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REGIONAL DIFFERENCES AT THE HUNGARIAN LABOUR MARKET

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ABSTRACT

In present paper presenting the regional differences of the Hungarian labor market on the basis of individual survey, data collecting, and the statistics from the State Labor office was analyzed by the author. Also, The trends in the rate of unemployment and its structure in the past 13 years was also analyzed (computer based data collecting started in 1994.) The paper presenting the situation of unemployment from three points of view: regional, county and settlement. There is a significant difference between the two parts of Hungary. As we pas from the West to the East, the number of unemployment is rising as much. The research compares the different types of towns as well. There are county towns, two small towns near Budapest, an average developed district in Budapest, a small town in the rural region, one small industrial town, and one town at the Austrian-Hungarian border line in the West part of Hungary. The author studied the structure of unemployment from the following aspects: the level of registered unemployment, sexes, age groups, level of education.

INTRODUCTION

In post-transition Hungary, the regional differences in unemployment by regions, counties and settlement types have grown significantly. Although the differences across counties and regions have become somewhat smaller in the past few years, there is still no significant tendency for leveling-off despite governmental efforts. In the first half of the 90s new, differentiation processes started in the spatial structure of Hungary due to market forces and the territorial inequalities significantly deepened (incomes, employment etc.). It showed stabilization after 1996. The dynamic regions (Budapest, Western Transdanubia, and Region of Lake Balaton) remained the same, but the number and the territory of regions in crisis decreased. As the employment rate is historically low in the country, and

the unemployment rate has been increasing in the most recent period, fighting unemployment and boosting employment will be the most important labor market related task of the government in the coming years. The first unemployed people in Hungary were registered in 1988, and then their number was only 5000 person, which had been risen to 16000 by 1989. The significant rise in their number was in 1991-1992, and then it reached its highest figure (680000) in 1993. Today the number of unemployed is 423000 persons.

Interpretation of regional differences in the European Union

Regional policy taken in a modern sense was not set as an objective of signatories in the first part of the European Integration. However, the second clause of Treaty of Rome says that „the aim of Treaty is to facilitate the harmonious development of Member States and increase the quality of life”, the Treaty does not aim at developing a specified regional policy. The six foundation members are situated in the most developed part of Europe, that is why, the regional policy did not have great importance. Except for a few regions (e.g. Italy) significant regional differences had not been indicated. At the time of establishing the European Community, experts forecasted that slight territorial differences would disappear by the progress of integration. (Marselek et al. 2005)

In the mid 60's and early 70's the progress of European integration has fallen back. According to regional science, the territorial disparities naturally accompany the economical and social development. One of the most important objectives of EU is to near different levels of regional development by implementing an active structural policy.

Contrary to macro-economic progress, internal regional development, gap in Hungary has not decreased. It follows that actual regional differences and dualistic structural problems should be handled by the Hungarian economic policy itself. EU resources and principles should appear as supplementary resorts only that will improve the competitive power of the country indeed, in case the appropriate underlying national concept is formed. Experience in EU is that structural resources accelerate progressive procedures on a macro-economic level, but cannot speed up notably internal cohesive attractions.

MATERIALS AND METHODS

Regional differences within Hungary

Hungary joined the EU on 1st of May, 2004. Developing a regional system adequate to EU's five-level territorial classification was an important task during the period of preparation. According to NUTS2 system and European practice, seven planning – statistical regions have been formed (Figure 1).



Figure 1. Regions of Hungary, Source: KSH

Közép-Magyarország - Central-Hungary (Budapest, Pest County): 38.5% of economic organizations work in this territory, similarly to nationwide data, their number showed a 4.4% increase comparing to the figure of early in the year. Industrial output increases dynamically. Large part of total industrial production (28%) comes from here. The level of unemployment is the lowest in the country (4.4%), however, there are several districts in the capital (eg. Józsefváros), with the indicators worse than the above mentioned.

