Original Paper

History of the Creation of Hungary’s Unified Public Employment Program and Its Main Characteristics

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Abstract
A previous system of community service in the public interest was replaced in 2011 in Hungary with a “public employment” system, in which the government temporarily employs disadvantaged, unemployed people who are healthy and able to work and who are within the age limits for working, but who, for whatever reason, have not had a stable workplace and have therefore relied on government subsidies, such as welfare without employment. Under the new program, these citizens have been gainfully employed by the government for a set period of time. The goal of public employment is to give a path for those workers who have been unemployed for a long time, and are disadvantaged in some way, to re-enter (or enter) the private job market. Workers are employed under favorable, “sheltered” conditions, however ones that begin to approach the conditions they can expect in the private market. All this helps the employed workers to improve their employability, as well as to maintain and improve their work skills. Today, the public employment system is not targeted primarily at those with severe disabilities. However, the regulations which establish this program do name members of this group as a target for the program, if they are currently undergoing rehabilitation.

Keywords
economically inactive, public employment, public works, workfare unemployment programs

1. Introduction
Starting in January 2011, previous systems of employment by the government in the public interest were replaced by a unified public employment system. From July 2011 the Hungarian Ministry of the Interior became responsible for coordinating the new type of public employment system. The goal of the program is to provide temporary work to those people who have, for an extended period of time,
been unable to find work on the primary job market. Most of these persons are from less advantaged areas of the country. By directly paying their salaries, the program provides the conditions and possibility for work that adds value to the economy. An additional important goal of the program is to provide an environment in which participants are able to be exposed to, and learn the appropriate work culture, and gain the necessary training to participate in the primary job market. The system of public employment is meant to create independent “social enterprises”, and lay the foundations for private associations. The Hungarian government considers public employment to be a temporary tool, but one which must be maintained for as long as the private market economy does not provide full employment.

2. Literature Review—Public Employment Programs throughout the World
Government programs that can be considered forms of public employment have been in use throughout the world for many thousands of years. Stonehenge (3100 BC), the Pyramids of Giza (2550 BC), and the Great Wall of China (210 BC) where all the results of central organization which provided the planning, the necessary resources, and the oversight which to this day are the hallmarks of public employment projects. Nevertheless, when most people hear of public employment programs they are likely to think of the public works projects introduced in America under the New Deal, which were introduced to stimulate the development of the economy after the market crash of 1929 and whose projects to this day remain integral to the modern infrastructure of the United States. On March 4th, 1933, Franklin Delano Roosevelt announced the principles of the New Deal, beginning the most famous public employment project in history, and the one which has had the largest impact. By that time unemployment had reached 25% in the United States. In order to curb unemployment three important institutions were created: the Civilian Conservation Corps, the Public Works Administration, and the Works Progress Administration (from 1939 known as the Work Projects Administration). The goal of these projects was for Americans who had been pushed out of participation in society by the financial and economic crisis to be able to rejoin the workforce. Within these systems of public employment, forests were planted, roads and bridges built, rivers were regulated, and numerous facilities were built which continue to serve key roles through the present day. These projects built 3475 firehouses, 97,000 miles of road, planted 3 billion trees, created 711 state parks, and employed more than 3 million people. The number of unemployed fell from 15 million to 9 million in the United States in large part thanks to the effects of public works projects between 1933 and 1939. Among many others, the Griffith observatory in Los Angeles, LaGuardia airport in New York, the Grand Culee dam, the Forth Peck dam, the Hoover dam, the Triborough bridge, the Blue Ridge parkway, the Lincoln tunnel, and the 127.5 mile highway connecting Miami and Key West were built at this time. Thanks in part to these projects, the American economy was stimulated and began to grow, and by the end of the decade the United States began to recover from the Great Depression (Holland, 2017).
2.1 Social Models and Work-Based Programs (Workfare) in the United States

Workfare, the social model based on work, is an alternative to most social welfare models, which provide assistance without any such conditions. The term workfare is due to civil rights leader James Charles Evers in 1968, which then-president Richard Nixon made widely known through a television speech in August of 1969 (Peck, 2001).

Traditional welfare programs transfer money to those people who under certain conditions, such as when they are looking for work or meet other basic criteria, are unable to work or to find work. By contrast, beneficiaries of workfare systems must meet participation requirements (such as attending school, getting health care, performing community service or other public work) in order to continue to receive benefits. These requirements are often a combination of several different activities with the combined goal of improving the employability of the participants (for example through training, rehabilitation, professional training). The participants must bear part of these costs themselves (from their paid, albeit low salary). Two types of workfare systems have been employed widely: the first aims to directly replace workers into the private market. The second works more indirectly, aiming simply to increase the value of human capital and employability, for example through education, and training. Of course, the latter type of program also ultimately aims to increase employment.

