



# The Situation of Public Employment in Small Villages in Hungary

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## Abstract

The author started to deal with the public employment programme as an instrument of active employment policy in Hungary in the last 9 years. She perceived that the people living in disadvantaged settlements have limited labour market opportunities. In this research, the focus will be on small villages with less than 500 inhabitants in Hungary. In these settlements, the municipality is very often the only employer and there are almost no job opportunities available other than public employment. In small villages, the distorted demographic age structure, low educational attainment, low-income levels, inadequate infrastructure, physical distance from the cities, multi-generational unemployment, and often a high proportion of Roma inhabitants, make an already difficult and peripheral situation and employment difficult. The paper aims to analyse public employment programmes at a deeper level according to their role in the development of small villages and to identify good practices and successful public employment programmes in social cooperatives implemented by municipalities. The results of a questionnaire survey on the use of public employment will be presented as a commonly used employment solution in peripheral areas.

**Keywords:** Hungary; public employment; small villages; questionnaire.

## 1. Introduction

With the global reorganisation of the labour market, unemployment has become a serious social problem (Dahrendorf, 1988; Castel, 1996; Martin & Schumann, 1996; Vobruba, 2000), but state intervention can help. Social policy and employment policy always attract a lot of attention. Just as different models of welfare states have different ways of dealing with existing social and economic problems, employment policy in Hungary has developed its particular solution (Szűcsné Markovics, 2019). The national public employment programme currently in operation is not a new invention, it was already in operation before the change of regime, and I believe that in the future there will be a continuing need for this active employment policy instrument to address labour market problems in Hungary, especially in those regions and municipalities where there are no other job opportunities and where the local government, with the help of the state, can act as an employer.

The effects of globalisation on the labour market are also significant, with outsourcing increasing unemployment in a given country, and similar effects from innovation, automation and high levels of mechanisation in e.g., the manufacturing sector (Szűcsné Markovics, 2020). Government intervention is important and indispensable in addressing unemployment (Mouhammed, 2011).

## **2. Literature review**

The original purpose of public employment was to replace public and private tasks and developments and common costs in the public interest with work. Public employment programmes have been operating since 1987, under different names but with similar content. It has evolved from three forms of employment, public benefit work, public service work and public works programmes. Public benefit employment was known as an alternative to unemployment. As Frey puts it, it was a forced solution for the temporary reintegration of the unemployed into the labour market, which, because of the inadequacy of the natural job-creation capacity of market forces, created, with the support of public funds, a substitute labour supply for the public interest tasks of the public and non-profit sectors. (Frey, 1993)

The classic public works scheme (introduced in 1996) was designed to provide people out of work with some form of useful, socially acceptable work. The acceptance of public work programmes at the level of society was sufficient and they did indeed achieve visible results, especially in smaller municipalities. Public work was introduced in 1997. They were support services, active social policy and employment policy instruments promoting the long-term unemployed's social integration (Csoba, 2010).

The real breakthrough in public employment was the "Pathway to Work" programme set up in 2009. The programme was a response to the 2008 economic crisis as one of the main tools for crisis management in Hungary. The main objective of the programme was to provide income to unemployed people living in the most disadvantaged small settlements and with low educational qualifications and to reintegrate them into the primary labour market (Novoszát, 2018). The 'Road to Work' programme operated for two years, until 2011, and can by no means be considered a failure, but it failed to live up to its expectations. The programme's advantages were that it gave a greater incentive to work than before (the earnings were higher than social assistance); it increased socialisation to work, the parent set an example for the child; it considered regional differences. Several disadvantages of the programme can be identified, it only provided a temporary solution (about 3 months) for the individual, and after a short period of employment the individual and the family fell back into the previous situation. It provided hidden municipal funding, but due to the narrowing of the target group, they were less involved in the provision of public services requiring higher qualifications. The unwritten rules of selection for the programme undermined equal opportunities for women (the man has priority within a family), and the programme did not reduce the territorial disparities between municipalities. Public employment did not fulfil its role of reintegration into the labour market, as the work experience of public workers was not sufficient to enter the primary labour market. The long-term unemployed remained trapped in benefit and unemployment traps, perpetuating benefit dependency. The organisers of public employment are the municipalities, which have limited free resources and are often burdened with the management and implementation of public employment in their respective municipalities (Bass, 2010; Csoba, 2010; Váradi, 2010; Virág & Zolnay, 2010; G. Fekete et al., 2011)