Közép-Dunántúl - Mid-Transdanubium (Fejér, Komárom-Esztergom, Veszprém County) Economical figures of this region exceed the national average. 10% of economic organization is situated here. This is the most industrialized part of Hungary taking industrial output it ranks the second place behind the central region. 22% of total industrial product is generated here. Unemployment is below the national average: 8.2%.

Nyugat-Dunántúl - West-Transdanubium (Győr-Moson-Sopron, Vas, Zala County): 9.8% of economic organizations are located here, their number raised by 4,4% in 2006 likewise the degree of national average. Pursuant to industrial data, this is the most dynamical region of Hungary. Both the turnout and the sales volume exceeded 130 %. Export expanded by over 45%. The rate of unemployed is the second lowest among the regions': it is 5.5%.

Dél-Dunántúl - South-Transdanubium (Baranya, Somogy, Tolna County): More than 9% of economic organizations can be found here. This area indicated too a dynamic development. Industrial production and distribution expanded by 15-20%. Despite of the above, it is an interesting fact that the level of unemployment is far above the national average (11.6%).

Észak-Magyarország - Northern-Hungary (Borsod-Abaúj-Zemplén, Heves, Nógrád County): Almost 9% of operating economic organizations is registered in these counties. Their number increased by 4.8%, which is higher than the national average. Industrial output and sales volume are far below the national average. The number of jobless is the highest in Hungary (16.7%), particularly in Borsod-Abaúj-Zemplén County (19.1%).

Észak-Alföld - Northern-Alföld (Hajdú-Bihar, Jász-Nagykun-Szolnok, Szabolcs-Szatmár-Bereg County): 11.4% of operating economic organizations is located here. Their number raised by 4%, which is under the average growth rate. Producing 9.1% of

total industrial product, this region ranks the 4th place. However, the region shows some dynamics, the numbers have not achieved the values of the Central and Transdanubian regions yet. It is obvious that during the last 1-2 years industrial investments appeared in Eastern-Hungary as well. Unemployment rate is the second highest following to Northern-Hungary region's, it is 15.6%. Taking the counties, the biggest population of unemployed people lives in Szabolcs-Szatmár-Bereg county: 18.5%.

Dél-Alföld - South-Alföld (Bács-Kiskun, Békés, Csongrád County): Almost 12% of economic organizations works here. Although the industrial production is below the national average, unemployment figure is better: 9.8%.

Analyzing region-level differences within Hungary, we can say that the difference between the most and the less developed region is 2.3 times as much (calculating upon per capita GDP). This indicator is roughly adequate to the actual figures of EU member states. The conclusion by examining Hungarian data is that the determinative weight of the Central-Hungarian region, including the capital, has continued to grow. (Oblath and Nagy, 2003)

As a consequence of the changes carried out in the 90's, employment, unemployment and inactivity followed a similar tendency in each region. Following to a significant fallback, labor market indicators improved in the second part of the 90's: unemployment showed an outstanding decrease, the number of employed raised, and – although very slowly – labor market activity improved (namely, the rate of inactive people reduced). Henceforward, regional differences stayed obstinately significant, the best employment status continued to stay in Central-Hungary, and Central and Western-Transdanubium. This area showed the greatest decrease of unemployment, and still indicates the lowest number of inactive people being of working age, who keep off the labor market. Regions with the most unfavorable conditions are the same as before. The number of employed people is registered to be the lowest in Northern-Hungary and Northern-Alföld since the early 90's, and the unemployment continued to be the highest here. I would highlight that the rate of inactive is outstandingly high in these two disadvantaged regions, and is permanent despite of the progress of the general economical circumstances.

Unemployment varies by settlement in Hungary. On 1/5th of settlements the ratio of unemployed (i.e. rate of unemployment) achieves the quarter (1/4th) of the employed. Very low rate of unemployment (below 5%) happens to occur only on 1/5th of Hungarian settlements (Figure 2).

