

2. CROSS-SECTORAL ISSUES

2.1. ENVIRONMENT AND LABOUR POLICY

This chapter gives a brief overview of the labour and employment policy in Hungary with special account of its relations to the environmental problems and the environment policy and with underlining those opportunities which offer advanced harmonisation of the projected solutions in the environment and labour policy areas.

The labour policy is closely linked with the poverty problems which have their specific forms in a such a country undergoing the complex transition process to market economy as Hungary. In this regard the Agenda 21 highlights inter alia the important tasks of the governments:

„3.8. Governments, with the assistance of and in cooperation with appropriate international, non-governmental and local community organisations, should establish measures that will directly or indirectly:

(a) Generate remunerative employment and productive occupational opportunities compatible with country-specific factor endowments, on a scale sufficient to take care of prospective increases in the labour force and to cover backlogs;

(b) With international support, where necessary, develop adequate infrastructure, marketing systems, technology systems, credit systems and the like and the human resources needed to support the above actions and to achieve a widening of options for resource-poor people. High priority should be given to basic education and professional training;”
(Agenda 21, Ch.3)

Of course, various factors of demographic origin, the social policy, the education system, health care etc. contribute to the changes in the societal structure, employment problems to a considerable extent, therefore all these factors should also be taken into account in developing the relevant policy and measures. Further on, the availability of resources and the sustainable resources management on the one hand, the consideration of the environmental affects of various options offered by the labour policies on the other hand are particularly important aspects in terms of objectives of the Agenda 21 and the respective national programmes.

2.1.1. PRINCIPAL FACTORS

The demographic background

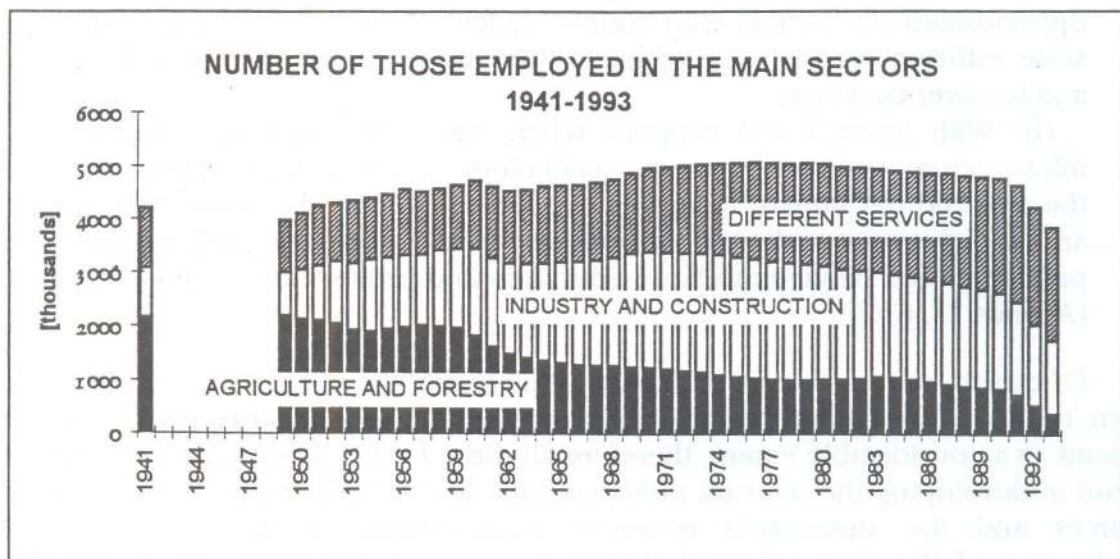
The major natural endowment in a national labour policy is based on the inhabitants of the country. The total number of the population of Hungary is decreasing since 1981. (10,709,000 in 1980 versus 10,310,000 in 1993) and the forecasts promise similar tendencies for the future. Within this tendency there is a massive increase of elder generations - the ratio of people older than 60 years was 10.7 % in 1941 and reached 19 % by the nineties.

During the same period, the ratio of children under 14 years decreased from 26 % to 19 %, so has the ratio of people between the age of 15 and 60 also decreased slightly from 63.3 % to 61.8 %. (In Hungary the age limit for retiring is 60 for males and 55 for females; therefore all employment calculations for those below the term of „working age” use the age ranges between 15-60 and 15-55 years, respectively.)

