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ECONOMIC SUCCESS WITHOUT WELL-BEING?
- THE CASE OF HUNGARY -

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Economic success without well being?
- The case of Hungary -

Annamaria Artner[1]

Abstract[2]

As measured by the most frequently used economic indicators, Hungary has recently seen a good performance. Here, the author presents indicators of the labour market and social conditions in the last decade to examine if this has led to the increase of the well-being of the population. She finds that the majority of these indicators portray an inverted U-turn, from the viewpoint of the majority of the population – illustrating that most of the indicators improved in the first half, but deteriorated in the second half of the period under examination. In most cases, the most recent values show deterioration relative to the beginning of the decade.

JEL: J31, H50, I3.

Keywords: government policy, inequality, poverty, unemployment, well-being.

1 INTRODUCTION

The success of a country can be measured in many ways. The most frequent indicators are the level and growth of the GDP, and especially the GDP per capita, accepted by many experts as an adequate measure for well-being (Dipierto and Anoruo

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2006; Kula, Panday and Mantia, 2010). Besides these, the domestic spending on research and development (GERD) as a percentage of the GDP, the foreign direct capital inflow and stock, the growth of export and its share of GDP, the macroeconomic stability (balance of the government budget and the current account) and the rate of inflation are also used frequently to describe the performance of a country.

However, good as these indicators may be, economic success means nothing if it doesn't go hand in hand with an improvement of the population's standard of living. The debate about measuring the well-being of a society gained significant importance following the release of the report of the "Sarkozy Commission" on the measurement of economic performance and social progress (Stiglitz, Sen and Fitoussi 2009). Since then, a lot of authors have discussed the limitations of GDP and its per capita value for measuring the well-being of the society, emphasized the importance of the distribution of income (Pickett and Wilkinson 2009) and offered additional measures for a more accurate description of the well-being of a society (Costanza et al. 2009; De Leon and Boris 2010; Fleurbaey 2009; Landefeld et al. 2010).

Recently Hungary seems to be performing well, as measured by the most commonly used economic indicators (NME 2014). Since the first quarter of 2013 the growth of the Hungarian GDP per capita has been among the highest in the European Union. The volume of investments has grown by more than 20 percent in the first half of 2013, relatively to the first six month of 2012. The budget deficit has been successfully reduced to under three percent of the GDP and the research and development expenditures as a percent of GDP has grown since 2010 (HCSO online database, Eurostat online dabase). Looking at these data sets one can say that "Hungary is performing better" – which, incidentally, is the slogan of the current Hungarian government.

Besides this promising news it is worth examining the other side of the coin – for example, the quality of life for the majority of the population. For this, the most adequate tools are the characteristics of the labour market and accompanying social conditions. Some other aspects, such as the level and quality of education and healthcare are also helpful to gain a deeper insight into the living standards of the population and prospects for its future. For this, in the following I examine the state and changes of unemployment, consumption, real wages, income distribution, poverty, the social

protection expenditures of the government and its structure in Hungary in the last decade, i.e. since 2004. Further attention will be given to education, demography, migration and public opinion of the EU. Examination of health indicators would be important too, but I will not deal with it in detail, as the state of health of the population and the efficiency of the system of health care are special problems for which a separate study should be devoted.

I am aware that even these indicators are entirely insufficient to describe the quality of life of a population perfectly and completely. I still think that they reflect, by and large, the social and political situation of a country from the viewpoint of the interests of the majority of people living on salaries, wages and unemployment benefits.

2 LABOUR MARKET

2.1 Unemployment – the ILO's definition

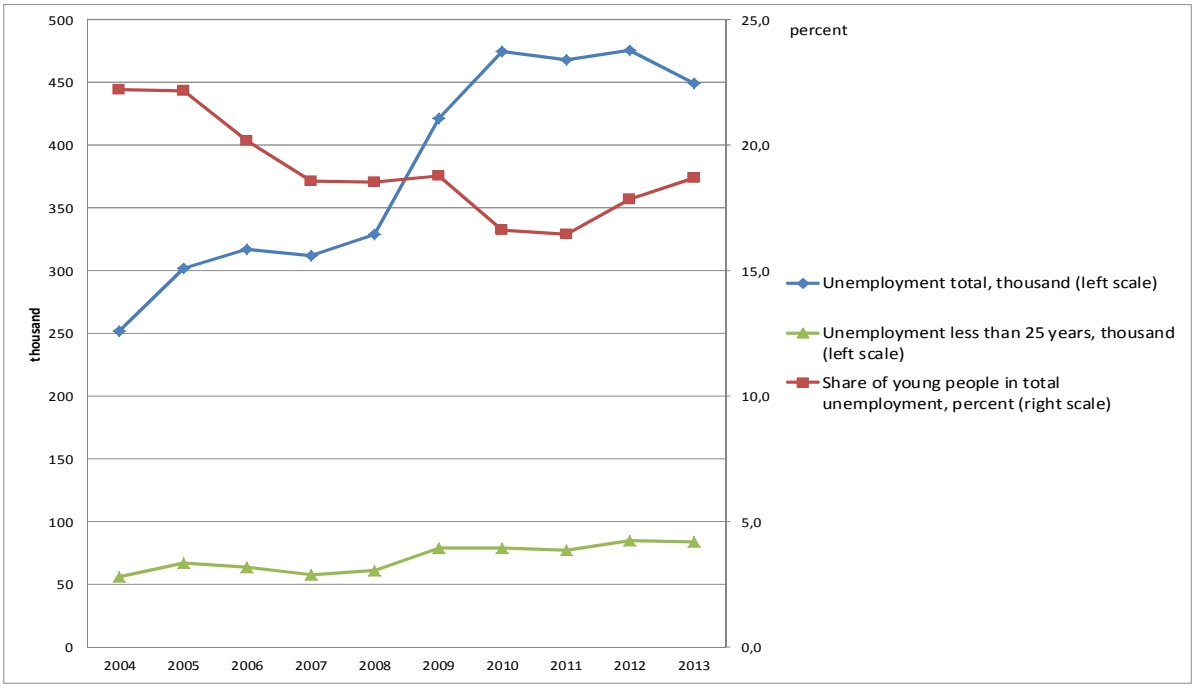
Eurostat works with the internationally accepted concept of unemployment, as defined by the International Labour Organization (ILO). According to the ILO's definition, those people are unemployed who haven't had even an hour of paid employment in the week prior to the date of survey, who have actively sought work in the previous month and are available to start work within the next two weeks. They also commonly described as the "active unemployed". Firstly, we will examine the Hungarian labour market, by using this indicator.

Unemployment in Hungary, as defined above, has considerably grown after the accession to the EU. In 2013 there were 449 thousand unemployed in Hungary compared to the 252 thousand in 2004. The bulk of this growth derived from the crisis beginning with 2008. Between 2004 and 2007 the number of unemployed people swelled by 60 thousand, while between 2007 and 2010 the growth in the numbers of the unemployed was 163 thousand. Following 2010 the level remained high, until 2012 when it began to decrease thanks to the efforts of the government that launched public works programs. The number of unemployed persons who have taken part in these programs (they are the so called "fostered workers") has considerably grown in the last one and a half year (to this I will return later).

Even within these results, it is clear that the number of unemployed did not decrease much between 2010 and 2013. In 2013 the number of unemployed people in Hungary was only 26 thousand, or 5.5 percent less, than in 2010. Compared with 2004 the unemployment has grown by 197 thousand, whilst the unemployment rate rose from 6.1 to 10.2 percent by 2013. Within this time period, the peak number of unemployed was 476 thousand in 2012.

