

Characteristics of the Hungarian labour market during the coronavirus crisis

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Abstract: Start of the COVID-19 pandemic at the beginning of 2020 has brought about substantial changes in the labour market. The aim of the article is to summarize effects of the pandemic on employment based on analyses available, and to show the changes in indicators in the Hungarian labour market. A comparison with the European Union relevant figures helps to better understand the processes in the country. The switch to work at home or telework, the decline in the employment level and the increase in the level of unemployment in terms of age groups and geographical areas had considerably different features in the three waves of the pandemic. The aggregate labour market indicators do not reflect the extent of the shock to employment as they ignore the consequences of the widely used short-time work, and that many redundant employees were less willing to register as unemployed.

Keywords: labour market, Hungary, COVID-19,

1 Introduction

The World Health Organization declared COVID-19 a pandemic on 11 March 2020. The number of coronavirus cases worldwide exceeded 290 million and more than 5.4 million people died till the end of 2021 [15]. Various measures were applied due to the pandemic, and, among others, infection prevention and control guidelines were introduced to limit the spread of the virus. People were forced not to go to work, they tried to keep a fair distance from each other en masse, and whole countries chose to stay at home. Due to the intensified level of globalization and networking, with deepened trade, economic and cultural relations between countries, the pandemic reached almost every part of the world. The new situation well demonstrated that everything in our world has been so closely connected to everything. Adaptation to changes in social and economic life was different in national economies.

The pandemic has caused a direct decline in consumer confidence by keeping those consumers at home who worry about buying above basic needs because they are rather pessimistic about the future. On the supply side, if the pandemic stops production and makes critical elements of supply chains impossible, bankruptcies and layoffs can occur. These effects can mutually reinforce each other. For instance, redundancies due to supply shocks reduce the purchasing power of consumers and thus the level of consumption, which reduces the ability of

companies to generate income. Lower household incomes and decline in consumer spending reinforcing each other, negatively affect aggregate demand, because both the ability and the propensity to purchase decline.

Due to the crisis caused by the coronavirus pandemic, the global economy coped with a challenge, although there were huge differences between industries. The severe drop in demand and the forced quarantine measures had an immediate impact on the labour market. In sectors such as tourism, catering industry, event management and automotive industry, most severely affected by the pandemic, workers had to face mass redundancies and forced unpaid leave. According to the International Labour Organization, 8.8 percent of the global working hours were lost in the first year of the pandemic compared to the fourth quarter of 2019. The loss was equivalent to the disappearance of 255 million full-time jobs. This was a result of three phenomena: a shift to unemployment, a shift to inactivity and reduction in working-hours within employment. The latter factor was responsible for about the half of the job loss. Most of the employment loss translated into rising inactivity rather than unemployment. Severity of the crisis is reflected in that the labour force participation rate dropped globally by 2.2 percent which was ten times higher than the decline between 2008 and 2009 owing to the global financial crisis. Working-hour losses in 2020 were about four times greater than those during the financial crisis [8]. In terms of gender and age groups, women and young people were hit harder by the pandemic globally and in all regions and income groups.

In this paper we consider some of the most important features of Hungarian labour market during 2020-2021 in EU comparison. The structure of the paper is as follows. We examine the indicators of employment, unemployment, the spread of telework, paying attention to the differences between gender, age groups and regions. Last, we conclude.

2 Policies related to the pandemic

In parallel with the pandemic prevention measures, all countries across the EU applied several measures to protect businesses, workers, and citizens. Most of the governments including the Hungarian one, took steps to keep businesses afloat and provided access to finance, deferral of payments, or even direct support to businesses at risk because of forced closure. The Hungarian government also gave remuneration and rewards to workers in essential services and provided 40 percent wage supplement for R&D jobs in COVID-19 related research. Tax reductions or exemptions as well as protection against rent increase were provided to sectors, such as tourism and catering largely effected by the crisis, or to companies forced to suspend operation. Some EU countries had already applied short time work (STW) schemes to prevent job losses and to keep a stable employment during the financial crisis in 2008-2009, but in case of Hungary it was a completely new strategy in the COVID-19 crisis. STW employees were eligible for allowance and were protected against dismissal even for a longer period than the financial

support. However, companies with a working time banking system had to take full advantage of it before they had access to the benefits provided by the STW scheme. Hungary had the lowest level of STW allowance rate among EU27 countries providing only 10%-52% of previous wage.