Another characteristic feature of the Hungarian age composition is the waves or missing cohorts originally caused by the two wars, but also exacerbated by some unfortunate population policy measures, that is the long-term tendencies of the demography are timely modified by periodical waves in the age structure. Because of the incidence of such a wave, especially between 1989 and 1994, the number of people in working age was slightly increasing instead of decreasing (namely, changing from 5,969,000 to 6,072,000 during this period). As a contrast to this tendency, the actual employment has decreased for the same period, as it is well demonstrated in Figure 1.

Employment shift for the main sectors of the economy

A further general long-term tendency also took place in the background: a gradual shift of employment from agriculture towards industry and from both sectors towards services.



*Figure 2.1.-1: Number of those employed in the main sectors in Hungary, 1941-1993
(Statistical Yearbook of Hungary)*

Figure 2.1.-1 presents the employment profile of the last decades and shows what dramatic changes have occurred for the recent years of the economic transition period. The increase in industrial employment was stable during the fifties and sixties, reaching a peak in 1974. The source of it was partly an extensive increase in employment (newly employed workers) and the agriculture. While the number of industrial employees has decreased in the last two decades, until 1984 industry was still the biggest sector and during the eighties the decrease was moderate. In the last four years, the industry has decreased by 24 % in terms of overall employment.

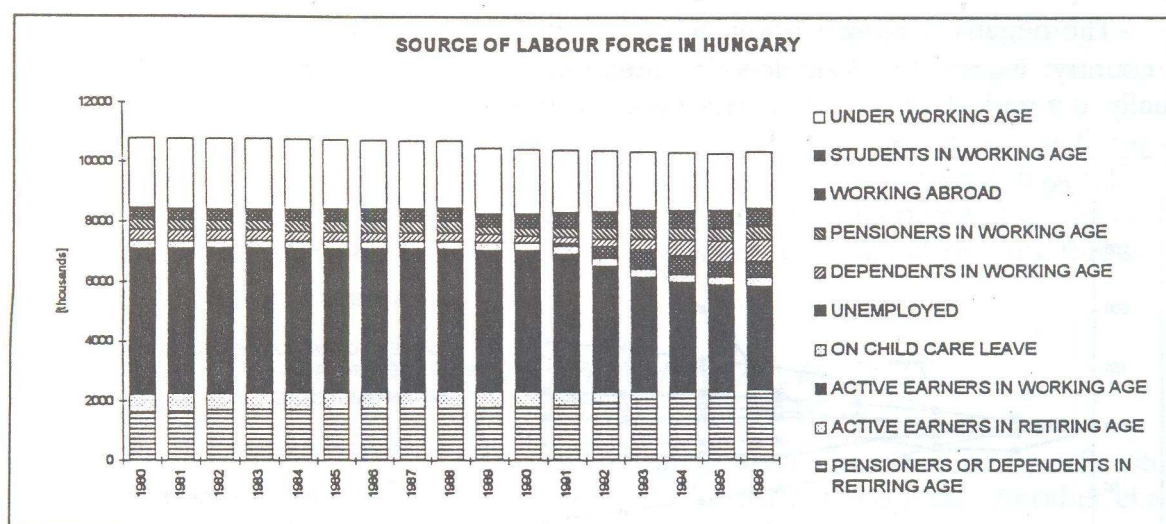
The decrease in agricultural employment was monotonous, but it was especially influenced by political and economic motives during three intensive periods, that is, the collectivisation during between the early fifties and early sixties, and the recent privatisation-compensation process which pushed out crowds from the agriculture. In the last four years this sector has lost 60 % of its employees. While on earlier the industry could absorb these people, in this last period the economy as a whole was not able to do so which has led to an abrupt change in the unemployment rate and poverty problems.

The third sector called different services has continuously grown during the past four decades and since 1984 has become the biggest sector. This increase in the absolute number of employees peaked in 1992 but since that losing only 5 % the ratio of the services is still growing in the number of employment, by now reaching 54 % of all employment.

While seemingly it is this sector that produces seemingly the best results and the least problems in terms of human and natural resource management; however, the main reason why the severe labour problems have recently emerged is because this service sector has not been able to absorb the manpower offered by the society (instead of other rapidly shrinking sectors). It is very important to realise that the key element for the long-term solution of the unemployment problem is linked not to the those sectors where the unemployment is being created but to those sectors that should have been able to develop faster.

2.1.2. EMPLOYMENT BALANCES

Figure 2.1.-2 presents a distribution of total population from 1980 to present and also a forecast for the upcoming years.