The situation of young people has also deteriorated in the labour market during the years of EU membership. The number of young unemployed people under 25 years of age was 56 thousand in 2004 and 84 thousand in 2013. However, their share in total unemployment had been decreasing until 2011 more or less continuously. Then it began to rise and reached the pre-crisis level (Figure 1.).

Figure 1. Unemployment and youth unemployment in Hungary 2004-2013



Source: Eurostat Statistics by theme, Labour market, Employment and unemployment. http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database

From the second half of 2013, the labour market situation has considerably improved, in as much as the number and rate of both young and elder "active" unemployed decreased substantially.

In May of 2014 the number of unemployed decreased to 355 thousand, equalling an unemployment rate of 7.9 percent. The number of unemployed youth (under 25 years of age) reached 65 thousand (19.9 percent). The share of long-term unemployed (people who are unemployed for longer than 12 months) in total unemployment was 49.5 percent in the first quarter of 2014. This rate is higher than the corresponding EU average.

Even with these beneficial developments in the last year and a half, the numbers of both young and elder "active" unemployed were higher in the first quarter of 2014 than before the crisis (2008).

2.2 Unemployment – Registered unemployed

In the previous chapter I have used the Eurostat data, following the unemployment definition provided by the International Labour Organization. There is, however, another indicator, prepared by the Hungarian National Employment Service (NES) that refers to the number of people who registered themselves as jobseekers. They are also unemployed but may have some occasional jobs and for this they are not unemployed according to the ILO definition. This means that a significant proportion of these kinds of jobseekers do not get into the statistics made by the Eurostat and the Hungarian Central Statistical Office (HCSO).

On the other hand, the number of registered unemployed people depends on some specific factors. Those jobseekers who think they can find a job quite rapidly are not likely to register because it requires time and other bureaucratic burdens. People with better qualification or young people or those who are living in a region where more jobs are offered – as e.g. in Budapest – are less likely to apply at the national labour office for registration as jobseekers. Besides, the advantages that can be enjoyed by being registered unemployed influence jobseekers' inclination for registration too. If the unemployment benefit is meaningful, it is worthwhile to make the effort, otherwise not.

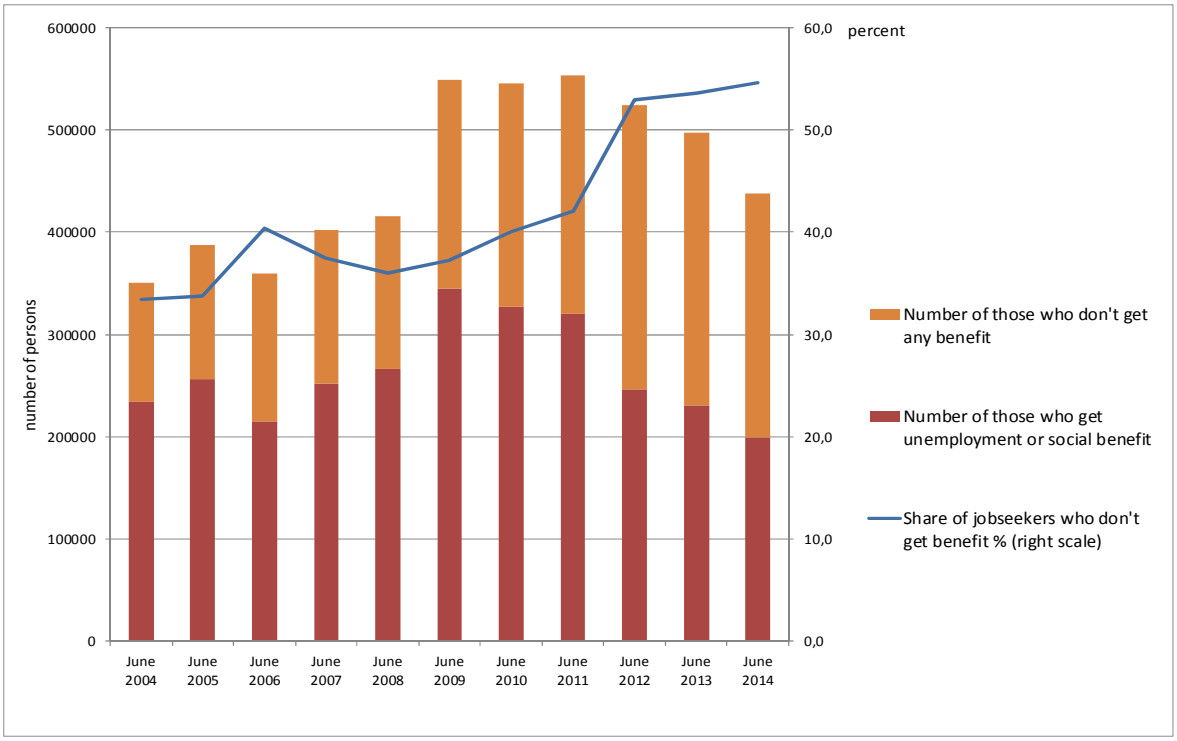
In Hungary the unemployment benefit was cut by the government in 2010, which had a discouraging effect on jobseekers' registration.

Bearing in mind the above mentioned processes, we can assume that the number of registered jobseekers at the NES is smaller than the number of those who *are actually looking for* a stable or at least relatively stable employment. Even though, the number of jobseekers at the National Employment Service is *much higher* than that of the unemployed on the basis of the ILO definition. In May 2014 there were 355 thousand unemployed according to the ILO definition while there were 514 thousand jobseekers according to the data of the NES.

As mentioned above, the labour market situation seemed to improve in the first half of 2014, thanks mainly to the decrease of the number of jobseekers at NES in June 2014. As a result, the official unemployment rate (ILO-definition) was 8 percent in the first six months of 2014 on average. This rate fits to the pre-crisis level. The situation is not so promising, however, if we examine how the data on jobseekers for June of *every year* changed in the past decade.

In June 2014 there were 439 thousand people in Hungary who looked for employment according to the data of the NES. This number is 107 thousand less than in June 2010 but 23 thousand more than in June 2008, before the outbreak of the crisis. Besides, it is important to know that, in June 2014, 291 thousand jobseekers, i.e. 57 percent of all jobseekers *didn't get any unemployment or social benefit*. Their number rose by 11 thousand in two years (since June 2012) and by 68 thousand in four years (since June 2010). *Relative to June 2004 the number of jobseekers grew by 25 percent in June 2014*. In the same period the number of the unemployed getting no benefits *has more than doubled* and the number of those who get unemployment allowances or social aid *decreased by 15 percent* (Figure 2.)

Figure 2. Number of jobseekers with or without unemployment or social benefit in Hungary in June of every year, 2004-2014



Source: Hungarian National Employment Service, Monthly detailed reports. http://www.afsz.hu/engine.aspx?page=full_afsz_havi_reszletes_adatok_2014

2.3 Fostered workers

Since 2005 Hungary has been following the guidelines of the employment policy of the EU and has created an institutional structure that suits to it. The crisis activated those labour market institutions and measures, for example: unemployment benefit that was aimed at helping to mitigate the socially disadvantageous effects of the crisis on people. However the decrease of the number of unemployed was not possible until the new government restructured the unemployment policy by making a turn towards the public works program. The participation in this program is compulsory for the unemployed, and those, who are participating in it are called “fostered workers”. Since 2012, according to the modified labour law, all jobs that the labour offices offer to the unemployed persons are to be accepted by them even if the job needs much lower qualification than the unemployed owns. Those who do not accept the job, lose the social

benefit that equals with 22 800 HUF (approximately 76 EUR) per month in 2014. Three years ago this benefit was higher (28 500 HUF per month), but in order to motivate unemployed people to work the conservative government has decreased it by 20 percent from 2012 on.