As many citizens had lower or no income, the Hungarian government decided to freeze on repayment of loans and all related fees of any kinds of contracts signed before 18 March 2020. The freezing was optional, but borrowers could opt out by request. The length of the loan became extended by the length of the freeze, which lasted until the end of 2020. Also, interest free loans were available for students in higher and adult education to support their rent and living expenses [5][1].

3 Changes in employment and unemployment data

Compared to the changes in aggregate EU indicators of employment relative to the previous year, the youth, the temporary and part-time employees were affected very negatively in 2020. While the decline of overall employment was 1.3 percent, there was a 6 percent fall in the relevant indicator of the youth, and a 10 percent drop in the case of temporary and part-time employees. Statistical data show that higher age and higher education played a kind of protective role in the labour market against unemployment. The fact that the unemployment rate for low-skilled workers only rose to a limited extent suggests that their large number stopped looking for work and left the labour force.¹

In terms of the EU-27 aggregate indicators, the pandemic crisis did not have considerably different gender impacts, but they were significantly varying by member states. Hungary, together with Finland, Iceland, and Romania, belongs to the group of countries, where women had larger declines in employment and larger increases in unemployment. Decline in employment might be attributed to that, relative to men, women have greater propensity to leave the labour force rather than choosing unemployment. The higher withdrawal from the labour force might reflect the larger childcare burdens of women due to the crisis. Particularly those with lower income and lower skills must have face difficulties [9].

Hungary belonged to the lowest quarter of the EU states in terms of life satisfaction in April and July 2020, and to the very few countries where in fact the satisfaction did not grow by July. Surveys showed that men were more likely to be optimistic than women at both points of time [6]. This finding might reflect that woman relative to men are more influenced by the pandemic crisis in terms of health risks, prevailing employment inequalities and care responsibilities. This

¹ In the labour market of the European Union the impacts of the global financial crisis of 2008-2009 were very similar to the consequences of the pandemic crisis in that employment of young and low-skilled employees fell to the greatest extent. However, during the previous crisis as opposed to the present one, unemployment rate of low-skilled workers declined to a greater extent than that of employees with higher level of education.

might be caused by their caregiving roles both inside and outside the home. Global data show that they are predominantly present on the frontlines against the coronavirus, and personal care workers and health professionals are predominantly female [14].

The first wave of the pandemic between March 2020 and July 2020 was not so severe in terms of death toll as it was in terms of its economic impacts in Hungary. This might have been due to the introduction of a lockdown, distance education, and closing catering facilities. The GDP shrank by 14.1 percent in the second quarter of 2020. Because of dismissals and decline in working-hours, the full-time equivalent employment fell by 9 percent in this period. According to the Labour Force Survey of the Hungarian Central Statistical Office, the share of unemployed and inactive people more than doubled and nearly doubled respectively within a year. Changes in the labour market hit employees in their twenties and sixties worse than those in their forties because the risk of losing their job particularly increased compared to the previous year. Labour market indicators were not able to reflect the shock to employment, because they disregarded an about 6 percent decline in working time. Ratio of job loss was the highest among low-qualified people. Due to the crisis income inequality deepened [10].

3.1 Changes in unemployment data by age group and gender

We can see in Figure 1 how the different age groups were exposed to unemployment. The pandemic had a similar effect on all adult age groups in 2020, with a significant increase in the number of unemployed. Only in the 15-19 age group was the indicator lower than in 2019. This may be due to that less pupils were forced to leave secondary education due to unsuccessful year-end results after age of 16 during the distance education. 2021 brought an improvement in few age groups but we can find some exceptions. Unemployment in the 50-54 age group continued to rise, and over the age of 55 it did not change too much, which might reflect the difficulty to get a new job close to retirement age in Hungary. Two age groups had an unexpected rise of unemployment from 2020 to 2021: 20-24 years and 30-34 years. The figures of these two groups are even more surprising when we further classify the data by gender [13].