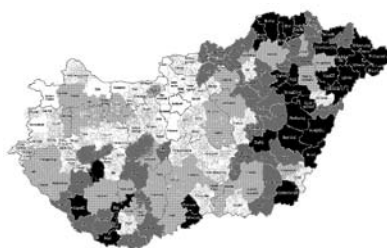


Figure 2. Rate of unemployment by settlement, Source: Census

Settlement-level survey of labor market differences – project results

This survey focused on the presence of dualistic structures by a follow up of regional labor market differences.

I compared the economical position of several areas to the labor market figures of their settlements. I studied whether Hungary shows any uniformity or rather diversification on the basis of settlement-level employment data.

I analyzed the unemployment data of 10 cities (number of registered jobless, structural pattern of unemployment) of the year of 1994 (from then we have computer based analysis) and 2006.

When choosing cities I intended to represent the states of development probable of small-regions. Among them we find one district of Budapest of average circumstances (district XVII. in a dynamically developing region), 2 small towns near the capital (namely, Ráckeve and Gödöllő in a dynamically developing region), a town at the Western border of Hungary (Sopron, in a dynamically developing region), leader cities of three counties (Szeged, Szolnok, Békéscsaba in progressive regions), one heavy industrial small town (Kazincbarcika in an oncoming region), one small town (Tamási in a stagnant region), one small town in agricultural region (Mátészalka, in a recessing region). (Figure 3).

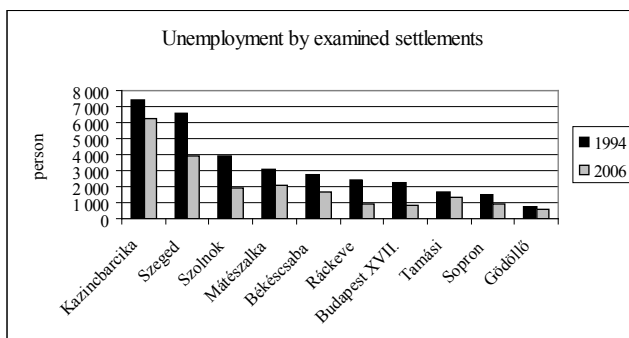


Figure 3. Unemployment by examined settlements

RESULTS

Both in 1994 and 2006 Kazincbarcika and Szeged showed the highest number of registered unemployed, obviously as a consequence of industrial structural changes. This parameter in Tamási and Sopron was low, probably due to their relatively low population, while I explain this favorable figure of Gödöllő by the absence of former socialist large-scale industry.

According to the distribution of subsidization of unemployed people, I highlight that in 2006 the majority of unemployed in Mátészalka lived without any subsidization.

This fact indicates that people suffer from a long-standing unemployment there, while in Kazincbarcika the highest number of subsidized unemployed indicates the level of poverty.

Excepting Ráckeve and Gödöllő, majority of registered unemployed was male in most of the cities both in 1994 and 2006. This fact can be explained by closeness of the capital, good traffic facilities (local train between the cities and the capital) and that men are more likely willing to shuttle.

The rate of skilled workers was the lowest, and that of professional classes was the highest among registered unemployed in either of the years examined. The high number of professionals unemployed was outstanding in Szeged and Szolnok in 1994, which evidently originates from the status of populous towns.

The unemployment figures of the two middle age-groups (between age of 21-35 and 36-50) were the highest and did not differ from each other too much both in 1994 and 2006. This is natural, as major part of economically active employees belongs to these age-groups, hence unemployment affects them most.

Taking qualification it is an interesting fact that majority of unemployed in 1994 in Szeged had finished school as skilled worker. This figure was outstanding in Kazincbarcika among persons who finished elementary school only. Comparing to 1994's details, the rate of graduated unemployed in Szeged raised in 2006, however, this number did not change in Mátészalka. The unfavorable rate of unemployed with diploma correlates to the presence of the university in Szeged.