Workfare programs have several benefits. For one, taxpayers feel like they are getting something for their money, when they see that beneficiaries are working in exchange for their compensation. Another benefit is that one of the biggest hurdles the long-term unemployed face in re-entering the workforce is the lack of recent workplaces or work experience, which is exactly what workfare programs provide. Perhaps the biggest advantage of workfare programs is their support of social cohesion, and that they are able to reshape the structure of society in an appropriate direction.

<table>
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<th>Table 1. Traditional Welfare Structures and Workfare Strategies</th>
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<td>Welfare structures</td>
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<tr>
<td>Ideology</td>
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<td>Entitlement</td>
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<td>Assistance based on need</td>
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<td>Goals/basis</td>
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<td>Reducing poverty through wealth transfer</td>
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<td>Reaction to current social needs by giving entitlements</td>
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<td>Basis of dialogue</td>
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<td>Satisfaction and necessity of entitlements</td>
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<td>Bureaucratic regulation</td>
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<td>Organizationally introverted, treating</td>
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When American president Bill Clinton signed the Personal Responsibility and Work Opportunity Act on August 22, 1996, he declared that he was “ending welfare as we have come to know it”. He thereby fulfilled his 1992 campaign promise, ending the safety net that had operated for 60 years in the United States, creating instead a workfare system in the United States.

This new law was prompted by the fact that the number of families participating in earlier social welfare programs had grown precipitously, from 162,000 in 1936 to 1,875,000 by 1969 (Lewit et al., 1997). In the 1970s the program’s financing did not keep up with inflation, and as a result the real value of the assistance fell by nearly half (47%), which represented a serious financial burden on state and municipal programs (Ohio, Texas, Cleveland) (Greenberg & Baumohl, 1996). Another factor that led to the passing of the new law was American society’s increasing fear that under the former welfare system, the poor had become increasingly dependent on welfare and other state support, losing all interest in finding work of their own (42 U.S. Code § 1314a). By the 1980s welfare had come under serious critical attack for its inefficacy. Proponents of the bill argued that the people receiving and effects fell into a sort of trap from which they could not then escape (Gilliam, 1999).

The welfare reforms of 1996 proved to be extremely successful, with the number of people on welfare falling by 60% over the next few years. The employment rate among people qualifying for state assistance grew from 44% in 1993 to 66% in 2000. The income within this group also rose, and in a reverse from the sharply increasing trend, the poverty rate declined from 15.1% to 11.3% (The Economist, 2006). The requirements for working in order to receive benefits were quite modest, and only 30 to 40% of those receiving benefits were required to work, or perform activities related to work, of at least 20 hours per week (Rector, 2012).

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2.2 Social Models and Work-Based Programs (Workfare) in Australia

Work for the Dole is an Australian Government program which is a typical example of the workfare model, based on the idea of working in exchange for welfare. This program was first piloted in 1997, and from 1998 was introduced nationwide, where it is has operated successfully for the past 30 years. The Work for the Dole program offers job opportunities with the unemployed can work to build skills and experience which will then help them find work on the primary job market and reintegrate into working society (Australian Government, 2018a). The Work for the Dole project is part of the Australian government’s public employment program. It is a kind of on-the-job training program, whose goal is to give the unemployed new skills while they look for work. The activities within the Work for the Dole program are performed at non-profit organizations and local, state, municipal and Australian government organizations. There are many kinds of jobs that Work for the Dole participants engage in. These include:

- gardening and maintenance work
- digital graphics design
- animal protection, both household and wild
- retail activities
- service in public parks
- office administration
- warehouse tasks

However, there are also some limitations on the types of jobs that can be performed. For example, Dole program participants may not work with child care, in kindergartens, or with the elderly or other vulnerable populations (Australian Government, 2018b).

The primary group the Work for the Dole program targets for assistance are, those groups who are most disadvantaged, or in other words those people who must overcome multiple professional and personal obstacles before they can find work. The program encourages those who provide these work opportunities to find local activities which benefit community goals, while also helping job-seekers achieve their reasonable and attainable career goals.

