

1 LABOUR MARKET POLICY TOOLS (JUNE 2019 – MAY 2020)

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1.1 Institutional changes

The system of vocational education and training. Act LXXX of 2019 on Vocational Education and Training¹ took effect on 1 January 2020. Pupils entering vocational education and training on 1 September 2020 already commenced their studies in accordance with the new regulation. (The changes will be phased in starting from the school year 2020–2021.) The 4 + 1 year structure of secondary vocational schools will be replaced by a 5-year and in some cases even 6-year structure, while vocational schools will cover only three years.

The first phase of education will offer the shared sectoral basics of related occupations. Following this foundation phase, pupils sit for a sector-specific examination and then select one of the related occupations to study at the end of Grade 9 at a vocational school and after Grade 10 at a secondary vocational school.²

Vocational schools prepare pupils for an occupation. Following the first year providing sector-specific knowledge, that is after passing the sector-specific examination and choosing an occupation, pupils take part in dual training (apprenticeship) at enterprises or entrepreneurs, where they acquire profession-specific skills. At the end of their studies, pupils sit for a profession-specific examination and acquire a vocational qualification. After passing the examination, they may participate in a two-year part-time programme and obtain an upper-secondary qualification.

At the five- or six-grade secondary vocational schools it is possible to obtain a post-secondary qualification, which provides skills relevant to middle management roles. In general subjects, education ends in a school-leaving examination (Matura) and pupils take a profession-specific exam in a fifth subject, which qualifies as an advanced-level school leaving examination. Secondary vocational programmes also include practical, work-based training elements, ideally at enterprises, as dual training. Having completed the five or six grades, pupils obtain both a secondary school leaving certificate (Matura) and a post-secondary vocational certificate, and may be given preferential treatment when applying for a relevant higher education programme.

Under the new law, dual training provided by vocational and secondary vocational programmes will be governed by an apprenticeship contract in-

1 Act LXXX of 2019 on Vocational Education and Training (in Hungarian).

2 See PBKIK, Pécs.

stead of a training contract and will be subject to the Labour Code with certain exceptions.

Pupils in vocational education and training are entitled to various emoluments during their studies but only one at a time. They may be awarded a grant based on their school performance during their studies at school and are paid a salary and other emoluments by the enterprise providing the dual training (apprenticeship), based on their apprenticeship contract.

Under the new legislation, the National Qualifications Register is replaced by the Register of Professions, which contains 174 professions of 25 sectors, along with the length of training required, the specialisations belonging to each profession and the possibilities of transfer from one profession to another. Training for the so-called basic professions will only be provided by vocational schools and secondary vocational schools, within the education system.

The status of teachers in vocational and secondary vocational schools also changes: they are no longer employed as public servants but have an employment contract or agency contract governed by the Labour Code.

On 16 March 2020, e-learning was introduced, with a ministerial decree, for general knowledge and profession-specific theoretical subjects at vocational and secondary vocational schools due to the COVID-19 pandemic.³ If a pupil did not possess the necessary devices and Internet access, the vocational training centre he/she attends provided for these and also for education in small groups of maximum five pupils in the school building. Depending on the nature of the profession and the equipment needed, apprenticeship training was also ideally provided as e-learning or individually, through project work. The year-end practical examinations were postponed and pupils were able to conclude an apprenticeship contract at the beginning of their dual training without passing the practical examination. If either the school or the practical training provider (the enterprise) deemed the practical training (apprenticeship) unfeasible, they decided together to postpone it or provide it as e-learning.

Economy Support Operational Board. In order to mitigate and prevent the detrimental impacts of the coronavirus pandemic, the Hungarian government has set up the Economy Support Operational Board,⁴ which monitors the government measures taken to protect the Hungarian economy as well as their implementation, and makes recommendations for the government on abolishing factors and regulations that pose an obstacle for businesses to pursue their activities or make investments. The Economy Support Operational Board also makes proposals for the government on measures to ease the allocation of EU and national funding, gives its opinion on initiatives relevant to the protection of the Hungarian economy and makes proposals on government interventions.⁵

³ See nive.hu.