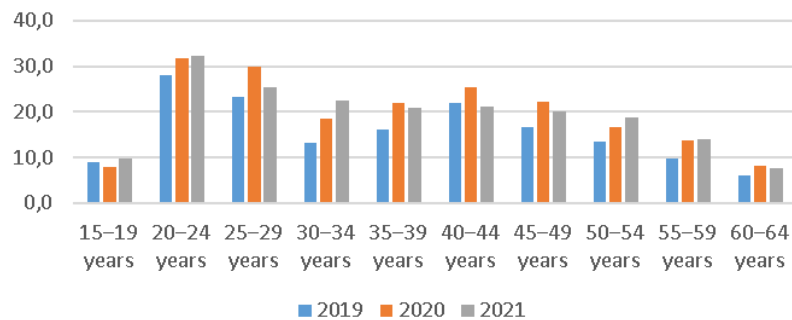
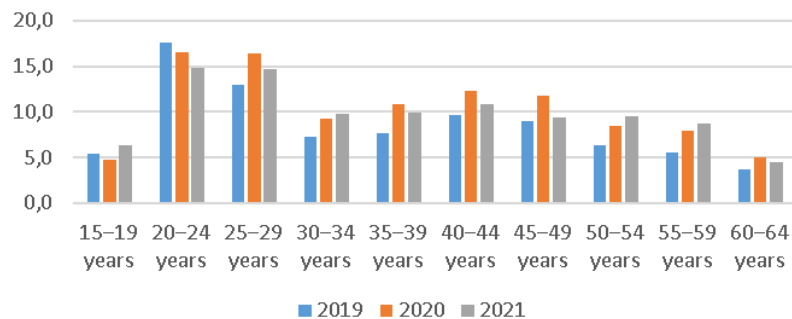


Figure 1. Number of unemployed by age groups in Hungary, 2019-2021 (in thousand)
Source: own editing based on HCSO data

As shown in Figure 2, the age group of 20-24 shows opposite trends in terms of gender: while the rate of unemployment was continuously declining among men, women experienced the opposite trend in the years of the pandemic. Further research is needed on this issue to shed light on the reasons behind the data trends in the coming years. The age group of 30-34 in which there was also rising unemployment in the year of 2021 does not show any difference in terms of gender.



Men

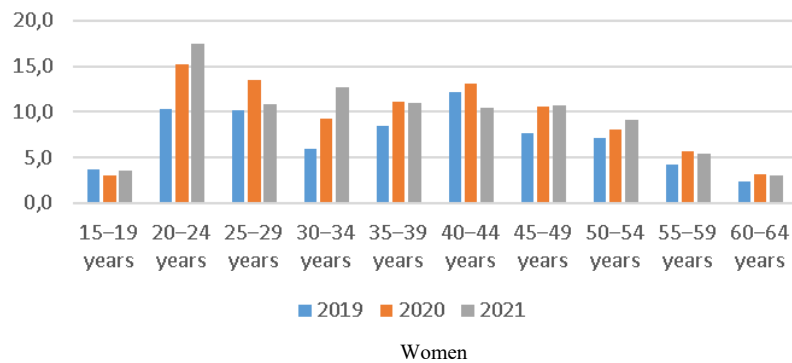


Figure 2. Number of men and women unemployed by age groups in Hungary, 2019-2021 (in thousand)
Source: own editing based on HCSO data

3.2 Changes in unemployment data by region

There are differences in the economic development between the regions of Hungary. Central Hungary including the capital, and Western and Central Transdanubia are more developed, while in Southern Transdanubia, Northern Hungary, Northern Great Plain and Southern Great Plain GDP per capita is much below the national average.