The public works program has involved more and more unemployed people after 2010, reaching 129.1 thousand people on average in 2013 and 178.7 thousand people on average in the first half of 2014 (HCSO 2014a). This is an exceptionally large number since the program has been launched, and this is the reason why there was an easing in the numbers of the officially unemployed in May and June 2014 (Table 1.).

Table 1. Labour data of fostered workers in Hungary 2010 – Jan-June 2014

Fostered workers	**2010**	**2011**	**2012**	**2013**	**2014 Jan-June monthly average**
Number of employees (thousands)	87.4	60.9	90.8	129.1	178.7
Of which:					
Number of full-time employees:	67.9	20.3	72.4	111.5	176.0
Number of part-time employees:	19.5	40.6	18.4	17.6	2.7
Average gross monthly earnings of full time employees (HUF)	75,427	78,369	73,151	76,846	78,051

Source: HCSO. Earnings. First releases. http://www.ksh.hu/earnings_tn p32.

In Hungary the minimum wage is approximately 330 EUR per month and the average gross monthly earnings of 'fostered workers' is 75-80 percent of this minimum. This means a net monthly income of around 170 EUR. This is less than 60 percent of the *minimum subsistence for a single person* as provided by the HCSO.[3] The public works program offers cheap labour to the government and to those private employers who take part in the program. The unemployed, especially in the disadvantaged regions

[3] HCSO online database Table 2.2.12. Minimum subsistence since 1990, HUF/month http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zhc011.html

where regular and formal employment can hardly be found, are usually thankful for the possibility of safe employment in the program and hope it will continue.

2.4 The labour market policy of the government

These developments, as outlined above, reflect the socio-economic concept of the new government since 2010, building on the principle of the so-called "work-based society". Correspondingly to this, the so called "passive" labour market policy (LMP) measures – unemployment benefits, early retirement – have been forced back and the structure of the so called "active" measures – aiming at employability and job creation – has been changed.

As for the labour market policy expenditures of the new government since 2010, the absolute level of expenditures has been reduced with the exception of direct job creation (i.e. public works) and employment incentives (allowances given to the employers). The government spent more than the half of the total LMP expenditures in 2012 on the latter two types of actions. In 2013, the budget of the public works program has been further increased, up to more than 180 billion HUF (approx. 600 million Euro).

On the other hand, the role of training and education of the unemployed has sharply declined in the last couple of years within labour market policy. In 2008-2009, 54-55 thousand unemployed took part in some kind of training and education programs each year. This number shrank to 36-47 thousand in 2011-2012 (Tajti 2009 and 2012). Between 2004 and 2010 the previous governments spent 50 million Euros a year on average on labour market training. In the following years this amount fell radically, amounting to only 3.4 million Euros in 2012.[4]

The amounts dedicated to passive measures of labour market policy have also been radically pared after 2010. The maximum amount of unemployment benefit was cut from 120 percent of the minimum wage to 100 percent. The time span wherein unemployment benefits can be received has been reduced by two-thirds, from 270 to 90 days. The result, as I have already stated above, is that *less people get less unemployment*

[4] Eurostat Online, Statistics by theme, Labour market, Labour market policy, Public expenditure on labour market policy (LMP) interventions
http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_market_policy/database

benefit for a shorter period of time, whilst the share and number of unemployed getting *no* unemployment or social benefit have increased (Figure 2.). On the other hand, the number of those who are involved in the public works program and get very low wages has risen (Table 1.).

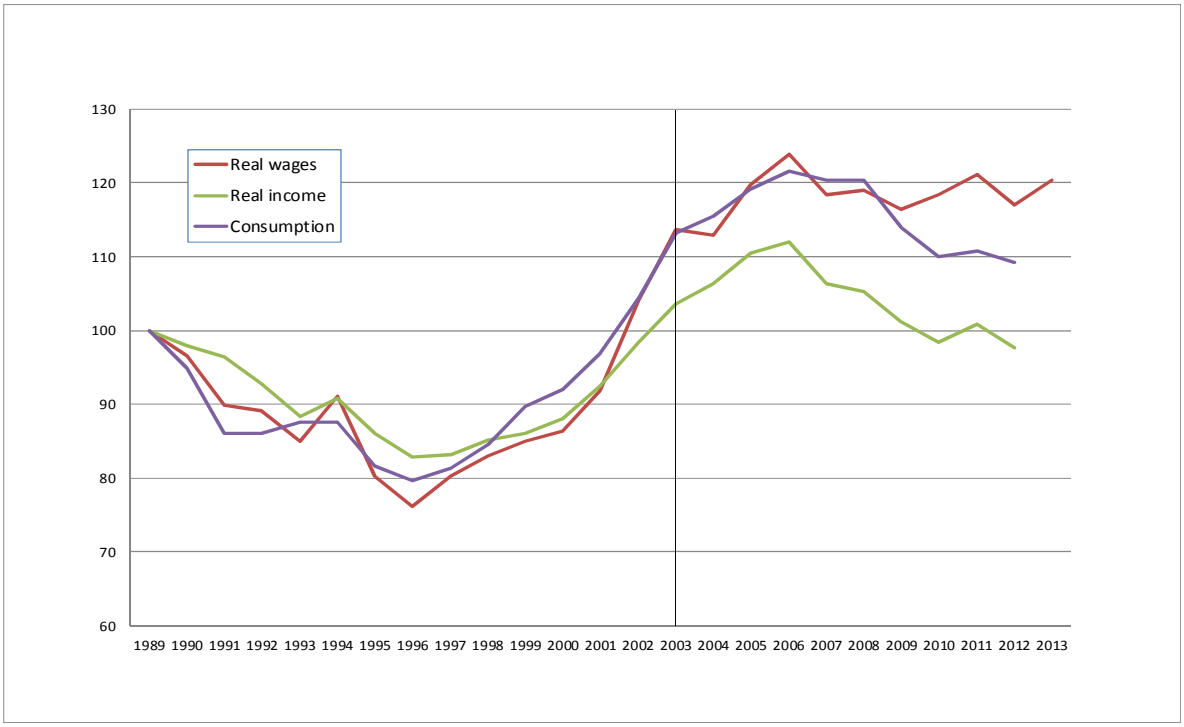
As a result, it seems that in the slogan of the government's "work-based society" the word "work" is used as a substitute for "*cheap wage-labour*". This is also reflected in the decreasing real wages of public sector and the increasing wage differentials within the labour market.

3 SOCIAL CONDITIONS

3.1 Consumption, real wages and income

First of all, it is worth casting a glance at Figure 3. This shows how the growth of real wages, real income and consumption has slowed after 2003, even becoming a downwards trend following 2006, when the government was forced to apply an austerity policy because of the huge budget deficit. Here I would have to note that the year of 2006 was an exceptional one, as in that year, the government deficit grew extremely high, reaching 9.6 percent of the GDP. For this reason, a quick and strong adjustment, carried out at the expense of the population, was considered to be unavoidable. However, in subsequent years until 2010, government policies paid more or less attention to the interests of the most helpless strata of society. Even this was not enough to satisfy the needs of the population. The shock of the crisis in 2008 and the following austerity policy resulted in a change of government at the 2010 elections. Following this, however, social conditions have yet to show signs of improvement.