⁴ See [source of law](#) (in Hungarian).

⁵ See koronavirus.gov.hu.

1.2 Benefits

Unemployment benefit. As a result of raising the minimum wage in 2020⁶ (see Section 1.5), the maximum amount of the unemployment benefit (so-called job-seekers' allowance) also increased. Thus the maximum of the job-seekers' monthly allowance has been HUF 161,000 since 1 January 2020, while the unemployment assistance granted before retirement has been HUF 64,400 a month. The so-called activity compensation of job seekers participating in intensive training acknowledged by job centres ranges between HUF 96,600–161,000 a month.

Rehabilitation and disability benefits. The amount of rehabilitation and disability benefits increased by 2.8% in January 2020 and in this way the base allowance is now at HUF 104,405.⁷

Child benefits. As a result of a raise in the minimum wage in 2020 (see Section 1.5.), the maximum amount of the parental leave benefit (which equals 70 per cent of double the amount of the minimum wage) increased to HUF 225,400 a month in 2020. The parental leave benefit for graduates otherwise not entitled to one increased to HUF 112,700 for Bachelor degree holders and HUF 147,420 for Master degree holders. From 2020 onwards, insured grandparents who are not yet pensioners are also entitled to the parental leave benefit if certain requirements are met.⁸

During the state of emergency declared because of the pandemic, entitlement to the parental leave benefit was extended for parents whose entitlement would have ceased on, or after, 11 March 2020⁹ and this regulation expired on 17 June, when the state of emergency was repealed – implying that those whose entitlement to parental leave ceased after 17 June 2020 did not enjoy the prolonged entitlement.

1.3 Services

Job retention loan. Businesses are able to apply for the loan scheme launched in order to counteract the economic effects of the coronavirus pandemic if they are unable to finance the maintenance of their jobs. In this case they can take out a loan amounting to 9 months' salaries at an interest rate of 0.1 per cent, with a two-year maturity and with a pre-redemption period of maximum 9 months.¹⁰ Borrowers must undertake to retain at least ninety per cent of their workforce during the maturity period.

Student Loan Extra. The interest-free Student Loan Extra was introduced in May 2020, amounting to a maximum of HUF 1.2 million if the borrower participates in adult training programmes specified by the Ministry for Innovation and Technology.¹¹ This general purpose loan primarily supports students who have lost their jobs or are considering a career change during their studies. Student Loan Extra may also be taken out by higher education students up to an amount of HUF 500 thousand.

6 See [source of law](#) (in Hungarian).

7 See kormanyhivatal.hu.

8 See kozlonyok.hu.

9 See koronavirus.gov.hu.

10 See kavosz.hu.

11 See kozlonyok.hu.

Information portal for entrepreneurs. The site supports entrepreneurs by collecting advice as well as information on programmes, loans and calls to tender, which may be useful during the pandemic and the ensuing economic crisis.¹² It also provides information on free or state-funded training, helpful for employees whose jobs are at risk.

“Redesign” campaign. As part of the economy support action plan, the government launched a free, online information technology training in May 2020.¹³ Participants acquire basic computer literacy skills ranging from the usage of Windows to software development and website development. The eight-week course involves 2–6 hours of learning a day mainly based on video instructions. The course helps participants to assess how inclined they are towards information technology and whether they are interested in taking part in further training courses ending in a qualification.

1.4 Active labour market policies and comprehensive programmes

The public works budget in 2020. Prior to the coronavirus pandemic, the Hungarian government intended to downscale the public works programme and thus reduced the budget of the Start work programme from HUF 180 billion in 2019 to 140 billion in 2020.¹⁴ However, the Government Resolution 1466/2020. (VII. 31.) on issues concerning public works¹⁵ was published in June 2020 stating that the government provides an opportunity to work in the public works scheme for anyone requesting it. To this end, the budget of the Start work programme was increased by HUF 5 billion.