The level of impoverishment and, with it, dissatisfaction has increased and conflicts within society have escalated. However, maintaining the public employment system, with shrinking revenues and increasing indebtedness, ties up significant public resources. As of 1 January

2011, the public employment system has been completely overhauled. The above-mentioned public benefit work, public work programme and public work for public purposes have been abolished and replaced by a single public employment scheme, now under the responsibility of the Ministry of Interior. New types of public employment from 2011:

- The alternative to public employment is short-term municipal public employment, which can last from 4 hours a day for 2-4 months, with a 95% subsidy on wages and salaries and material costs.
- Instead of subsidies for public utility work, municipal long-term public employment will be introduced, with a working time of 6-8 hours per day for 2-12 months, with public subsidies of up to 70%-100% of wages and salaries and other employment-related costs.
- The annual national public employment programmes, which bring together public employment opportunities in the areas of state-owned infrastructure and asset management, flood and inland water protection, roads, railways, state forest areas, renewable energy, and energy conservation.
- A new type of public employment scheme is also being introduced for small and medium-sized enterprises for up to 12 months, with a maximum of 70% of wages and contributions (G. Fekete et al., 2011).

Government Decree 375/2010 (31.12.2010) distinguishes the following forms of public employment support. In the case of short-term public employment, the legal relationship is for a maximum of 4 months and is established for 4 hours of work per day. Persons who receive employment substitution allowance or rehabilitation benefit, have applied for refugee status or are staying in a designated place as a third-country national may be employed in this form. Longer-term public employment lasts for a maximum of 12 months, with working hours of between 4 and 8 hours. For this type of support, a disadvantaged person who has been assessed by a rehabilitation expert as having at least 40% health impairment or who is in receipt of a personal allowance for the blind or a disability allowance may also be employed. In the national public employment programmes, employment is directed towards the achievement of a goal set by Parliament or the Government. The work is provided by public employment agencies with national competence, with the participation of job seekers, persons entitled to employment substitution allowance, and persons receiving rehabilitation benefits. The model programmes for small-area start-up work are a type of public employment programme declared a model programme for longer-term public employment programmes. They are aimed at specific tasks related to the development of municipalities. They can be supported for up to 12 months and work 4-8 hours per day. Public Employment Mobility Scheme: In this case, aid may be granted to a public lender who undertakes to employ a person in receipt of employment substitution allowance or rehabilitation benefit for a minimum of 60 days and a maximum of 11 months. Aid for businesses: aid may be granted for the employment of a person seconded by the district office for a maximum period of 8 months, but this is not considered to be public employment. There are also special public employment programmes, which aim to improve the employability of jobseekers who are not eligible for employment for mental, social or health reasons, by providing them with labour market, social and health services in addition to employment (Novosz ath, 2018).

From 2011, the legislator has extended the scope of public employers (according to Act CVI of 2011, the following may be public employers): local and national self-government and their associations with legal personality, budgetary bodies, ecclesiastical legal persons, organisations with public benefit status, NGOs, such as public foundations and foundations.

Management organisation entrusted with the management and maintenance of state and municipal property, water association, forest manager, social cooperative, railway infrastructure management organisation, public interest service provider designated by law to assist in the performance of a mandatory municipal task. The organisations become public employment agencies when they conclude a contract with the competent authority for the promotion of public employment. A person can be a public employee if he or she is over 16 years of age and is registered as a jobseeker with the district office or is in receipt of rehabilitation benefits under the Act on Benefits for Persons with Disability.

It is difficult to judge the success or failure of public employment without examining its impact. According to Váradi (2016), the direct positive impacts on public employment participants and their household members are: improved quality of life and subjective well-being due to regular income; better health care and health-protective consumer goods due to higher income. Koltai (2018) also highlighted the benefits of public employment, i.e. increased local income can increase purchasing power in the municipality; the development of municipal infrastructure in the context of public employment can also have an impact on tourism. In addition, public employment programmes can contribute to increasing the self-sufficiency capacity of the municipality, and to the creation of social enterprises; locally produced food is used for catering in local institutions (Bozsik et al., 2019). An important effect is that where unemployment is reduced as a result of public employment, there is a noticeable reduction in conflicts between settlements and an improvement in cohesion between citizens. Public employment has many advantages and disadvantages, but in peripheral areas where there are almost no other job opportunities, it is better than nothing and can be a way out of a situation of hopelessness and often abject poverty and misery. A small proportion of those in public employment can only find a job in the primary labour market, and are likely to remain in public employment, stuck there (Váradi, 2010).