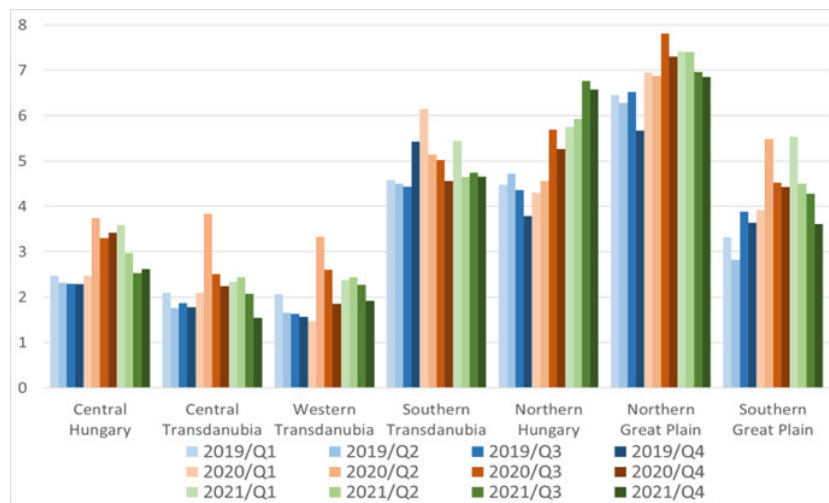


Figure 3 Rate of unemployment by regions in quarters of 2019-2021
Source: own editing based on HCSO data

As reflected in Figure 3, the more developed regions on the left side of the chart are showing similar changes: a huge rise in unemployment in the second quarter

of 2020. There was a recovery after that vaccination became available in large numbers and the last closure was over. Increase in unemployment affected those regions of the country the least, where the proportion of employees with higher education was above the average in the labour force. As a result, they were able to respond flexibly to change with the introduction of the home office [12][2].

Unemployment was higher in the less developed regions of the country before the pandemic. In Southern Transdanubia the unemployment rate only increased during the period of closures, while there was a prolonged increase in unemployment in Northern Hungary and the Northern Great Plain. And the recovery is yet to come in Northern Hungary. From the data we can conclude that employers here not just laid off the workers, but many of them might have ended operation, therefore the jobs are gone for a long time. Southern Great Plain shows mixed characteristics between the more developed west and the less developed north. The figures show that government policy should focus on helping the north.

4 Spread of teleworking

The word of teleworking² can be defined as a type of remote working that is carried out by employee with the use of IT infrastructure, such as personal computer or laptop, at a worksite different from the default place of work. The term “working from home” often implies that employees use computer, and for this reason this term can be used for indicating teleworking. Hungary was among those European Union countries where the ratio of employees involved in telework was below 5 percent in 2019. Prior to the outbreak of the pandemic, the proportion of teleworkers was already significant, for example, in the Netherlands (36%) and in Sweden (35%) [4].

According to the surveys of Eurofound carried out in April 2020 and between June 22 - July 27, 2020, the share of employees working from home increased from 39 percent to 48 percent in the European Union. As shown in Figure 4, in April 2020 there were only four EU states, including Hungary, where the share of teleworkers – employees working at least a part of their worktime from home – was below 30 percent. This lagging behind was particularly significant in relation to Finland and the Benelux countries.

² Jack Nilles with his co-authors used the word telework first in their book “The Telecommunications-Transportation Trade-off” published in 1973. They argued that the problem of traffic jam was in fact a communication problem, which could be eased if employees commuted to small satellite offices built by companies in city suburbs. Communication between these decentralized offices could be solved by human messengers and mainframe computers **Hiba! A hivatkozási forrás nem található..**