Figure 3. Index of real wages, real income and consumption in Hungary, 1989=100



Source: Own calculations on the basis of data from the Hungarian Central Statistical Office, http://www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/h_zhc001.html HCSO Tables (STADAT) Long time series, National accounts, GDP, Table 3.2. Household income and consumption (1960–)
http://www.ksh.hu/docs/eng/xstadat/xstadat_long/h_zhc001.html

In 2012, the consumption and real income of the Hungarian population were below the levels of 2004 and the real wages in 2013 were only 6.6 percent higher than they were ten years earlier.

Figure 3 shows an upward trend in all three indicators between 1996 and 2007. This, however, hides the differences between the strata of the society. The increase of the general level of real wages, income and consumption doesn't mean that these indicators grew for all citizens. These differences have been rapidly exacerbated in the last few years.

This will be discussed in the following chapters.

3.2 Growing employee wage differentials

The real value of net labour incomes increased in the first years after the accession to the EU and since 2006 has been more or less the same. However, the differentials between different groups and sectors of employees have widened.

Firstly, since 2006 the average private sector wage has grown faster than that of the government sector. In the year of the accession (2004) the state employees earned 16.2 percent more than the private sector employees. In 2009, the wages of these two sectors were essentially equal, and since then *the public sector wages have been gradually lagging behind the wages of the private sector* and amounted to 88.2 percent of the private sector average in 2013. What is more, by correcting this data with the consumer price inflation can we find that *the real wages of the public sector have been decreasing* since 2006 and in 2013 were under their 2004 level by 11 percent. In the same period of time, between 2004 and 2013, the real wages of the private sector grew by 17.6 percent.

Secondly, the flat income tax regime that was introduced in 2011 by the new government *favoured the highest wage earner groups disproportionally* in every sector of the economy and caused increasing income inequality throughout the whole society. I will discuss that later in more detail.

Thirdly, between 2004 and 2013 the average gross compensation of all employees (public and private together) grew by 63 percent in nominal terms while the consumer prices went up by 60.8 percent. This means that *the real value of labour compensation on average has strengthened only by 1.3 percent*, and in some categories, has even decreased. The latter, as I have mentioned above, are in the public sector. Those, who are employed as medical staff or in social work lost more in real terms. Meanwhile, employees in the trade and construction industry enjoyed the highest real increase of their wages.[5]

Fourthly, *the gap between the wages of blue and white collar workers has widened* in all sectors. *Blue collar employees in the public sector have suffered the largest deterioration* both in their absolute and relative position (Table 2.).

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[5] HCSO Table 2.1.40. Average gross monthly earnings of employees in the national economy (2004–) http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_qli022.html

Table 2. Relative net earnings of blue and white colour workers in Hungary by main sectors 2008–2012

Rate of net earnings, percent	2008	2009	2010	2011	2012	2008-2012 change in percentage point
Blue-collar/white-collar, total economy	57.6	58.2	57.5	54.8	52.7	-4.9
Blue-collar/white-collar, private economy	53.7	53.3	53.0	47.8	46.8	-7.0
Blue-collar/white-collar, government	62.9	62.3	59.4	64.1	54.6	-8.3
Government/private economy, white-collars	85.1	79.5	79.2	69.4	67.4	-17.8
Government/private economy, blue-collars	99.7	92.9	88.8	93.2	78.6	-21.1

Source: Own calculations on the basis of HCSO online statistics, Tables (STADAT) – Themes, Society/Labour market, Times series of annual data. Table 2.1.45. Average net monthly earnings of manual workers in the national economy (2008–) and Table 2.1.46. Average net monthly earnings of non-manual workers in the national economy (2008–) http://www.ksh.hu/stadat_annual_2_1

Finally, the *gender pay gap* was over 20 percent in the 1990s. Until 2006 this gap had considerably narrowed, reaching 14.4 percent in 2006. Following that year the gap began to rise again and reached 20.1 in 2013, which was the fourth highest rate within the Central and Eastern European member states of the EU after Estonia, the Czech Republic and Slovakia, and the sixth highest in the EU28).[6]

Divergence of wage-groups is not the only problem. It is accompanied by growing poverty, social exclusion and income differences.

3.3 Poverty, social exclusion and income distribution

The labour market situation always has significant connection to the condition of poverty. These two social factors also reflect how the policy of a government impacts on

[6] Eurostat Online, Statistics by theme, Labour market, Earnings, Gender pay gap in unadjusted form http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/earnings/database

different classes. In Hungary, as we have seen above, unemployment has decreased in the last few years, but the support that the government has been offering for the unemployed people in the form of unemployment and social benefits has diminished even more. This situation leaves many people without help and hope, although the head of a government that gained a two-thirds Parliamentary majority in the last two elections (2010 and 2014) promised that "we will leave nobody behind"[7]. It perhaps should be clarified, that this was said in connection with the families that are *indebted in foreign currency* and there are not many such families among the very poorest ones.

In 2013 more than one third (33.5%) of the Hungarian population was at risk of poverty or social exclusion, which is among the highest rates in the EU and it is also higher than the average rate of the new member states (NMS12). Besides, this rate is bigger than it was in 2005 in Hungary (earlier data is not available in Eurostat) when it stood at 32.1%.

Within the period of 2005-2013 the number of the people at risk of poverty or social exclusion was the lowest in 2008 with 2 794 thousand. Since then the number has been continuously growing and reached 3 285 thousand in 2013 which is *100 thousand more than eight years ago and with 491 thousand more than in 2008*.

Children under 6 years of age are even more affected. For them the above mentioned rate of risk was 42.4 percent in 2013, *the highest since 2005* in Hungary and the third highest rate in the EU after Bulgaria and Romania. In 2013 there were 24 thousand more children at risk of poverty and social exclusion than eight years earlier (Table 3.).

[7] See the Prime Minister's video message at
https://www.facebook.com/video/video.php?v=10150311565624836

Table 3. People at risk of poverty or social exclusion between 2005 and 2013, as a percent of the population

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total population									
EU28	..	..	..	..	..	23.7	24.3	24.8	..
EU27	25.7	25.3	24.4	23.7	23.2	23.7	24.3	24.8	..
NMS12	41.0	38.0	35.0	31.7	30.6	30.8	30.6	30.7	..
Hungary	32.1	31.4	29.4	28.2	29.6	29.9	31.0	32.4	33.5
Less than 6 years old									
EU28	..	..	..	..	..	25.6	25.4	25.9	..
EU27	26.6	25.7	24.5	24.6	24.6	25.6	25.4	25.9	..
NMS12	42.4	39.4	35.7	31.7	31.3	31.4	31.3	30.7	..
Hungary	36.9	37.7	33.8	31.7	37.0	37.1	36.8	39.1	42.4

Source: Eurostat, Statistics by theme, Income, social inclusion and living conditions http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

Another important indicator concerning children and thus referring to the state of living standard of the population is the infant mortality rate. This has decreased in the 2000s almost continuously, with the exception of 2007 when it increased a little bit (by just one percent) and then began falling again. This favourable long trend broke in 2011. Between *2011 and 2013 the infant mortality grew by 21 thousand head or 4.8 percent*.[8]

Material poverty is measured by the share of persons with an income below the risk-of-poverty threshold, which is set at 60 percent of the national median equalised disposable income. This is the so called *at risk-of-poverty rate*. This is measured both *before* and *after* receiving social transfers. The good news is that in Hungary the share of the population that lives under this threshold before receiving social transfers has been

[8] HCSO online database, Table 6.1.4. Vital events (2001–)
http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_wdsd006.html

decreasing (Table 4.). However, the picture alters significantly if we take a look at the rate of those who live under the poverty threshold *after* social transfers. Surprisingly, this rate has been growing in the last years. In 2013 after social transfers 1.4 million people were below the risk-of-poverty threshold. This is the highest data since 2005, with the exception of 2006 (Table 4.). With these two rates, it is possible to calculate the rate of those whom the social protection system can retrieve from poverty. It is also presented in Table 4. This rate increased from 2005 until 2008. After that year it has been declining and its decline has been accelerating after 2010. The rate of the population being lifted from material poverty by social policy was the lowest in 2013 since 2005.