*Figure 2.1.-2: Source of labour force in Hungary
(Statistical Yearbook of Hungary and Ministry of Labour)*

Whilst up to 1991 the share of the different groups was relative stable, the last years have brought about basic changes. The biggest change took place in the number

Whilst up to 1991 the share of the different groups was relative stable, the last years have brought about basic changes. The biggest change took place in the number of employed: it has decreased by more than one fourth, namely by 1350 thousand persons of which 1100 thousand were active earners of working age.

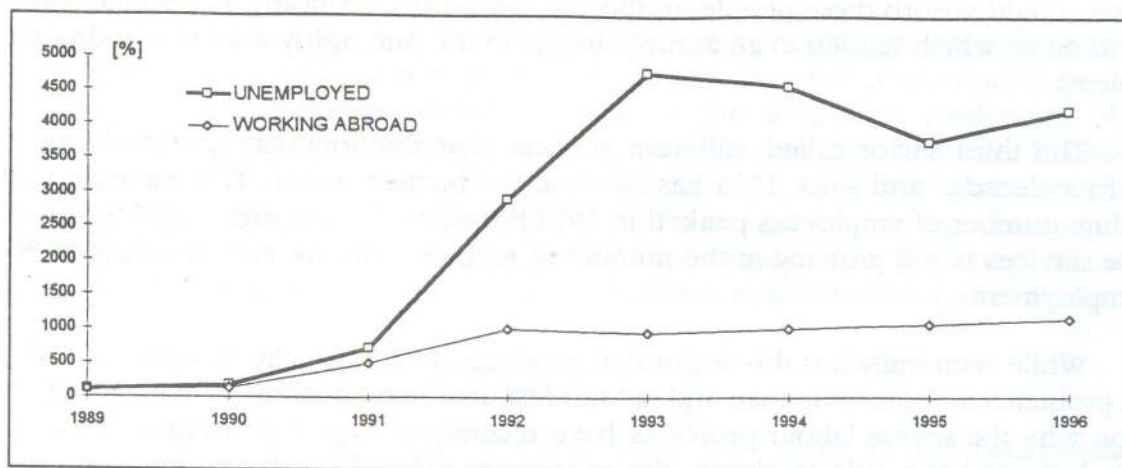


Figure 2.1.-3: Percentage of changes in labour market groups I, 1989-1996
(Statistical Yearbook of Hungary and Ministry of Labour)

The changes in relative terms to the 1989 situation are shown in Figure 3 and Figure 2.1.-4. Practically all non-active groups are increasing: the unemployment rate grew 50 times (by 1993) - this relates registered data, in reality, taking into consideration the results of the 1990 census, the proportion was only 5-6 times - those working abroad 10 times, dependants of working age 3 times and pensioners of working age 1.6 times bigger during the indicated period. On the other hand, active earners of retiring age decreased to 40% and this tendency has not stopped.

The negative changes first reach the smaller settlements and the eastern part of the country. Figure 2.1.-5 depicts the unemployment rates for the regions (counties); actually, the ranks between these regions are very stable.

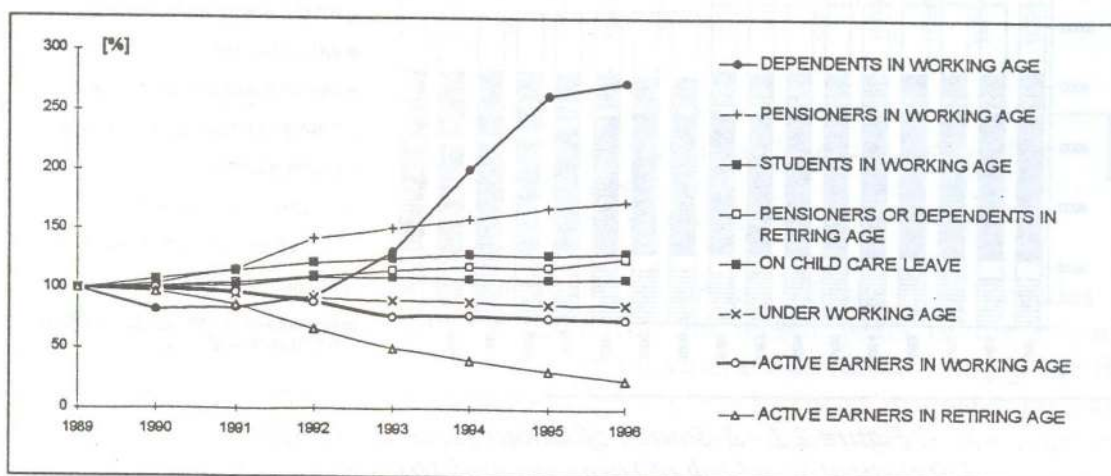


Figure 2.1.-4: Percentage of changes in labour market groups II, 1989-1996
Statistical Yearbook of Hungary and Ministry of Labour