Public works and social welfare land programme. A public invitation was published by the Ministry of Agriculture and the National Land Centre in June 2019 for municipalities to tender for the free usage of 1,200 hectares of state-owned land.¹⁶ The primary aim of the programme is to support Hungarian villages, extend the agro-economic opportunities available for them and assist disadvantaged people in rural areas. The call facilitates the extension of local public works projects and labour market opportunities and supports the production of locally produced agricultural products.

“Summer student work 2020” central labour market programme. This central labour market programme, launched in June 2019, facilitates the entrance of young people to the labour market by providing early work experience and income for students. The total budget of the programme is HUF 3.6 billion.¹⁷

Employment aid for public works participants. Government decree 203/2019 (VIII.23.)¹⁸ was published on 23 August 2019, stipulating that public works participants are entitled to a one-off employment aid in addition to the public works wages. This one-off assistance contributes to the costs of job seeking with HUF 81,530 if the beneficiary was in public works for a minimum of 90 days between 1 January and 31 July and was not subject to exclusion from public works as defined in the Public Works Act.

12 See vali.ifka.hu.

13 See nive.hu.

14 See parlament.hu.

15 See kozlonyok.hu.

16 See kormany.hu.

17 See ado.hu.

18 See magyarkozlony.hu.

The programme was designed to stimulate employment in the country, expand land use opportunities for municipalities, support local agricultural production and increase the proportion of agricultural products produced locally. *New Internship Programme.* The EDIOP-5.2.4-19 call titled New Internship Programme was published in November 2019 in order to assist disabled young people with upper-secondary qualifications with gaining work experience through internship and placement. The total budget of the programme is HUF 1.3 billion.

Providing grants for and supporting the training and employment of parents with young children. The EDIOP-5.3.13-20 call titled “Providing grants for and supporting the training and employment of parents with young children” was published in February 2020, which facilitates the participation of parents with young children in education and training, improves their employability, supports their return to employment and in this way activates the labour reserve. The total budget of the programme is HUF 3 billion.

Wage subsidies introduced due to the coronavirus pandemic. Government regulations adopted in order to alleviate the effects of the coronavirus pandemic introduced several wage subsidy schemes for the duration of the state of emergency.

The aim of supporting short-time working arrangements¹⁹ was to encourage businesses affected by the pandemic to continue employing their workers in reduced working hours instead of downsizing. Under the regulation, part-time work of a maximum of four hours a day, amounting to at least half of the average working time of the three months preceding the state of emergency but not exceeding 70 per cent thereof qualifies as reduced working time. The regulation was later amended²⁰ to include working time of at least 25 per cent of, but not exceeding 80 per cent of, earlier working hours. The amendment also made it easier to apply for the subsidy. The first regulation required (in addition to operation for at least 6 months and employment since the announcement of the state of emergency or for a longer time) employers to prove that economic circumstances resulting in the short-time work arrangement are directly and closely related to the state of emergency, while the new regulation did not require a justification in order to apply for the subsidy.

A subsidy for employees in research and development was available under similar conditions.²¹ Employers were entitled to a 3-month grant for the wages of employees in scientific research, development and innovation jobs. The grant was proportionate to gross wages and amounted to a maximum of HUF 319 thousand. When applying for the grant, employers undertook to retain the earlier average headcount, continue to employ the employee for a period equal to the period of the grant and did not reduce the wages of the employee during the period of the grant and during the continued employment.