Table 4. At risk poverty rate before and after social transfers in Hungary, 2005-2013, percent

GEO/TIME	2005	2006	2007	2008	2009	2010	2011	2012	2013
At risk of poverty rate before social transfers (A)	29.4	29.6	29.3	30.4	28.9	28.4	28.9	27.1	26.3
At risk of poverty rate after social transfers (B)	13.5	15.9	12.3	12.4	12.4	12.3	13.8	14	14.3
Rate of those whom the social sytem help (A-B)	15.9	13.7	17.0	18.0	16.5	16.1	15.1	13.1	12.0

Source: Eurostat, Statistics by theme, Income and living conditions, Monetary poverty. http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

Similar tendencies can be found when examining the number of *severely materially deprived people*, i. e. those, whose living conditions are severely constrained by the lack of resources[9]. Their number decreased from 2.3 million (22.9 percent of the population)

[9] Those people, who – according to the Eurostat definition – "experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone." See Eurostat Europe

in 2005 to 1.8 million in 2008. After that year, however, the number of people within his group began to rise and reached more than 2.6 million in 2013 (26.8 percent of the population[10]).

The Gini coefficient is the generally accepted measure of income inequality. In the case of Hungary this coefficient was unusually high (33.3%) in the exceptional year of 2006 but then had eased down to 24.1 percent until 2010. Since then the inequality has been on rise again reaching 28 percent in 2013.[11]

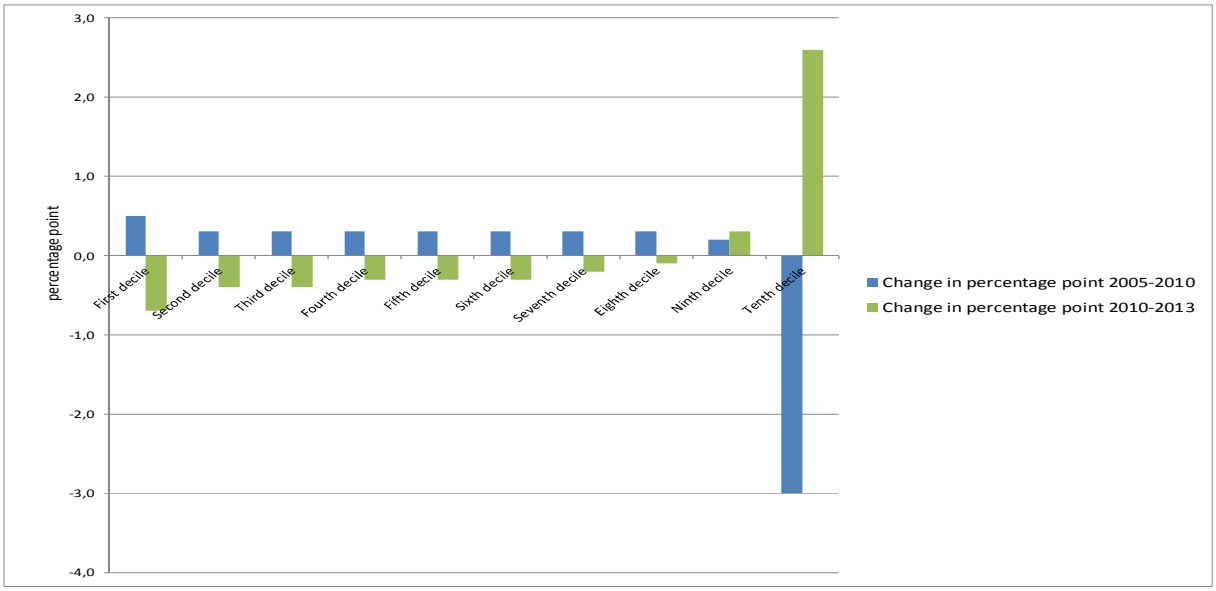
The distribution of income by income deciles presents the "perverse redistribution" after 2010 even more expressively. Between 2005 and 2010 the share of the bottom nine income deciles in the national income grew and the share of the tenth decile, i. e. the richest 10 percent of the population, lessened. After 2010 the trend has turned the opposite direction. Between 2010 and 2013 only the ninth and tenth deciles could improve their positions and the upper 10 percent of the population has gained the most. All the other deciles lost and the first decile, the poorest ten percent of the population, lost the most (Figure 4.).

2020 indicators explanatory notes.
http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators

[10] Eurostat, Statistics by theme, Income and living conditions, Material deprivation http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

[11] Eurostat, Statistics by theme, Income and living conditions, Income distribution and monetary poverty. http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

Figure 4. Distribution of the national income by income deciles in Hungary 2005-2013, changes in percentage point.



Source: Own calculations on the basis of Eurostat, Statistics by theme, Income and living conditions, Distribution of income, Distribution of income by quantiles. http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

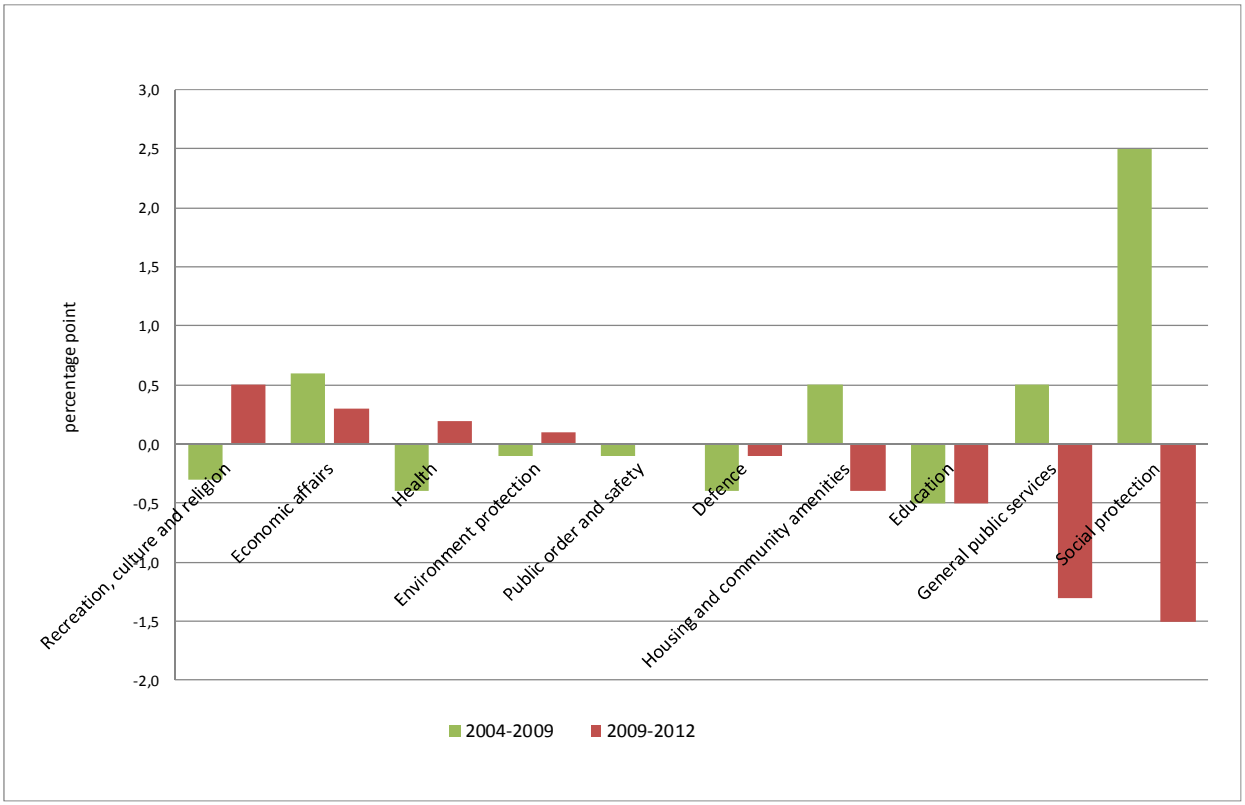
As a consequence, the ratio of the tenth decile to the first one increased from 4.8 to 6.5 between 2010 and 2013. Before 2010 the trend line was the opposite, even in the unhappy year of 2006, when for the above mentioned reasons the income distribution deteriorated a lot, but after which, was quickly corrected.