### **3. Methodology and results**

The author has compiled a database of small villages with less than 500 inhabitants in the North-Hungarian region and the contact details of the local governments, 207 settlements were included in the sample. She sent the questionnaire survey to them, then she consulted them by telephone, and finally, she received a valuable response from 24 municipalities. (Due to the low response rate, she decided to extend the survey and send the questionnaire to all small villages in Hungary, thus compiling a database of 1139 municipalities, with a total of 128 evaluable responses, which is unfortunately also a low response rate.) She was looking for answers to the following research questions:

*1. Can the public employment programme be a complete solution to alleviate the labour market problems of small villages?*

Based on my previous research (Lipták et al., 2022; Hajdú et al., 2022; Lipták, 2020) and the current survey, it can be concluded that public employment is not a complete solution to unemployment problems, but it is a very important employment policy instrument for people living in small villages with no or few job opportunities in the primary labour market. According to the results of the questionnaire survey, public employment is seen as a rather temporary solution by the heads of municipalities. 55% of municipalities employ public workers for 10-12 months, 35% for 7-9 months and 25% for more than 1 year. The small villages employ an average of 22 people per year in public employment and would need an average of 25 people, so most municipalities would still have work but the full range of unemployed people who could be engaged is covered.

2. To what extent does public employment help to improve the employability of the unemployed?

Half of the municipalities take action to improve the employability of the unemployed, e.g. by providing mental care, vocational training or helping them to obtain a general education. According to respondents, the employability of public employees in their municipalities is very low (rated on a scale of 1 to 4) (Figure 1). The biggest problem is the lack of education and work experience.

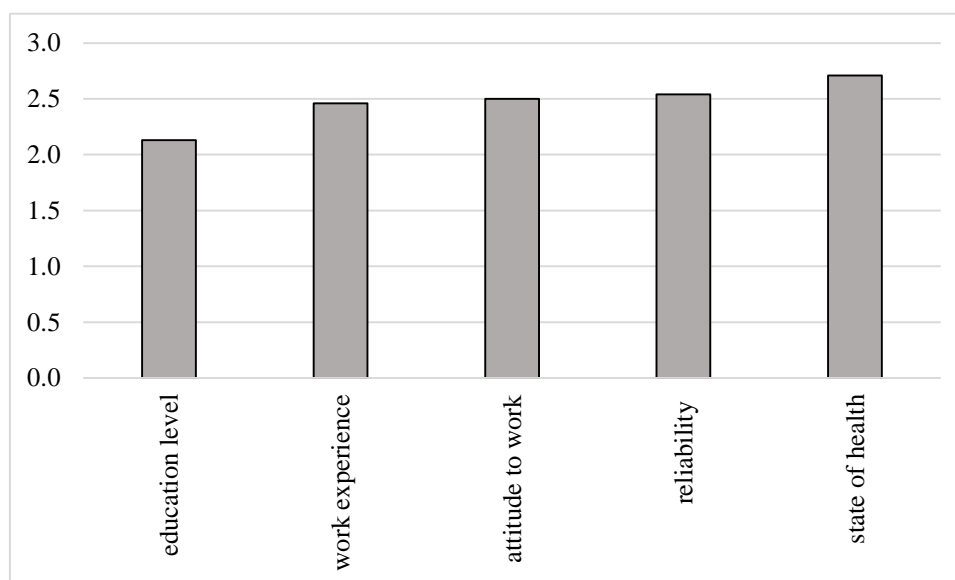


Figure 1: Employability of public employees

Source: own editing based on the survey

55% of the municipalities consider the public employment programme successful, as the municipality is developing nicely, the image, cleanliness and image of the municipality has improved. Values have been created, fruit and vegetable processing are taking place, livestock farming is also practised, fruit trees have been planted and the fruits are processed and sold (e.g., Hernádszentandrás, Imola, Sajóalgóc). For the families concerned, it is a step forward, the most important thing for the respondents was that it provides a wage instead of a subsidy (Figure 2).