19 See [source of law](#) (in Hungarian).

20 See [source of law](#) (in Hungarian).

21 See [source of law](#) (in Hungarian).

A wage subsidy for job creation was also introduced because of the pandemic,²² which was possible to claim for the employment of registered job seekers. The employment of a registered job seeker had to result in a net increase in headcount compared to the one at the time of applying for the subsidy. The period subsidised was six months, followed by three months of mandatory continued employment. The subsidy covered 100 per cent of the gross wages and social security contribution, amounting to a maximum of HUF 200 thousand. *Changes to the public works regulations during the state of emergency.* On 15 May 2020 Government resolution 1240/2020²³ was published, which expanded the range of those who can apply for public work.

Amendment to Act CVI of 2011 on Public Works and the Amendment of Related and Other Legislation. This amendment was adopted on 19 May 2020²⁴ and stipulates that job seekers are excluded from public works for three months if because of their disorderly living environment the competent authorities reported a risk to health or public safety or the municipal clerk reported in a final decision a non-compliance with an obligation specified in a municipal regulation.

Supporting the investment of micro-, small and medium-sized enterprises in adapting to current business and production challenges. “CCHOP-1.2.6-20 Supporting the investment of micro-, small and medium-sized enterprises in adapting to current business and production challenges” and “EDIOP-1.2.8-20 Supporting the investment of micro-, small and medium-sized enterprises in adapting to current business and production challenges” commenced in May 2020. Both programmes aim at alleviating the economic effects of the coronavirus pandemic by maximising the workforce retention of (primarily micro-) enterprises and investment implemented from grants available for the various SME and headcounts categories. Additionally, a primary objective of the programme is to improve the productivity of SMEs and support their technological renewal. The total budget of CCHOP-1.2.6-20 is HUF 18.8 billion and that of EDIOP-1.2.8-20 is HUF 33.3 billion.

Introducing a special form of employment in the army. In May 2020 the army introduced a Special Voluntary Reserve Military Service for Hungarian citizens who lost their jobs during the coronavirus pandemic. In this special employment form there is no obligatory duration of contracts: they may be terminated by mutual agreement at any time. Volunteers are paid a gross monthly salary of HUF 161 thousand over the six-month service as well as a mobility allowance and are provided a meal.

Development of competitive entrepreneurial attitudes and increasing the proportion of opportunity-oriented enterprises. “EDIOP-1.1.9-CCHOP-20 Development of competitive entrepreneurial attitudes and increasing the proportion of opportunity-oriented enterprises” was published in June 2020. It supports the survival and efficient operation of start-ups by creating a platform of 21st

22 See munka.hu.

23 See magyarkozlony.hu.

24 See magyarkozlony.hu.

century solutions, an information channel ensuring knowledge transfer and a “starter pack”. The total budget of the programme is HUF 1.1 billion.

1.5 Policy tools affecting the labour market

Changes in the minimum wage and the guaranteed minimum wage

The minimum amount of the base salary of full-time employees increased from HUF 149 thousand to HUF 161 thousand gross on 1 January 2020, while the guaranteed minimum wage of full-time employees in jobs requiring at least an upper-secondary qualification and/or mid-level vocational qualification increased from HUF 195 thousand to HUF 210,600.²⁵

Changes in the system of taxes and contributions

Social contribution tax. On 1 July 2019 the social contribution tax decreased from 19.5 per cent to 17.5 per cent²⁶ and on 1 July 2020, as an element of the package intended to reduce the effects of the coronavirus pandemic on the economy, it was reduced again by 2 percentage points.²⁷

The Act on Social Contribution Tax was modified as a result of changes in the vocational education and training system. Similarly to employment contracts with higher education students, apprenticeship contracts are also exempt from tax, including social contribution tax.

Act on Beneficiaries of Social Security. The new legislation on beneficiaries of social security adopted in December 2019 took effect on 1 July 2020.²⁸ It includes several changes affecting employees. The new Act merged health insurance, monetary health insurance, labour market and pension contribution into a flat rate 18.5 percent social security contribution. However, certain employees are only liable to paying the 10 percent pension contribution.