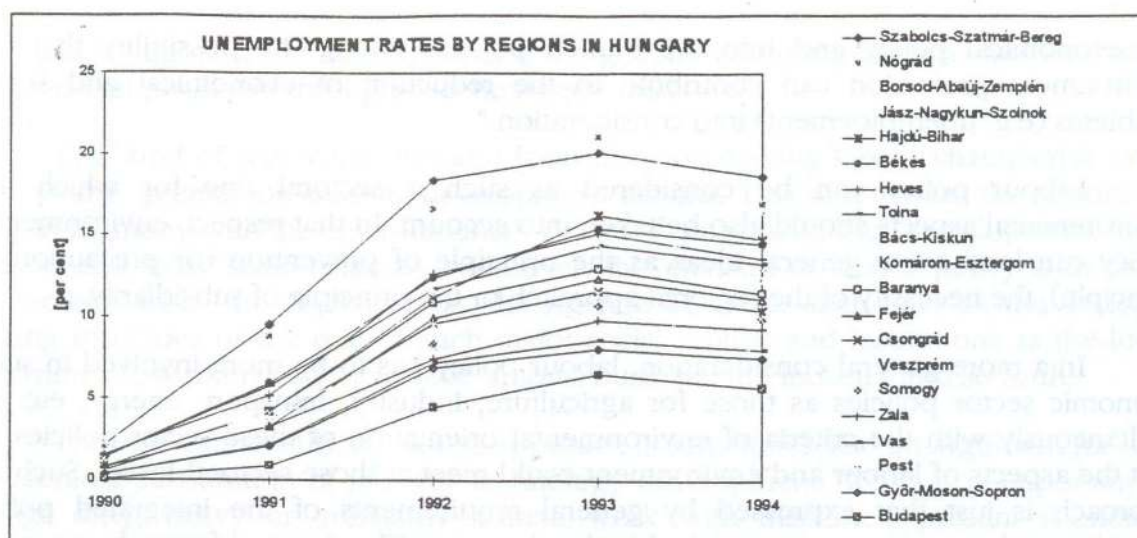


Figure 2.1.-5: Unemployment rates by regions in Hungary 1990-1994
(Ministry of Labour)

There is an important feature of these changes which is relevant for the regions experiencing decline of the heavy industry which is responsible for local unemployment: changes in the economy and labour were paralleled by an essential decrease in the regional degradation of the natural resources and pollution emission. It looks like a trade-off between labour and environment; however actually the socio-economic factors have been forcing the industrial decline, not environmental considerations.

The challenge of another and more dangerous trade-off is that which appears at this stage in the opposite direction. In regions with an already high unemployment rate and increasing poverty problems, there is growing pressure to settle job possibilities at any price. The environmental regulations defend against direct waste import (for earning some short term profits for its deposition) or against technologies with inappropriate environmental parameters. Still, there are always offers for „second generation” technologies that need an individual decision in each single case as to whether the technology itself, its job creating (or decreasing) possibility or the goods produced by the technology promote or hinder long-term domestic industrial and environmental development. The development and use of such criteria at the legislative, administrative and the practical management levels are gradually improving throughout the country in general.

2.1.3. LABOUR POLICY AND ENVIRONMENTAL ASPECTS

A change of thought and a change in human behaviour were partly reflected by the economic approaches to the transition toward a market economy. Another change of mentality is reflected in a changing relation to the quality of ambient environment.

The environmental policy recently accepted is based on the principles of sustainable development and one of these principles underlines the necessity of the involvement of environmental aspects into all other sectoral policies. According to this concept (MERP, 1994): „The economic development and the environment are in interaction to each other for this reason the environment policy must be integrated into

the economical policy and into the branch policies taking the possibility that the environment protection can contribute to the reduction of economical and social problems (e.g. unemployment) into consideration."

Labour policy can be considered as such a sectoral one for which the environmental aspects should also be taken into account. In that respect, environmental policy can lend some general ideas as the principle of prevention (or precautionary principle), the necessity of the regional approach or the principle of subsidiarity.