3.4 The social policy of the government

The question is how the government is dealing with the impoverishment of the lower strata of the society. In the last years the government did very little to prevent this, compared with its successful efforts to push the public deficit under three percent. Besides, the government aims to reduce the national debt and return a substantial part of the economy from foreign ownership into Hungarian private and public hands. To these goals the principles of "who does not work shall not eat" and the "work-based society" are coupled together, to deliberately enable the atrophy of the social protection system.

According to the Eurostat data[12] in 2012 the Hungarian general government spent 17.1 percent of the GDP on social protection expenditures other than health care. That rate is the lowest since 2006 and is substantially lower than the average of the EU28 (19.9% in 2012). In 2012 the level of the social protection expenditure (other than health) was only 0.5 percent higher than in 2009, signalling a decrease in real terms (Figure 5.).

Figure 5. Structural change in government expenditure in Hungary: government expenditure as a share of GDP, change in percentage point 2004-2012



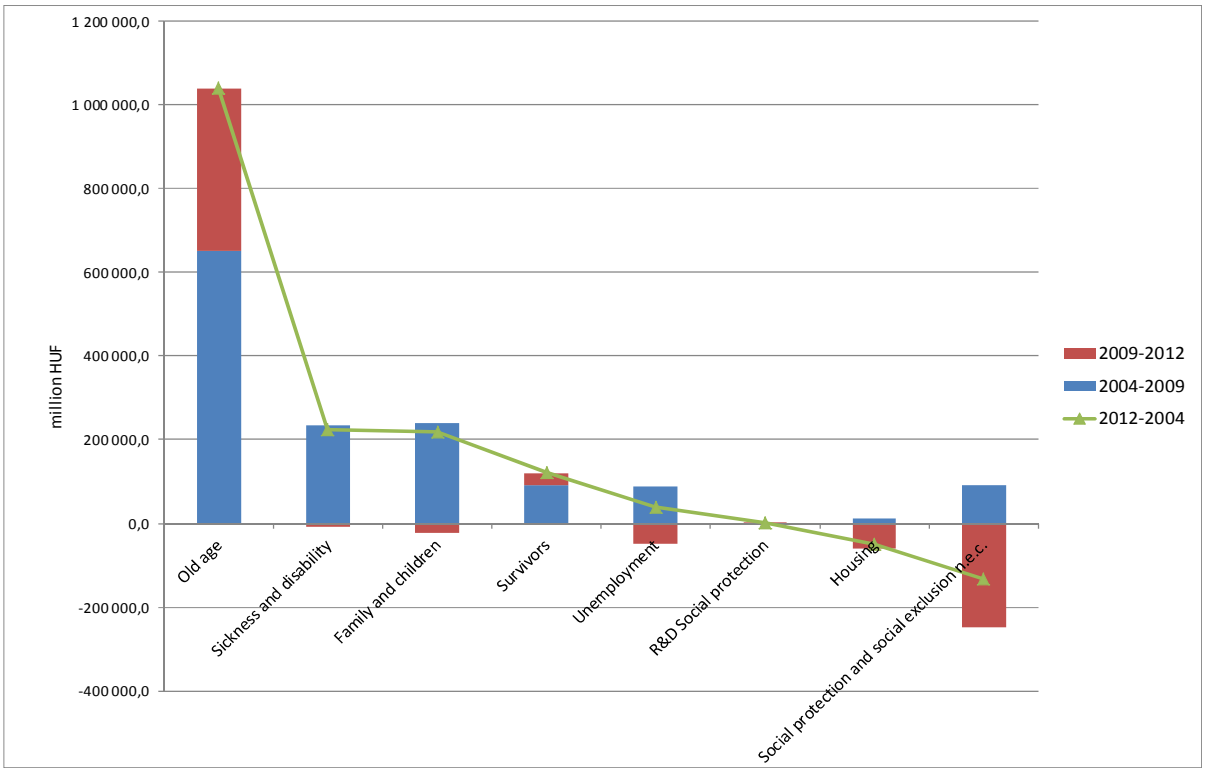
Source: Own calculations on the basis of Eurostat Statistics by theme, Government statistics, General government expenditure by function
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database

Since 2004, the structure of the social protection expenditures has changed at the expense of the poorest people. The most disadvantageous developments in this respect have happened after 2009. Between 2009 and 2012, within the social protection

[12] Eurostat Statistics by theme, Government statistics, General government expenditure by function http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database

expenditures, only the old age pensions survivors benefits gained a bigger share and sums, whereas the amount of money devoted to sickness, disability, family and children, housing, unemployment and "social protection and exclusion not elsewhere specified" decreased. On these latter items the government saved close to 400 billion HUF (cc. 1.3 billion Euro) in 2010, 2011 and 2012 together (Figure 6.).

Figure 6. Structural change in social protection expenditures of the government in Hungary 2004-2012, change in million HUF



Source: Own calculations on the basis of Eurostat Statistics by theme, Government statistics, General government expenditure by function
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database

The expenditures on the broadly defined social protection system[13] increased from 20.8 percent of the GDP in 2004 to 24.3 percent in 2009. After that year this share began to

[13] According to the definition of the Eurostat: "Expenditure on social protection contain: social benefits, which consist of transfers, in cash or in kind, to households and individuals to relieve them of the burden of a defined set of risks or needs; administration costs, which represent the costs charged to the scheme for its management and administration; other expenditure, which consists of miscellaneous expenditure by social protection schemes (payment of property income and other). It is calculated in current prices."

fall and was equal with 23 percent in 2011 that is with 6 percentage point lower than the average of the EU28 (more recent data was not available in the Eurostat in October 2014).

This declining trend of the social protection expenditures will likely continue according to the intent of the present Hungarian government, that can be inferred from the statement of the Minister of External Economy and Foreign Affairs. In September 2014 on the Economic Forum in Krynica Peter Szijjártó remembered that while the European Union provided seven percent of the world's population and 18.6 percent of the world's GDP, it distributes half of the global welfare expenditures. He pointed out that it is no longer sustainable. (MoFAT 2014). This means that the Hungarian government thinks that social spending has to be reduced further.