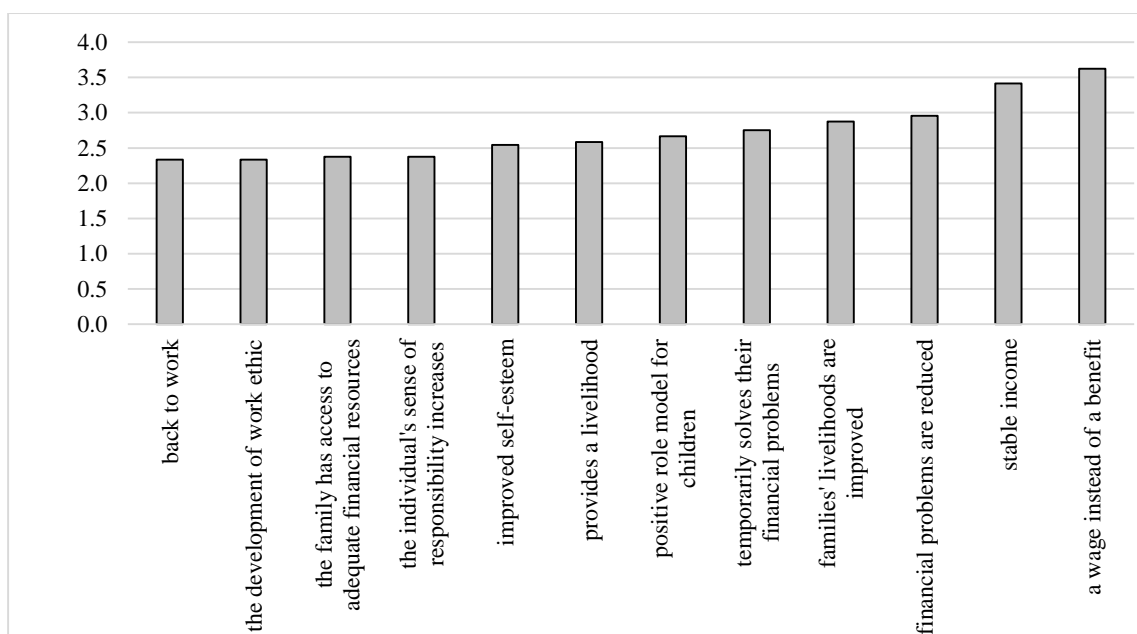


Figure 2: Results of public employment for the families concerned  
Source: own editing based on the survey

### 3. What is the role of social cooperatives in the development of the local economy in small villages?

Social cooperatives are an important building block of the solidarity economy, in practice in Hungary there are social cooperatives in many settlements, which initially operated and managed public employment and sold the products produced, and nowadays they can also be seen as employers. Based on the sample of 24 people, two municipalities have a social cooperative: the Hernádszentandrás Social Cooperative, since 2008 and the Trizsi Ízek Start Social Cooperative, since 2015, which has been operating successfully and has been able to provide permanent employment and wages for some people.

## 4. Conclusion

Several surveys and research have concluded that the wages of those in public employment are not up to par, that they are only lifted out of the abject poverty level of poverty, and that this income lasts only for a few months. These people are caught in a poverty trap. Unfortunately, public employment cannot improve their skills and the work they do is often not value-adding (G. Fekete, 2011; Tésits & Alpek, 2015; Lipták, 2020). These were confirmed by the questionnaire survey carried out by the author.

Re-entering the labour market is a long process, as some of the public sector workers have been inactive for years and face multiple problems and disadvantages. To achieve results in this multi-stakeholder model, everyone has a role to play, and innovation by different organisations and local authorities is key, as if the public employee is truly creating value, it can also boost self-esteem. The seasonality of the type of work that public employees do is also an ongoing problem for local authorities, which again requires a different approach. The situation in small villages and peripheral municipalities has not improved significantly and the most pressing issue for them remains the high unemployment rate. I believe that tackling the labour market problems of small villages requires an innovative, fresh approach from the municipal leadership, but this can only be achieved in those municipalities where there are still young, willing, and able residents.

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