Proportion of registered unemployed in Kazincbarcika (registered job seekers – as we say today) decreased slightly in 2006 comparing to 1994, such happened on the settlements showing low unemployment rate, such as Tamási, Sopron and Gödöllő

On the score of the analyzation, I can say that a town in the most disadvantageous region (namely Kazincbarcika) is stricken by lack of economical activity (very low number of employees in industrial and agricultural sector) altogether with high ratio of unemployment. In case of low degree of employment only better educated people can find jobs mainly in the service sector of the settlement. Ratio of well qualified within employed is higher than within unemployed. It took a lot of time to eliminate or soften the consequences of sectorial crisis. Areas stricken by sectorial crisis are in the regions of former heavy industry, countryside territories –mainly agricultural areas of Alföld, and regions suffering from permanent social crisis situation (eg. small villages or areas where gipsy population is determinative).

A stagnant settlement with unfavorable labor market circumstances (i.e. Tamási) is characterized by high rate of unemployment and low degree of employment, altogether with a low level of qualification. Internal peripheries and regions situated far from populous towns or main traffic routes do not have organization centers, the entrepreneurial potential is low, they are lack of vacant jobs, they are declining.

Moderate unemployment, medium level employment, and the population who make a living by agricultural activity, concern the labor market of a developing (progressive) region, such as Mátészalka in my examination. External peripheries include near-border

regions of the southern, eastern and northern-eastern parts of Hungary. They can hardly gain profit from neighboring countries, because the assorting part is a periphery as well.

High industrial employment and relatively low unemployment rate characterize Szeged, Szolnok and partly Békéscsaba (more developed region), the ratio of less qualified people is short. Potential innovation areas, e.g. region of Austrian-Hungarian border, main traffic routes, in particular highway-sided zones, and their centers started to develop, to grow. Foreign capital, new entrepreneurs are present, there is less stress in employment, and new sectors show up in the economy, which means that conditions of living are getting better.

Finally, the most developed (dynamically developing) settlements indicate their main activity in the service sector, the major part of activities are service related, great part of employed are well qualified. Innovative, prosperous regions belong to this group, being situated as an island in the western part of Hungary (Sopron), or nearby the capital (i.e. Gödöllő, Ráckeve), or around the Lake Balaton and several regional centers. These renewable and active zones show numerous entrepreneurial, remarkable quantity of foreign capital, low unemployment figures, better preconditions to find a job, and wide-scale consumption.

DISCUSSION

Chances for obtaining a job, the level of employment and degree of unemployment significantly differ from each other on a territorial basis. In several regions of Hungary, principally on settlements belonging to small regions, labor market circumstances are more favorable comparing to that of other definitely stagnant, declining regions'. On the whole, I can say that there is a significant territory-based diversification in the above mentioned indexes.

Outstanding regional differences within Hungary have become and remained incisive since the 90's. This justifies the need for an emphasized economical-social cohesion altogether with preventing the break away of certain regions, social and corporate groups. Concerning the accession to the EU, this question becomes even more important because there is a considerable threat that the recently joined Central-Eastern-European state members can become a periphery of the EU, and instead of acceleration of the speed of progress it may slow down.

It is a fact that Hungary is divided into two parts, to a western and an eastern part. The western region makes good advantage of the closeness of Austria, which pulls up and invigorates the economy. This leads to the revelation that we should better exploit the opportunities of regional cross-border cooperation.

Regional differences have not become slighter by the first years of the 21st century, what is more, they turned to be sharper. Ranking of income production among counties has not changed very much. Counties of Alföld and Northern-Hungary are dropping behind, at the same time, Western counties near the innovation areas keep their leading

position. It is to be feared that due to the increasing degree of difference owing to which, the regions of the country have diverged instead of convergence, the so said cohesion, regional togetherness weakens in Hungary.

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