4 EDUCATION

In the last two decades the participation rate in education for the 15-24 years of age cohort has been growing faster in Hungary than in the EU on average. Before 2004 the Hungarian participation rate was lower than the average of the EU27. In 2004 the rates were equal, and then the Hungarian rate has continued to rise. In 2012 66.6 percent of the Hungarian population aged 15-24 years participated in formal education compared with 62 percent in the EU28. The Hungarian rate was the ninth highest in the Union. This has to be partly attributed to the extension of the private education sector of Hungary, which originated in the reform processes of the 1990s, when the establishment of private schools at all levels of education became possible. Besides, persistent unemployment has also inspired young people to learn more and longer as participation in the post-secondary and tertiary education (ISCED[14] 4-6) helps to find

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Eurostat, Statistics by theme, Social protection, Main tables, Expenditure on social protection, Short description. http://epp.eurostat.ec.europa.eu/portal/page/portal/social_protection/data/main_tables

[14] ISCED is the abbreviation for International standard classification of education that is an instrument for compiling internationally comparable education statistics. Level 0: Pre-primary education, Level 1: Primary education, Level 2: Lower secondary education, Level 3: Upper secondary education, Level 4: Post-secondary non-tertiary education, Level 5: Tertiary education (first stage), Level 6: Tertiary education (second stage), For further details see Glossary: International standard classification of education(ISCED)
http://epp.eurostat.ec.europa.eu/statistics_explained/extensions/EurostatPDFGenerator/getfile.php?file=84.3.122.96_1412327077_74.pdf

better paid jobs after finishing school and also serves as a means of avoiding unemployment for some time.

In the first years of the EU-membership (between 2004 and 2007) and in 2010 the government spending on education relative to the GDP was higher than the average of the EU27. In 2012 the Hungarian rate decreased to 4.8 percent – considerably lower than the average of the EU and *by one percentage lower than at the time of accession to the EU*. Again, similarly to other disadvantageous social developments, most of the decrease happened in 2011 and 2012, when the conservative government, with a two-thirds Parliamentary majority, withdrew 789 million Euros from the education budget. As a result, the money devoted to education in 2012 is *the lowest since the accession to the EU* and is 85 million Euros or 1.8 percent less than in 2004. With this, Hungary is one of the two member states that spend less money on education in 2012 than in 2004. The other country is Portugal, where the decrease was 7.2 percent in the same period. The EU as a whole (without Croatia) strengthened the education budget by 24.1 percent between 2004 and 2012, although the absolute level of expenditures stagnated in 2011 and 2012.[15]

Between 2004 and 2008 the ratio of students to teachers at level ISCED 1-3 decreased, after that it increased and became higher in 2012 than in 2004.

The rate of early school leavers aged 18 to 24 years who finished the level ISCED 3 lessened considerably until 2010 and then began to grow. This means that in the last three years Hungary has been rolling away from the Europe 2020 target on education, according to which the rate of **early school leaving is to be reduced below 10 percent** (Table 5.).

[15] Eurostat, Statistics by theme, Government statistics, General government expenditure by function http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database

Table 5. Some indicators of the education in Hungary 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Participation rates in education. ISCED 1-6. aged 15-24 years (%)	59.7	61.6	62.6	63.7	64.5	64.6	65.6	66.3	66.6	n. a.
Ratio of students to teachers. ISCED 1-3	11.0	11.0	10.9	10.8	11.3	11.4	11.4	11.3	11.3	n. a.
Early leavers from education and training. from 18 to 24 years (%)	12.6	12.5	12.6	11.4	11.7	11.2	10.5	11.2	11.5	11.8
Entrants at theoretical starting age in ISCED level 5 as % of all persons of the corresponding age group	12.3	12.7	11.8	11.8	11.2	9.3	9.1	8.0	6.9	n. a.
Entrants at the theoretical starting age in ISCED level 5 as % of all entrants in ISCED level 5	15.2	15.3	14.2	14.9	15.4	13.7	12.5	10.8	9.3	n. a.

Source: Eurostat online, Statistics by them, education and training, Education indicators - non-finance
http://epp.eurostat.ec.europa.eu/portal/page/portal/education/data/database

According the PISA assessments between 2000 and 2009 the performance of the Hungarian 15 years old pupils improved in reading literacy and did not change significantly in mathematics and science (Halász 2011). In 2009 the scores of Hungary

on all fields were around the OECD average.[16] The results of the assessment in 2012 showed considerable deterioration.[17]

On the basis of these data and indicators of the social conditions in Hungary the balance of the last decade shows a negative result at the end of the period.

5 DEMOGRAPHICS, MIGRATION AND THE JUDGEMENT OF THE EU

As a general trend in Europe, Hungary's population has been decreasing for decades by approximately 35-40 thousand persons per year. The number of marriages per thousand inhabitants has been decreasing and more than half of the marriages end with divorce. While the birth rate is low and decreasing, more and more children are born outside marriage. Although these trends are accompanying socio-economic development in general, they not only reflect positive developments.

Contrary to the more developed countries, where net immigration frequently outnumbers the natural decrease of the population, Hungary doesn't attract enough foreigners. What is more, in the last few years the number of Hungarian emigrants has climbed as a consequence of growing unemployment, because of the crisis on the one hand and the opening of the German and Austrian labour market on the other. There is no reliable data on emigration. In the framework of the SEEMIG project[18] the experts of the Hungarian Central Statistical Office found that at the beginning of 2013 there were about 350 thousand Hungarians abroad who have leaved Hungary more than one year ago and after 1989. This number is among the lowest emigration data in South-East Europe (SEEMIG 2014:6). As far as the data on people working abroad are concerned the HCSO states that 49.8 thousand people worked in premises abroad in the first half of 2010. Their number has increased almost twofold in the following three years then the increase stopped. In the first half of 2014 94.8 thousand Hungarians worked in premises abroad, essentially the same as a year earlier (HCSO 2014b:2, HCSO 2014c:2). The

[16] Reading: Hungary 494, OECD 493. Mathematics: Hungary 490, OECD 496. Science: Hungary 503, OECD 501.https://docs.google.com/spreadsheet/ccc?key=0AoBYy67QwoevdHIyc2Rha2VYamZ0LUl0Xy1TdUszRkE&usp=sharing#gid=2
[17] Reading: Hungary 488, OECD 496. Mathematics: Hungary 477, OECD 494. Science: Hungary 494, OECD 501.https://docs.google.com/spreadsheet/ccc?key=0AoBYy67QwoevdHIyc2Rha2VYamZ0LUl0Xy1TdUszRkE&usp=sharing#gid=0
[18] SEEMIG is a strategic project funded by the European Union's South-East Europe Programme

general feeling among people is, however, that many Hungarians under 40 years of age are going or at least planning to take a chance in some Western-European countries to find a better paid job. The amount of the money in Euros that Hungarians can earn in the more developed member states of the EU inspire them, as well as other Eastern Europeans, to work there, at least for a while.

This is especially true for young people in general and particularly for those students who have had the possibility to get acquainted with the life abroad thanks to the student exchange program of the EU (Erasmus). According to the last Eurobarometer results, Hungarians have appreciated the EU's Erasmus program. 30 percent of those surveyed stated that the Erasmus program is the most positive result of the EU, against 23 percent on average in the EU28 (EC, 2014a:4). The possibility to work and study in other EU-countries probably played a role in the growing popularity of the EU in Hungary over the last decade. Optimism concerning the future of the European Union has grown and become the majority view in Hungary (53% in spring 2014 vs. 44% in autumn 2013). Growing proportion of the Hungarians (59% in spring 2014) feels that they are citizens of the EU too. Optimism regarding the crisis in the job market has been also increasing, and Hungary was among the most optimistic of the EU-member states in spring 2014 in this respect. 61 percent of respondents thought that the crisis on the job market had already reached its peak (EC 2014b:11., 22., 27., 29.). Still, 46 percent of the respondents felt they could fall into poverty, which is the fifth highest rate in the EU28.