The Act provides that the minimum amount of the contribution is linked to the minimum wage and the guaranteed minimum wage: it is at least 30 per cent of the minimum wage for employees. However, the lower end of the contribution is not applied to beneficiaries of parental leave benefits, full-time pupils, higher education students and participants of vocational education and training. Those pursuing an ancillary activity – for example pensioners with an employment contract – are exempt from paying social security contribution and social contribution tax.

Changes due to the coronavirus pandemic

In order to alleviate the effects of the pandemic on the economy, several labour market measures were introduced for the period of the state of emergency.

Tax relief in the most affected sectors. The tax relief measures granted exemption from tax and contributions for employers and entrepreneurs in the sectors specified in the regulation²⁹ as the most affected. This was for three months

25 See [source of law](#) (in Hungarian).

26 See [source of law](#) (in Hungarian).

27 See [source of law](#) (in Hungarian).

28 See [source of law](#) (in Hungarian).

29 See [source of law](#) (in Hungarian).

starting from March. Thus employers were exempt from social contribution tax payable on employees as well as the rehabilitation contribution and vocational training contribution. Small businesses active in the sectors concerned were exempt from paying the flat rate simplified tax of small taxpayers (so-called KATA) during this period. Additionally, businesses active in tourism were exempt from paying the tourism development contribution.

Healthcare for employees on unpaid leave. The regulation adopted³⁰ stipulates that employees on unpaid leave because of the state of emergency are entitled to healthcare. Employers are liable to paying the healthcare contribution on such employees; however, they may request to pay the contribution within two months following the end of the state of emergency.

Changes to the Széchenyi Leisure Card (SZÉP Card). The measures adopted also affect regulations on the cafeteria system.³¹ The amount of the non-cash fringe benefit that may be given for employees on the SZÉP card increased: on the accommodation sub-account a maximum of HUF 400 thousand a year, on the hospitality sub-account a maximum of HUF 265 thousand a year, while on the leisure sub-account a maximum of HUF 135 thousand may be given. The fringe benefit provided on the SZÉP card until 30 June was exempt from the social contribution tax.

Measures related to the Labour Code. In order to ensure the opportunity for remote work, the Labour Code was temporarily amended during the state of emergency.³² Employers were entitled to modify the work schedule and the ordering of employees to work in a home office during the state of emergency and the 30 days thereafter.

30 See [source of law](#) (in Hungarian).

31 See [source of law](#) (in Hungarian).

32 See [source of law](#) (in Hungarian).

Appendix

Table A1: Expenditures and revenues of the employment policy section of the national budget, 2013–2020 (million HUF)^a

Expenditures	2014	2015	2016	2017	2017	2018	2019 ^b	2020
	actual	actual	actual	plan	plan	plan	plan	plan
Employment and training subsidies	28,120.8	12,302.4	27,503.9	16,172.0	27,238.9	35,000.0	35,000.0	21,000.0
Co-financing EU-funded employability (and adaptability) projects	17,130.1	11,064.6	3,808.7				84,300.0	
8. Public works (START work programme)	225,471.1	253,723.3	267,965.7	325,000.0	265,837.2	225,000.0	180,000.0	140,000.0
SROP 1.1 Labour market services and support	35,790.1	12,305.1	79.5					
SROP 1.2 Normative support for promoting employment	1,080.1							
EDIOP 5 Employment priority – annually published budget, Of which CCHOP funding				81,600.0		7,800.0	28,000.0	23,000.0
				1,000.0				1,298.0
EDIOP 6 Competitive workforce priority – annually published budget				74,380.0			9,770.0	22,561.0
Reimbursement of social security contribution relief	551.5							
Pre-financing 2014–2020 labour market programmes	0	13,654.9	50,101.3	74,116.4	70,995.3	84,300.0		85,000.0
2. Vocational and adult training subsidies	24,725.9	30,084.7	27,872.0	20,000.0	29,919.4	29,930.0		25,000.0
Job seekers' allowance	49,235	49,657.7	53,454.1	47,000.0	59,674.0	55,000.0	75,000.0	83,000.0
Transfer to Pension Insurance Fund	451.6	309.1						
5. Payments from Wage Guarantee Fund	4,178.5	3,790.7	3,994.3	4,000.0	3,341.2	4,000.0	4,500.0	4,500.0
6. Operational Expenditures	2,418.3	2,816.0	2,899.3	3,500.0	2,785.6	2,900.0	4,310.0	1,200.0
7. Other budget contribution							70,000.0	71,000.0
15. Headline stability reserves			389.5					
Supplementary subsidies for employers								
16. Sectoral subsidy for minimum wage increase	9.1							
17. Other expenditures								
Total expenditures	389,162.1	389,708.5	438,068.3	645,768.4	459,791.6	443,930.0	522,574.8	476,261.0