2.3 Social Models and Work-Based Programs (Workfare) in Germany

The reunification of Germany in 1990 placed a serious strain on the German economy. A few years later, the Germany’s economy began to stagnate, and from 1994-2002, it grew more slowly than the average growth rate in the EU. Germany’s GDP grew only at a marginal 1.6% from 1995 to 2001. The main problem was unemployment. Of course, reunification was not the only source of Germany’s economic stagnation. According to the European Commission, reunification costs accounted for only one third of the difference between the EU average growth rate and Germany’s. In 2002, 13.4% of Germany was unemployed. Additionally, employers considered Germany’s welfare system to be far too generous to those taking advantage of it. In part due to this welfare state effect, employers began to outsource jobs abroad, into countries that had a lower labor cost and did not try to employ those who
had no interest in working. All of this led to a fall in the German demand for labor. It was at this time that German chancellor Gerhard Schröder called on Volkswagen’s director of HR, Peter Hartz, to lead a commission for introducing work labor reforms to curb the high rate of unemployment.

The Hartz Committee’s recommendations were voted into law in a series of reforms called the Hartz reforms in four stages, starting in January of 2003 (Hartz I) and extending through January of 2005 (Hartz IV). The first three stages of the reforms, Hartz I-III, were concerned primarily with introducing new types of work possibilities. Hartz II introduced wage subsidies in order to help foster the creation of new workplaces. Hartz III greatly reformed the German Federal Labor Agency. Finally, Hartz IV, enacted in 2005, significantly reduced the unemployment benefits for the long-term unemployed. These reforms included the following (Centre for Public Impact, 2016):

- “Staff Services agencies” were created, which work similarly to jobs placement agencies, to place the unemployed with employers;
- For freelancers, introduced the “Ich-AG” (literally Me, Inc) support format, in order to encourage more people to work as freelancers;
- A system of “Mini Jobs” (Note 1) aiming to reduce the prevalence of black market labor, and reintroduce more people to working;
- Reducing benefits by up to 30% in cases where a person receiving benefits refuses acceptable work they are offered;
- combining long-term unemployment benefits with social benefits.

As a result of these steps, within the first three years unemployment fell from 11% to 7.5%. It then rose modestly during the financial crisis of 2007-2008, then after 2012 again trended downward, reaching 5.5%. In all the series of Hartz reforms resulted in nearly a 3% drop in the German unemployment rate. Although for the most part the reforms were unpopular, they created 2.5 million new jobs in the German economy and helped Germans find work during the recession. The reforms were in line with the EU’s Lisbon Strategy of 2000, as well as the long-term EU goals for improving employment indicators. European courts required only a few modifications to these reforms, mostly to protect the rights of older workers.

The Hartz reforms were one of the keys to the later growth of the German economy. The German government very carefully and continuously monitored the results of these reforms. The efficiency of the program was also evaluated on a continuous basis in order to optimize the existing programs. As a result, the reforms were the first large welfare program in German history which was comprehensively studied throughout its duration. The evaluation process began with two competing studies which established the theoretical framework for the evaluation, on the basis of which the government solicited studies for continuous monitoring of the activities (Fertig & Kluve, 2004). This resulted in work by over 100 researchers at more than 20 economic and sociological research institutions who studied the effects of the programs. The results of these studies showed that the government unemployment reforms were successful, with the exception of certain services. The reform of training programs
improved their effectiveness, however aspects of the program geared toward creating new workplaces continued to fall short of expectations.

Political steps, suggest reforms to wage subsidies and the introduction of “start” support created significant positive effects. The new strategy, which placed increase emphasis on subsidizing wages and on support at the beginning of careers, with a smaller emphasis on training and creating new workplaces, seems to have resulted in a program mix which has moved the German labor economy in the right direction (Jacobi & Kluve, 2006).

A quantitative analysis by Tom Krebs and Martin Scheffel, researchers at the IMF, showed that the Hartz IV reform significantly reduced the long-term (non-cyclical) unemployment rate. In their estimation, the reform decreased unemployment by 1.4%, from the long-term 9% unemployment rate (2000-2004 period) to a new, long-term rate of 7.6%. As expected, the main factor decreasing unemployment was the introduction of a system to support those seeking work, which resulted in higher earnings for both short-term and long-term unemployed, with a greater effect on those who were unemployed long-term. In short, the Hartz IV reform attained its chief goal, namely the reduction of non-cyclical unemployment, by encouraging people to find new workplaces (Krebs & Scheffel, 2013).

The Hartz reform packages remain in effect to this day, though the later government under Merkel introduced certain modifications and introduced additional elements (for example, the amount of unemployment benefits was equalized throughout the country). However, the reforms were basically maintained (Méltányosság Politikaelemző Központ, 2009).

