



# Weekly Briefing

**Hungary Social briefing:  
Hungarian Social trends  
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This briefing focuses on short-term population trends, changes in the patterns of employment, unemployment and, in particular, the evaluation of several construction sector indicators which reflect the improvement of social conditions. The analysis also covers current, hot issues of the health care system.

**1. Population trends.** Despite ample family-supporting measures and generous allowances for families with two and more than two children, the Hungarian population has been shrinking; between January and February 2017, the number of births dropped by 1.5 percent compared to January-November period of the previous year, while the number of deaths has increased by 4.1 percent during the same period. As a result of these trends, the Hungarian population shrank by 35.838 capita in the first eleven months of 2017, this shrinkage of the populace has been by 6.035 more than last year! Since 2011, the number of marriages has been growing in Hungary, unfortunately this rise suddenly halted in the first eleven months of 2017. This figure was 2.5 percent lower than last year. **It can be argued, that the negative trends might be altered by the forceful, decisive government measures in the long run, however, in the medium term, worsening competitiveness of the Hungarian society can only be offset by upgrading the economy, switching into higher added value segments of the industrial production and services. These processes will obviously lead to a higher capital/labor ratio in the Hungarian economy, which can only be achieved by more investments and more emphasis on education, in particular, tertiary education.** (In the current Hungarian political environment, migration of cheap labor force from surrounding countries or other countries is not a viable option to replace aging population with young, skilled foreign workers in the economy.)

**2. Employment and unemployment trends in Hungary.** The increase or decrease of the workforce determines economic output in the long run, however worsening or improvement of employment opportunities are also crucial in the short term. New jobs can create descent life conditions to broad

layers of the society. To evaluate the developments of social conditions in this segment, it is worth starting with the number of persons in work, employment, unemployment rates and their regional breakdown. According to the Hungarian Statistical Bureau (KSH), the unemployment rate dropped to 3.8 percent in the Hungarian economy in the last quarter of 2017, and the employment rate soared to 68.8 percent in the age group between 15 and 64 years. **After the economic and political transition of the country in 1990, unemployment rate was never that low!** The last data are from October-November 2017. However, looking at the details, **there are aspects which cast a shadow on the very positive interpretation of these figures.**

- First of all, as we pointed out earlier, there are around 180.000 unemployed persons **taking part in the state labor scheme**. These people are employed, though by the state. Based on economic aspects, it could be argued, these people could be included as unemployed in the statistics.

- Secondly, **Hungarians employed in other EU-countries are not included as unemployed** as well, however, in most of the cases unemployment has been the main motivation behind their migration. Of course, not only unemployment, but low salaries or family-causes could have driven the migration.

- These problems can easily be seen, digging into the number of employees. In October-November 2017, 4.447.000 persons were employed, from which 178.000 were working in the public work programme, and 103.000 had jobs abroad, mainly in other EU-countries.

**Regional differences in social conditions are another aspect of social inequality within a society.** Looking at the share of registered jobseekers, the regional differences are very clear, county Győr-Moson-Sopron can demonstrate the best figures, however, the highest share of registered jobseekers can be found in Eastern and Northern counties like Nógrád (7.8 percent), Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg (7.36-7.36 percent). Regional differences in job opportunities are complemented by different wages as well,

although it must be stressed increases in salaries and wages dominated the last period. The KSH published the November 2017 data on wages the 18<sup>th</sup> of January 2018. Based on these figures, gross average wages rose by 13 percent, compared to the same period of the previous year. Between January and November 2017, gross average wages reached 294 200 HUF, net wages 195 700 HUF.

To sum it up, it can be argued, that traditionally, the North-Eastern region of the country is poorer, this old dividing-line can be demonstrated by these figures that let us conclude, that **increasing incomes, improving conditions in the labor market don't necessarily lead to a levelling-off process in the society.**

**3. Construction.** In 2017, the output in the construction sector grew by 29.6 percent, compared to 2016, even producer prices in the sector were higher (5.2 percent) than in 2016. The stock of orders has also been increasing over the last months. **These positive changes can easily be traced back to the house-building supporting measures of the government.** Data corroborate this assumption: the volume of newly signed contracts increased by 124.7 percent in 2017 compared to the last year, at the same time the number of employed persons in the sector grew significantly, reaching 300.000, a number only registered before the Great Recession (2008-2009). **Despite the high number of workers in the sector, even this sector can be characterized by labor shortages. Growing demand in the sector can be traced back to three factors: the family home-making allowances, the 5 percent value added tax in the construction sectors, and improving public sentiments.**

However, when it comes to the improvement of social conditions, a special and essential element is the change in the number of new apartments and houses. The increase was much faster in smaller communities than in Budapest or county centers. In towns and villages, the number of apartments and houses completed has risen by 82 percent and 73 percent in the first three quarters of 2017 compared to the same period in 2016, while the same figure was only 42

percent in the county centers, and 18 percent in Budapest. **This surprising regional difference can be lead back to the fact housing conditions were worse in the country-side initially, and there was a postponed or latent demand, which only could be satisfied over the last months. Only the liquidity enhancing measures of the government could remove this bottleneck in the housing financing of the country-side. At the same time, the situation remains fragile, since it raises the question what would happen to housing conditions in rural communities if government help could not be provided due to public sector cuts.**

**4. Health care issues.** As we pointed out earlier, poor health care services are sensible questions in the Hungarian society. In recent weeks, **two events caused for uproar in this segment.**

- A few day ago, the *Independent Trade Union of Healthcare Workers and the Hungarian Association of Emergency Care Workers* issued a communication pointing out that the Ministry for Human Resources is misleading the public opinion. The statement that the average healthcare worker after 5-6 years practice would ear gross 248.350, is false, the trade unions maintain. According to their calculations and the official wage system for public workers, they refer to, the average gross salary is only 187.334 HUF. In an open letter to the Prime Minister, **the trade unions indicated their willingness to take to the streets in February unless a new wage system for health care and emergency care workers is provided by the Hungarian government.**

- At the same time, several newspapers and internet sites covered the story that allegedly hospital managers are forced by a closer not specified government body to report two positive news on their hospitals a week and send them to the government. The *Népszava* that came out with this story first, claimed hospital managers confirmed the veracity of the story, whereas both the Communication Director of the Fidesz, Mr. Hidvégi and the Public Healthcare Supplier Center (ÁEEK) refuted these allegations strongly.

It is no intention of this briefing to look at the veracity of stories, **we only would like to point out that even in discussions around a real social problem, there is an information war between pro and contra government forces, and the real problem and its possible solutions disappear in the struggle to dominate the public discourse.** It is a given, that the Hungarian health care systems is underfunded. According the OECD data, average health care expenditures per capita only reach 2.101 USD, while most of the OECD countries spend much more on this issue. Only to mention countries with similar economic development level: the Czech Republic: 2.544 USD, Slovenia: 2.835 USD. That is one of the basic reasons, why the question is and remains highly sensible for the Hungarian society.

**5. Summary. The improvement of social conditions has fragile foundations, the increase in the construction of new apartments and houses still depends on the government's incentives mainly and the financing environment – as we could see in the last weeks economic briefing – could easily change, leading to higher interest rates. At the same time general advances in the labor market hide regional discrepancies and lagging regions. Long- and short data on population reinforce the text book conclusion aging societies either must choose migration to handle labor shortages or they must heavily invest in technology. Obviously, Hungary has to pursue the second path.**