

Boosting Small and Medium Enterprises (SME) employment is a key concern in Hungary (PES objectives, inter-PES co-operation)



All PES activities support the implementation of the National Employment Action Plan aligned with the EU Employment Strategy. Our main

task is to raise the employment level and to improve the competitiveness of employers and the adaptability of labour.

In 2005, the Hungarian GDP rose by 4.1%, somewhat slower than in 2004, but faster than the EU average. The country has capitalised on the international economic trend, increasing both its exports and imports, albeit the exports outpaced the imports. The inflation was slower than expected at 3.6%. Unfortunately, the central budget produced a relatively high deficit, to be moderated as specified by 30 September, under the new Convergence Plan, by the new government taking office after the Parliamentary elections.

Last year's predominant labour market feature was a low activity rate; low employment, up by 0.1% only, concurrent with slightly rising unemployment still in the medium brackets, however, in EU comparison.

Hungarian employment policy strategy envisages overall employment rates of 59 and 63% by end-2006 and 2010, respectively. (Almost 1 million new jobs would be needed to approximate the EU target of 70 %.)

As multinational companies solve extra tasks by productivity enhancement rather than staff expansion, the employment focus is shifting to the SMEs, where job creation can be fostered by the gradual

reduction of labour costs, and the establishment of a predictable financial and legal environment. The support system introduced this year, exempting SMEs hiring long-term unemployed from contribution payments for 12 months, serves the same aim. Provided that the confidence index keeps rising, foreign, especially EU-based, large enterprises will gain more ground and create more jobs in Hungary. Consequently, domestic SMEs will have more chances to act as suppliers and this, too, will raise employment.

Since in Hungary as elsewhere, employees with little/no skills are gradually forced out of the labour market we have high hopes regarding the new government training programme ("Take one step ahead") launched this year, involving some 10-15 thousand trainees, and designed to provide skilled labour of a quantity and structure matching the relevant demand. The programme promotes the successful/long-term labour market integration of low-skilled disadvantaged employees by offering them free training. Simultaneously, education/training systems will be subject to higher standards, and it will be guaranteed by government decree that every vocational training provider should be able to introduce QM systems modelled on the corresponding EU framework system, the roll-out of which is expected to be terminated by 31 December 2008.

The Ministry of Employment Policy and Labour and the PES operate several other, successful, employment promotion programmes targeted at youth, at 50 plussers, the disabled, parents returning from child-care, respectively, while also trying to simplify the rules of temporary employment to reduce undeclared work.

As for partnership development, a Hungarian/Slovakian EURES-T partnership is being set up, to eliminate temporary/permanent disequilibria in the labour markets of the two cross-border regions and ensure their development based on mutual advantages.

Another important issue is the enhancement of the mobility of Hungarian labour. We would welcome every EU Member State to open its labour market. Around two-thirds have already done so, but not Hungary's major partners (Germany and Austria). Currently, more than 15 thousand citizens of the new Member States, mainly Slovaks, work in Hungary. Our experience is that the propensity for employment abroad has not increased significantly since Hungary's accession to the Union. We firmly believe that labour migration is an asset for both the sender and the host country and we try to convince our partners of the same at bi/multilateral negotiations, in the hope that the free flow of labour will be realised in the EU in the forthcoming years.

To bring our work to success, we rely on the analysis/conclusions offered by domestic labour market practice, while also adapting the best practices of the EU countries, such as the integrated IT system of the Austrian labour market, to the specific Hungarian setting.
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