6 CHANGING GOVERNMENTS – CHANGING CONCEPTS

Although the crisis has played a crucial role in the changes on the labour market and in the social conditions of the employed and unemployed majority of people, the effects of the policies of the Hungarian governments cannot be disregarded in these processes. As I have presented above, the most disadvantageous developments for the most vulnerable strata of the society have happened after 2010, when most of the direct negative economic effects of the crisis were already over. Since 2010 new legislation has been enacted. Their essence shows a clear preference towards the upper middle and – even more – the top income strata. The primary segments of the population affected by the negligence of education have been those on lower incomes.

The governments in office before the crisis were convinced that the way to develop the country and successfully integrate into the world economy relied upon making Hungary a place where globalized capital finds worth to produce and invest in. This resulted in a neoliberal policy where the largest companies could exploit the incentives of the government most successfully and where either the manufacturing and service industries, or financial institutions, could gain substantial profit from their operation. This strategy was justified by the increasing stock of foreign direct investments (FDI) in the country and also by the relatively high rate of GDP growth. In the 2000s the stock of FDI as a percentage of GDP in Hungary has been among the highest in the new member states of the EU, being only surpassed by Bulgaria and Estonia. After accession to the EU, the growth of the Hungarian economy has been around 4 percent until 2007.

EU membership supported these processes and the strategy of these governments seemed to be proper as regards to the increasing real incomes, salaries and consumption. This was, however, for a short period of time, and was fuelled by the financial (credit) bubble that the same governments allowed to occur, rather irresponsibly. First, the immense budget deficit in 2006, then the subsequent interruption of economic growth in 2007 and, then, finally the outbreak of the crisis in 2008, questioned the validity of the neoliberal model. Especially because the growth of the economy, led by external factors, has gone hand in hand with the indebtedness of private households. These factors made the failure of the neoliberal economic policy inevitable.

Still, as the data has illustrated above, neoliberal governments have tried not to neglect the problems of the most vulnerable strata of the society and they have done their best in the frame of global capitalism to redistribute incomes in favour of lower income groups. In this sense the governments before 2010 can be called “left-neoliberal”. What they did, however, was entirely unsatisfactory for people living on wages, salaries or social benefits, and carrying the burden of the crisis. The reason for this is that in the meantime the Hungarian economy has become “empty”. The national capital has been forced back by the market processes and/or has not been able to grow out from the small and medium-sized enterprise sector because of the stronger competitiveness of the much larger foreign companies and also the lack of cultural

capital and a solid basis for developing human resources. Thus, the Hungarian economy with its national capital has become strongly dependent on the globalized, "foreign" capital. This model of development is a natural and frequently repeated way of the integration of the less developed countries to the world economy. It is also true for bigger countries, for example Brazil. Larger countries, especially if they are well-endowed with natural resources, seem to have larger playing field and more possibilities to stand on their own feet. However, even they need some partners in order to catch up, as the cooperation between the large and dynamic BRICS countries proves it.

Returning to Hungary, the new conservative (or "right-neoliberal") government could win the last two elections on the wave of general social dissatisfaction, caused by the weakness of the national economy and the lack of the prospect of a stable future for those who can make a living from selling their labour force only.

Since 2010 the new government has changed the strategy of the national development - but not completely. On behalf of the so-called "public interest" it endeavours to turn, at least partly, the supportive power of the state towards national capital, instead of the global ("foreign") one. This does not mean giving up of neoliberal principles. First, the new government has been supporting foreign investments in the manufacturing sector. Secondly, it has been creating an environment that offers good profit opportunities to both national and foreign capital by creating a low wage environment and a weakly protected labour market. The difference between the economic policies of the acting and the previous governments is that the conservative government aims to bolster the national capital, i. e. a different group of the elite, rather than the globalisation which previous governments had been openly committed to.

From the viewpoint of the labour market, however, these two directions have the same consequences: labour's share in the value added inevitably decreases, as this stimulates competitiveness. In Hungary the ratio of the compensation of employees as a share of the GDP was 45.5 percent in 2013 that is somewhat higher than in the precious three years but lower than it was between 2003 and 2009. Those who produce the surplus value, receive less and less from it.

7 CONCLUSIONS

In this paper I have tried to assess the state of the Hungarian labour market and social conditions since the accession to the EU, on the basis of statistical data available in the databases of the Eurostat and the Hungarian Central Statistical Office. The majority of the indicators portray an inverse U-turn from the viewpoint of the majority of the population. This means that most of the indicators improved in the first half but deteriorated in the second half of the examined period. The most recent values of the examined indicators in most of the cases are worse than at the beginning of the examined decade.

In some cases, as, for example, the number of unemployed people, the turning point is the year of the crisis and the concomitant austerity policy of the government. However, the first three years of the crisis don't explain the recent state of labour market properly. Across most issues, the deterioration happened or worsened after 2010, when the new government with its new socio-economic concept came to power.

The concept of the new government is to build the economy of Hungary on a stronger basis of national capital, with the help of more and cheaper labour and less of a "free lunch" for the lower strata of the society. This policy doesn't contradict the rules of the market. What's more, it is rather liberal in the sense that it favours the interest of the owners of the companies. The only change is that it favours another group of the economic elite, rather than the previous "global-minded" governments.

The core of competitiveness is the unit labour cost. With increasing productivity, i.e. strong investments in technological innovations, the ULC can be cut back, so that the level of employee compensation, and hence their standard of living, are increasing, or at least, not decreasing. However, in the absence or insufficient level of technological progress the growth of productivity cannot substitute the absolute decrease of the wages. For increasing productivity, however, a substantial amount of capital is needed, to such an extent that weaker companies aren't usually able to access.

To help the smaller, technologically less developed, less competitive firms, like the national companies of a small country tends usually to be, a government has to decrease the unit labour cost by pressing down the absolute level of wages. The national capital

that the new Hungarian government wants to strengthen is technologically and financially less developed than the large, globalized, "foreign" companies used to be. This means that improving the competitiveness of national capital can be reached by decreasing the unit labour cost through the *absolute decrease* of the labour costs.

The result of this "national capital-minded" policy is reflected in the labour market and social situation of Hungary and in the "perverse redistribution" of the national income in favour of the better off strata of the society. As a consequence, the share of employees in the GDP has been tending to fall and the income inequalities have increased in the last years. These trends, together with the decline of the share of the social protection expenditures in GDP will likely continue if the social policy of the present Hungarian government does not change.

The "trick" in this strategy is that it is beneficial for the foreign capital too, at least in the short run. In 2012 the inflow of FDI to Hungary hit an all-time record high level and Hungary attracted the most foreign capital, after Poland, within the Central and Eastern European EU member states in the four years between 2010 and 2013.[19]

In the longer run, increasing inequalities and the growing number of poor people within society, combined with the worsening conditions in education and healthcare, will backfire, by creating a morally, intellectually and physically sick society in which less profit can be generated both for both foreign and national capital.

[19] UNCTADstat Inward and outward foreign direct investment flows, annual, 1970-2013, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=88

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