.6	17,130.1	11,064.6	11,064.6	3,808.7	3,808.7		
Public work (START work programme)	131,910.7	171,053.4	225,471.1	270,000.0	253,723.3	340,000.0	267,965.7	325,000.0	225,000.0
SROP 1.1. Labour market services and support	29,772.3	33,804.9	35,790.1	7,500.0	12,305.1	54.5	79.5		
SROP 1.2 Normative supports in order to promote employment	16,250.1	14,477.3	1,080.1						
EDIOP 5. Employment priority – annual published budget								81,600.0	7,800.0
Out of which source of CCHOP								1,000.0	
EDIOP 6. competitive workforce – budget published in the given year								74,380.0	
Reimbursement of social security contribution relief	4,784.1	3,277.5	551.5						
Pre-financing labour market programmes 2014–2020			0.0	49,200.0	13,654.9	54,700.0	50,101.3	74,116.4	84,300.0
2. Vocational and adult training subsidies	16,516.0	18,736.2	24,725.9	16,000.0	30,084.7	13,819.0	27,872.0	20,000.0	29,930.0
4. Passive expenditures									
Job search benefits and assistances	64,067.2	51,819.9	49,235.0	50,000.0	49,657.7	47,000.0	53,454.1	47,000.0	55,000.0
Transfer to Pension Insurance Fund	907.0	961.3	451.6	400.0	309.1	0.0			
5. Payments from Wage Guarantee Fund	6,606.6	5,487.8	4,178.5	6,150.0	3,790.7	4,950.0	3,994.3	4,000.0	4,000.0
6. Operational expenditures	100.0	1,472.8	2,418.3	3,050.0	2,816.0	3,283.4	2,899.3	3,500.0	2,900.0
7. Other budget contribution									
15. Headline stability reserves						389.5	389.5		
Supplementary subsidies for employers	5,222.9								
16. Sectoral subsidy for minimum wage increase		7,000.0	9.1						
17. Other expenditures		22.3							
Total expenditures	305,121.1	349,498.9	389,162.1	427,364.6	389,708.5	484,177.1	438,068.3	645,768.4	443,930.0

(Please find Revenues on the next page.)

	2012	2013	2014	2015	2015	2016	2016	2017	2018
	actual	actual	actual	plan	actual	plan	actual	plan	plan
Revenues									
25. Revenues of SROP programmes**	42,827.3	51,276.1	39,776.7	43,000.0	22,466.1	51,700.0	46,365.0	60,000.0	70,400.0
26. Other revenues									
Other revenues, regional	559.0	602.3	1,507.8	1,000.0	1,290.8	1,000.0	1,839.5	1,000.0	1,000.0
Other revenues, national	1,113.6	1,376.8	2,537.1	1,000.0	901.5	1,000.0	1,745.6	1,000.0	1,000.0
Other revenues from adult and vocational training	1,020.1	692.6	216.8	800.0	10,147.6	800.0	2,169.2	800.0	800.0
31. Vocational training contribution	80,352.5	60,398.7	60,910.8	63,134.0	65,308.2	56,996.1	70,327.6	60,706.7	74,436.3
33. Redemption of wage guarantee subsidies	792.0	1,046.1	934.5	1,000.0	663.6	1,000.0	424.6	1,000.0	1,000.0
34. Debt management revenues (technical)									
35. Part of health and labour market contributions payable to the National Employment Fund	127,096.6	125,614.6	135,819.4	141,772.9	144,953.2	150,476.4	155,369.2	165,801.9	194,169.2
36. Funding from the national budget	71,273.8	20,000.0		8,449.0	8,449.0	95,000.0	31,023.3		25,000.0
38. Part of social contribution tax payable to the National Employment Fund	67,284.5						68,605.5	217,539.6	0.0
Contribution related to the Job Protection Action Plan		91,542.7	95,936.7	100,541.7	100,541.7	105,769.9	52,884.9		
Total revenues	392,319.4	352,549.9	337,639.8	360,697.6	354,721.7	463,742.4	430,754.4	507,848.2	367,805.5
Pending items	270.3	-964.6							
Changes of deposits	87,468.6	-2,086.4							
Total	393,040.4	351,560.1	389,162.1	427,364.6	354,721.7	484,177.1	430,754.4	507,848.2	367,805.5
Total revenues at 2012 prices (deflated by the consumer price index)	393,040.4	345,683.5	383,423.8	421,484.5	349,841.1	475,612.8	423,135.1	487,173.1	352,831.7

* The ordinal numbers in the table correspond to the title numbers identifying the headlines of the national budget.

** Regarding 2017 and it includes the revenue 'Reimbursement of the expenditures of the pre-financed EU programmes'.

Source: The act on the central budget of Hungary (plan) and the act on the implementation of the central budget of the given year (actual); regarding 2013 the amount of 153,779.8 million HUF was modified by the provisions of Government Decisions No. 1507/2013 of 1st August and 1783/2013 of 4th November with an additional budget of 26,116 million HUF to public work; regarding the plan of 2014 the original amount of 183,805.3 million HUF was modified by Government Decision 1361/2014 of 30th June (allocating an additional budget of 47,300 million HUF to public works). Revised regarding plan of 2017 by the provisions of Act 84/2017 'On the modification of Act 110/2016 on the 2016 Central Budget of Hungary'. The source of the expenses of the EDIOP is Government Decision No. 1006/2016 of 18th January on the determination of the annual development framework of the Economic Development and Innovation Operational Programme and further Government Decisions on its modification.