2.4 Social Models and Work-Based Programs (Workfare) in Great Britain

Since the 1990s, there have been contractual welfare-to-work programs, which aimed to give long-term help to the unemployed by helping them find work, and which were financed from the state’s unemployment benefits budget. Among these the Work Programme was the main work program of the British government from June of 2011 to April of 2017. From its start in June of 2011, until December 1st, 2015, 1,810,000 people registered for the work program in Great Britain; of whom 503,160 participants were successful in finding work. Data from industry suggests that during this period, 770,000 participants performed work for at least part of the time, including those who ultimately did not find employment, or who had not yet completed the program at the time of the study (Dar, 2016).

When the Department for Works and Pensions evaluated the program, it found that the Work Programme made significantly simplified the operation of welfare to work programs in Great Britain, created a stabe welfare-to-ware infrastructure, and was as effective as earlier programs in reducing the long-term unemployment rate. The commission also found that future welfare-to-work programs should attempt to be at least as successful as the Work Programme, however the cost per participant should be reduced. As far as its effectiveness, the commission found that too many of the participants remained unemployed upon the completion of the program. Nearly 70% of participants completed the program without finding stable employment. The Work Programme had particularly poor results among those facing more complicated, or several compounding, barriers to employment, and which
would have required more severe intervention to overcome. In the future the government hopes to achieve much better results in finding work for the long-term unemployed. The commission decided that from 2018 the Work Programme and especially the Work Choice program designed for those with some kind of disability, would be replaced by a new Work and Health Programme (Work and Pensions Committee, 2015). In November of 2017, the British government published a white paper, “Improving lives: The Future of Work, Health and Disability”. This publication determines the government’s reform plans for the following ten years, with the goal that by 2027, the number of employed people will increase by 1 million (Department for Work & Pensions, 2017). The main goal of the program is to support those who are looking for a workplace, to find and keep one. The program is entirely voluntary and is primarily geared toward those with long-term health problems and disabilities or those who belong to some disadvantaged group. The program also helps those people to find work, who have been unemployed for more than two years, however, for them participation is mandatory. The Work and Health Programme budget has been set at least 130 million pounds until 2019/20 (Parliament UK, 2018).

2.5 Social Models and Work-Based Programs (Workfare) in Other Parts of the World

Programs of public employment are not only in use in developed countries, but have also been used in many developing countries with success. In their book Subbarao and his coauthors have showed in detail the main characteristics and effects of these projects (Subbarao et al., 2013). An article presents the Argentinian Jefes de Jefas Hogar Desocupados programme in detail in (Novoszáth, 2009).

<table>
<thead>
<tr>
<th>Country, name of program</th>
<th>Status</th>
<th>No. of beneficiaries</th>
<th>% women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina, Jefes de Hogar</td>
<td>Finished (2002-2009)</td>
<td>2 million households</td>
<td>71%</td>
</tr>
<tr>
<td>Ethiopia, Productive Safety Net Program</td>
<td>Active since 2005</td>
<td>7.6 million people</td>
<td>41%</td>
</tr>
<tr>
<td>Bangladesh, Employment Generation Program for the Poorest</td>
<td>Active since 2009</td>
<td>120 000 people</td>
<td>33%</td>
</tr>
<tr>
<td>India, Mahatma Gandhi National Rural Employment Guarantee Scheme</td>
<td>Active since 2006</td>
<td>54.9 million households</td>
<td>49%</td>
</tr>
<tr>
<td>Latvia, Workplace with Stipend Emergency Public Works Programme</td>
<td>Active since 2009</td>
<td>67 800 people</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: author, based on Subbarao et al., Public Works as a Safety Net p. 32.
3. Creation of the Hungarian System of Public Employment

Public employment has a several hundred year old history in Hungary. The rulers and landowners of the country have often taken advantage of the possibilities of public works projects to build castles, palaces, temples, roads, bridges, ports, hospitals, schools and universities. Still, the first very large public works project came about during Maria Theresa’s rule at the end of the 18th century. Waterways were particularly important for military transport, but mainly used to transport agricultural products (oat and wheat) to the Habsburg patrimonial lands. These waterworks were usually built through public labor by demanding from each province a number of workers who were then employed cleaning riverbeds and constructing canals. Since until 1844 no regulations placed restrictions on the public works of the various counties, this means that this was in fact unpaid labor. Only material expenditures and the wages of the overseers were paid from county treasuries. When there was a dispute among the counties regarding the completion of the work, then the local council, or the “royal arbiter” they sent, would decide. Thus a portion of the waterworks were completed by the county and since it was considered a matter of public interest and therefore all of these costs were borne by the tax-paying public. Nobles were notably exempt from taxation. In another portion of the works, the situation was a bit different. These were done by landowners in order to protect their own properties, and done by their own serfs (Dunka et al., 2003). Significant progress was made in regulating public works when the first law on this subject was signed in 1844 (law IX), which contained an itemized list of all the public labor which must be performed for free (such as transportation roads, bridges, support structures and their maintenance, the public labor necessary for county administration, as well as river regulation and the associated labor which the law mentioned (Corpus Juris Hungarici, 1844).