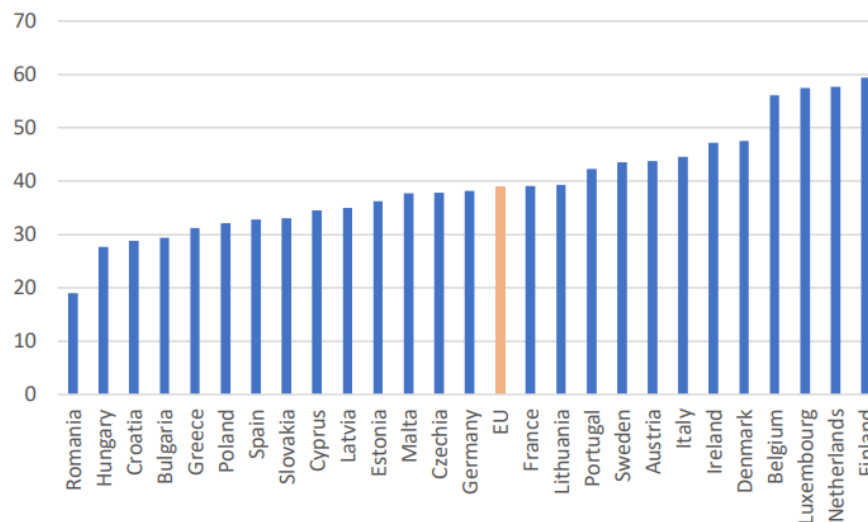


Figure 4 Employees working from home during in the EU, April 2020, by country %

Source: Eurofound, 2020

The European Union surveys showed that women rather than men were more likely to work from home, which is a new phenomenon as opposed to the pre-outbreak situation. Employees without dependent children accounted for a higher proportion among teleworkers, reflecting that not the family circumstances, but the nature of work was likely to determine the feasibility of telework. The ratio of younger employees rose to the greatest extent among the age groups. Like before the pandemic, people with tertiary education and those living in city or suburb were much more likely to do telework [7]. According to the research of Köllő and Reizer (2021), in the second quarter of 2020 in Hungary teleworking was prevalent among 10 percent of employees with a secondary school leaving certificate, but the ratio was as high as 37.4 percent among college graduates and 50 percent among university graduates. Nevertheless, people with lower-secondary and vocational school qualifications who amount to almost half of the working-age population, have little chance to be employed through telework possibilities.

Among those employees who worked from home few times a month before the pandemic, the possibility of losing job was about half compared to those who did not have such experience after the outbreak. On the other hand, during the pandemic employees working from home suffered a decline in working hours to a lesser extent. Due to the low level of teleworking in Hungary, its protective role did not prevail. At the same time those involved in homeworking suffered a decline in free time and a higher share of unpaid domestic work to a greater extent than those not teleworking [11].

4.1 Changes in the number of unemployed and employees working from home

The COVID-19 pandemic has brought about huge changes in the Hungarian labour market. As illustrated in Figure 5, the number of people in teleworking in the first quarter of 2020 was almost three times higher than in the same period in 2019. Their number was at its peak between April and June 2020, with a figure just falling below three hundred thousand. There was a radical drop in the third quarter, which was followed by a doubling at the end of the year. The change in the ratio of teleworking in 2021 was like that in the previous year, but the peak with 229,200 people was registered in the first quarter of the year. With the change in the number of people in teleworking, the number of unemployed also moved almost together. In 2020 the highest number of unemployed was also registered between April and June. This figure was a little exceeded in the first quarter of year 2021, when 214,800 people were unemployed.

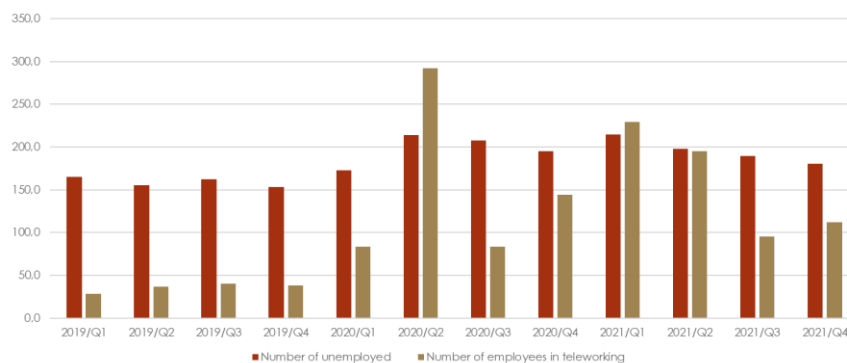


Figure 5 Number of unemployed people and teleworkers in Hungary between 2019-2021 (in thousand)
Source: own editing based on HCSO data

Conclusions

This paper has provided insight into some of the most important features of the labour market in Hungary during the coronavirus crisis from an EU perspective. To slow down the spread of pandemic, strict social and economic restrictions were introduced, which had immediate impacts on the conditions of employment. Countries implemented lockdowns, limited the operation of unvital services, and it caused an instant raise of unemployment. Companies in manufacturing suspended operation for some time, many of them implied short work. The Hungarian government also took measures to keep business afloat, to save jobs and help citizens by freezing loans. We have identified specific attributes analysing the unemployment figures in Hungary, such as the opposite move in unemployment by gender in age group 20-24, and also the harder return to employment over the

age of 50. We found that North Hungary has a longer-term high rate of unemployment, thus a policy of government assistance would be advantageous. Short work has become widely popular also in Hungary for the first time. We have found that teleworking or working from home can save jobs, which is more characteristic of workers with higher education.

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