	2014	2015	2016	2017	2017	2018	2019	2020
Revenues	actual	actual	actual	plan	plan	plan	plan	plan
25. Revenues from SROP measures ^c	39,776.7	22,466.1	46,365	60,000.0	64,512.6	70,400.0	70,000.0	70,000.0
Other revenues, regional	1,507.8	1,290.8	1,839.5	1,000.0	2,188.1	1,000.0	1,000.0	1,000.0
Other revenues, national	2,537.1	901.5	1,745.6	1,000.0	2,013.8	1,000.0	1,000.0	1,200.0
Other revenues from vocational and adult training	216.8	10,147.6	2,169.2	800.0	1,643.1	800.0	800.0	800.0
31. Vocational training contribution	60,910.8	65,308.2	70,327.6	60,706.7	80,074.5	74,436.3	95,490.6	112,300.0
33. Redemption of wage guarantee subsidies	934.5	663.6	424.6	1,000.0	783.0	1,000.0	1,000.0	400.0
34. debt management revenues (technical)								
35. Part of health and labour market contributions payable to the National Employment Fund	135,819.4	144,953.2	155,369.2	165,801.9	176,338.0	194,169.2	216,621.9	237,400.0
36. Funding from the national budget		8,449.0	31,023.3			25,000.0		
38. Part of the social contribution tax payable to the National Employment Fund			68,605.5	217,539.6	194,435.5	0	68,001.0	
Contribution to the Job Protection Action Plan	95,936.7	100,541.7	52,884.9					
Total revenues	337,639.8	354,721.7	430,754.4	507,848.2	521,988.5	367,805.5	453,913.2	423,100.0
Pending items								
Changes in deposits								
Total	389,162.1	354,721.7	430,754.4	507,848.2	521,988.5	367,805.5	453,913.2	423,100.0
At 2014 prices (deflated by a consumer price index)	389,162.1	355,076.8	429,467.7	494,464.1	508,231.7	348,358.1	415,776.6	387,552.2

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

^b The Act on the Implementation of the 2019 Budget had not been adopted before the manuscript was closed.

^c Regarding 2017, 2018 and 2019 it includes the revenue "Reimbursement of the expenditures of the pre-financed EU programmes".

Source: The act on the national budget of Hungary (plan) and the act on the implementation of the national budget of the given year (actual); regarding the plan of 2013, the figure of 153,779.8 was modified by Government Decisions No. 1507/2013 of 1st August and 1783/2013 of 4th November with an additional budget of 26,118 million HUF for public works; regarding the plan of 2014, the original figure of 183,805.3 was modified by Government Decision 1361/2014 of 30th June (allocating an additional budget of 47,300 million HUF to public works). Regarding the plan of 2017, the figure was modified by Act LXXXVI on the modification of Act XC of 2016 on the 2017 Central Budget of Hungary⁷. The source of the expenses of EDIOP is Government Resolution No. 1006/2016 of 18th January on the annual development budget of the Economic Development and Innovation Operational Programme and further Government Decisions on its modification.