



Weekly Briefing

Hungary social briefing:
Hungarian labor market trends and the population trends in
Hungarian society
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Hungarian labor market trends and the population trends in Hungarian society

The Hungarian labor market was strongly hit by the global pandemic in the first months of the year. Usually, the reaction to external shocks comes slower, since the enterprises have to forecast market trends and make business decisions (including hiring laying off labor force) accordingly. We pointed out before that the American labor market immediately showed the signs of a big layoff wave and the unemployment rate skyrocketed within a few weeks of the first wave, while Western European labor markets showed no systematic problems. The reaction of the Hungarian labor market is a mixture of the American and Western European reactions, in other words it offers us a balance between labor market flexibility and stability. This briefing looks at the question of whether the second wave of layoffs is on its way as several analysts predict, and also takes a look at the development of the basic labor market data. At the same time, the analysis discusses the latest population trend data, including a short analysis of the role of elderly people in the Hungarian economy.

1. Labor market data

The unemployment rate was 3.9 percent in August, which means a 0.7 percentage points drop compared to the previous month, however it is a 0.6 percentage points increase compared to the corresponding figure in 2019 according to the data of the Hungarian Central Statistical Office (HCSO), demonstrating the negative effects of the Covid-19 pandemic on the labor market. Consequently, the number of unemployed persons decreased by 39 thousand in August 2020 compared to the previous month, however it is a 28 thousand increase compared to August 2019.

The 3.9 percent unemployment rate is significantly lower than the EU (7.4 percent) or the eurozone average (8.1 percent). If comparing the Hungarian figure to other Central European countries, Poland and Chechia perform slightly better, while the Baltic countries' and Slovakia's unemployment figures are significantly higher than the Hungarian unemployment rate.

Table 1. Unemployment rates in selected EU countries (% , August 2020)	
European Union	7.4
Czechia	2.7
Estonia	7.8*
Latvia	8.8
Lithuania	9.6
Hungary	3.9
Slovakia	6.8
Poland	3.1
Source: Eurostat. Note: * June 2020	

When looking at the different age cohorts, we can find that the unemployment rate of young people (between 15 and 24 years) was the highest, while the same figure among elderly people (between 55 and 64 years) was the lowest, 2.9 percent in the June-August period of 2020. The unemployment rate in the age group between 25 and 55 years was 4.0 percent during the same period. These ratios comply with the traditional expectations, although it is striking how the unemployment rate of young adults jumped by 4.5 percentage points compared to the corresponding figure in 2019, while the same figure just slightly rose by 0.4 percentage points among elderly people and by 1.1 percentage points in the age group between 25-54 years compared to the corresponding period of 2019. The number of employees significantly grew in August 2020; thus the number of employees was 4,513.000 in the same month. That is a 54 thousand increase compared to the previous month, but an 18 thousand drop compared to August 2019. Once again the figures demonstrate that the Hungarian labor market has most likely already reached the bottom and we are in a recovery phase now.

Analysts confirm this approach, stressing that the improving labor data signal that the economy is recovering from the first shock and the manufacturing output is growing, however they also point out that the numbers do not entirely signal the effects of the second wave of the global pandemic yet. Since the effects of the labor market schemes will be running out at the end of this fall and the crisis-stricken firms' reserves have been depleted over the course of the last months, they will most likely be less reluctant to lay people off in the coming months than before. There are economic sectors (tourism, catering, etc.) where the effects of restrictions imposed on social life can already be felt again. That is the reason why several analysts predict a new increase in the number of employees from September on.

The Covid-19 global pandemic significantly reshaped the way in which we work, and the home office mode has become rather the rule than the exception. According to a survey of one of the largest Hungarian job platforms, 57 percent of managers think that the performance of employees is the same when working from home-office as it is from the real one. This ratio goes above 70 percent in firms with more than 500 employees. 18 percent of the managers assess that employees are more efficient in home-office mode than in their firm offices. Although the forced changes transformed the way in which the firms can function for now, we do not know how much of these changes will be implemented into the daily functioning of said firms after the pandemic. According to the survey, we cannot see e.g. the effects in the rise of job advertisements with home-office prospects. However, if the reshaping of the job market in order to reflect a post-pandemic world in which home-office is a standardized way of work was to take place, the office real estate market would be significantly impacted by it as well.

2. Population trends

It is easier to assess the real impact of the pandemic when looking at the population trends. We underlined in our earlier analysis that the effects on death numbers cannot be shown in Hungary. Moreover, the number of deaths caused by the Covid-19 pandemic compared to earlier periods went down.

Another perspective is how social and economic policies can affect population trends. We pointed out in our earlier briefings that Hungarian social policies are closely intertwined with economic policies. The clear goal of the significant family allowances in different forms (tax breaks, favorable loans, grants, etc.) is to stop the population decline in Hungary. Although the results can only be corroborated using long-term data, the recent population figures are promising.

According to the latest data of the HCSO¹, the number of births was 4.9 percent higher and the number of death was 3.3 percent lower in the January-September period than a year ago in the corresponding period, thus the population decline slowed down and it was 21 percent lower than last year. As a result of these trends, the fertility grew to 1.56 in the January-September period, which is higher than in the corresponding period of the last year (1.48). There are two explaining factors that should be pointed out by us:

¹ October 22, 2020

- The family support measures might have played a significant role in the sudden increase in births.
- The lockdowns and focus on hygiene might not only have contained the spread of the Covid-19, but other diseases as well. In January and February, the flu pandemic was much more constrained in Hungary than in other years.

We do not know whether these trends will be long-lasting or will just only be recorded as short-lived changes in the long-term data, however the Hungarian government seems to be determined in strengthening the population pyramid on both ends. Regarding elderly people, it must be stressed that their contribution to the proper functioning of the families, and thus the society is difficult to measure. The survey which has been recently conducted by the Nézőpont Research Institute attempted to quantify the contribution of elderly people to the wealth of the country including areas that are not measured in GDP. According to their approach, the added value of elderly people, the age group above 65 years, contributes to society through the following channels:

- Work after retirement, whose estimated value was around 469 Billion HUF in 2018,
- Informal caretaking, whose value was estimated at 93 Billion HUF in 2018,
- Informal childcare, which value was assessed around 642 Billion in 2018, and
- Voluntary work, whose value was around 144 Billion HUF in 2018.

The aggregate sum of these contributing factors is divided by the number of elderly people that gives us the social contribution per person, which is 728 thousand HUF. The analysis of the Nézőpont Research Institute underlines that the health care costs of an average Hungarian are circa 203 thousand HUF, which is three times higher than it is in the case of elderly people, but even so, the social contribution of this social layer is higher than the costs.

3. Summary

To sum it up, it can be argued that the impact of the global pandemic is restricted when compared to the majority of other European countries, however the effects are still very significant. The other conclusion we can draw from the analysis is that the labor market seems to be in a recovery phase, which could be broken by another (more serious) wave of the Covid-

19 pandemic at the end of the year. The long-term data regarding population are encouraging, but we cannot jump to conclusions based on them, since long-term population forecasts still predict a significant drop in population.²

² The most recent analysis forecasts a population between 5.2 and 4.53 million for 2010, while the current population of the country 9.73 million. (See Vollset's et. paper here: [https://www.thelancet.com/article/S0140-6736\(20\)30677-2/fulltext](https://www.thelancet.com/article/S0140-6736(20)30677-2/fulltext)).