In a more general consideration, labour policy has to be more involved in such economic sector policies as those for agriculture, industry, transport, energy, etc. simultaneously with the criteria of environmental orientation of these sector policies so that the aspects of labour and environment could meet at those sectoral levels. Such an approach is just that expressed by general requirements of the integrated policy planning and management or sustainable development. The demand for such approach in terms of employment and environmental policy has recently appeared in Hungary; however, such specific sector policies have not been prepared yet, so below only some aspects can be outlined on the employment policy from the point of the above mentioned environmental principles which are to be taken into account in the future.

Preventive elements within labour policy have to be promoted. The present employment policy has been narrowed down to tasks related only to the management of unemployment. Instead, the policy also has to give a chance for return to labour market for all those, who have been excluded. As a matter of fact their number at present is approximately double that of those unemployed. This policy needs the stimulation of demand for this group of the population to be directed towards either the public or the increasing private sector.

There is an increasing number of early pensioners (of working age), a decreasing number of active earners of retiring age and a general tendency of an average diminution of pension-age are taking place in the country, while the Western European tendency is an increase from 60 to 65 years for superannuation. While the present Hungarian regulation makes employees interested in early pension, a planned change in incentives should alter this tendency in the future.

Another obvious solution would be the encouraging of part-time employment. Not only has no progress happened in this field since the recent enhancement of labour market tensions, but there has even been a drop in the number of part-time employees amounting to a few ten thousands. Promotion of the job sharing and to offer jobs to as many people as possible would be advantageous from a general environmental point of view, since the feeling of self-utility and stability helps people to better care for the quality of the environmental conditions and to deal with their surroundings rather than experience feeling of temporality and uselessness.

Of course, the true environmentally-conscious management of the natural resources and the reasonable minimisation of environmental degradation or pollution necessitates a much more substantial approach.

The new labour policy has to move from the central funds towards decentralised funds. Even those elements of the regional- and sector oriented labour market policy

that can be influenced only by central or government programmes can be better financed and promoted through decentralised funds.

This kind of regionalisation and local decision making has to characterise even more so the general job creating development actions. This shift toward the regions is fully in harmony with the environmental points of promoting local development, local markets and small scale balances. Moreover, this element of labour policy is in close connection with the objectives of the Agenda 21 under such titles as the decision making structures or the role of such major social groups and institutions as the local governments, workers and their trade unions, business and industry and so forth.

The environmentally conscious approach is sometimes also an argument for the exaggerated substitution of jobs for technology development. While it is important to change dirty, heavy or unhealthy human work with machines, present economic incentives also lead to ceasing other work-places, because that seems to be rentable by the common, one-sided, oversimplified „economic” evaluation. The proper approach and „win-win” solution would be an adequate pricing to make externalities perceptible and through that to make energy and materials relatively more expensive as compared to labour. If partly the tax content of the labour costs could be transformed to consumer taxes then such a shift would start.

The necessity of such a take-off is not a Hungarian speciality. While social insurance costs and other labour taxes are very high in Hungary relative to wages, the total labour costs as percentage of value added terms is not projecting in an international comparison. The shift towards „green taxes” up to now is still theory rather than practice world-wide, but as a matter of fact, in Hungary an alternative budget has been worked out by non-governmental organisations to demonstrate the potentials and effective features of a shift in the economy promoted by such a „budget-neutral” approach.

Labour policy and infrastructure development

The decision-makers also refer frequently to existing unemployment problems as a main argument to promote huge state investments in infrastructure. The most frequently used arguments for such development are the following:

- infrastructure development is not import-intensive and this is favourable for the domestic economy, employment and the trade account;
- the development and operation of infrastructure is labour-intensive which is also favourable for employment; and,
- infrastructure development releases high demand within the production sphere, favours certain subcontractors and thereby starts a boom in the economy.

One cannot say in general that these statements are true or false. In a demand driven economic policy it is true that *any* state investment has similar trickle-down economic impact, but this does not make the above goals appealing. Instead, a similar evaluating distinction within infrastructure should also be made and with a need to weigh the actual impact of all particular measures and investments.

In case of certain infrastructure types, the above mentioned policy goals do not come through favourably at all. The largest investments, due to their high technology

level employ little labour, they are capital- and import-intensive, and their trickle-down effect shows up abroad (in cases of metro-, high speed train-, nuclear power plant-, highway constructions, and telephone exchanges). Whilst some of these investments can be justified, this should not stand for using inappropriate general arguments instead of following the more general objectives and principles of sustainability with proper account on the long term employment and environment strategy - otherwise the desired economic and technology development might fail to lead to better and sustainable qualitative standards of living of the population as a whole.

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