In 1848 the Hungarian government created a Ministry of Public Works and Transportation. Among the responsibilities of this ministry were: cartography, railroads, canals and public works projects, paved roads and bridges. The Ministry had both technical and administrative departments. The first head of this ministry was István Széchenyi from April 16th, 1848 to September 4th, 1848 and without party affiliation. Following the defeat of the Hungarian Revolution of 1848 the ministry was dissolved, and its responsibilities went to the government in Vienna. Following the Austro-Hungarian Compromise of 1867, on February 20th it was reestablished, and from then on became one of the permanent ministries of the Hungarian government. From then on the Ministry of Public Works and Transportation had, among others, the following tasks (Kardos, 1958):

- **Road construction**
  Construction and maintenance of state roads and bridges; supervision of the maintenance of lakes and bridges, especially strategically important roads and bridges, classification of roads for public works. In addition, matters relating to public and public transport routes; road, bridge, roaming and routing duties; engineering offices for districts, state architectural offices, personnel and budget affairs; management of a road construction fund; police overseeing road construction.

- **Building construction**
All dry facilities that were built by the state, and all review of religious building plans and buildings built using public funds; review of plans for other construction projects under other ministries; the maintenance of these constructions; developing and implementing public works buildings.

- **Waterways**
  The Danube, Tisza and tributaries matters carried out by the state or by the water management companies concerned; flow control loan matters; water management, drainage and overflow management companies; waterways that can be partially navigated or are fully navigable; water, plumbing and maintenance by public authorities; personnel, affairs and budget affairs of river offices; licensing and review of water mills; mediating water use disputes; managing water resource funds.

- **Shipping**
  Adjudicating steamship applications; regulatory measures concerning steaming companies; mediating in issues among steaming companies and private individuals, or steaming companies and the state; regulation of steaming companies, including pricing, tariffs, and other regulatory matters; regulation of maritime traffic.

- **Hydrography (water surveys)**
  Collection and publication of hydrography data; organizing water fluviographs; processing rainfall data; preparing precipitation graphs; fluvioimeter service; compilation of water maps, hydrographic depths; construction of fixed depth markers; Determining the altitude of hydrography fixed points; water speed measurements. Processing water speed measurements; channel inventory; collection and testing of sediment samples; preparing hydrographic maps of the Balaton.

- **Railway matters**
  Regulation of public and private rail use; regulation of public transport railways; regulatory rules, standards, etc., and their determination; matters relating to the grouping and nationalization of railways; private law firms’ administrative organization or rails, service regimes, pension and aid institutions of private and state railways. Economic and financial affairs of state and government-backed rail; the affairs of the state railways; factories of state-backed railways; matters relating to the construction and equipment of public and private railways licensed for public transport; modifications to, fittings of railways in circulation; construction of tracks, mining and private use of rail, and construction and conditions for them. Administrative visits; expropriation, authentication, registration of land rights.

- **Postal and telegraph matters**
  Postal and telegraph personnel and international matters. Rental for office spaces; setting of office, heating, and lighting rates; training and courses; personnel and station records management; preparing annual budget and final accounting; handling mail, accounting issues; mail carriage matters; money transfers, payment on delivery matters; postal orders; newspaper service; delivery
service; tariffs, exemptions, billing matters; creation, renovation, and closing of postal and telegraph offices; management of postal offices; travelling post-office equipment.

- **Technical audits**

  Budgets, budget review, review of earnings statements, ledgers; maintaining accounts and records for all public construction works in progress, management and recording of public works financing data.

When on June 25, 1889, the Ministry of Agriculture, Industry and Commerce was divided into the Ministry of Agriculture and the Ministry of Trade, then the Ministry of Public Works and Transport was merged with the Ministry of Commerce. The last head of the Ministry of Public Works and Transport was Gábor Baross, representing the Liberal Party, from December 29th, 1886 to June 15th, 1889 (Dékány, 1885).

One might consider a further prelude to the Hungarian system of public works, Act X. Of 1870, concerning the regulation of the Danube river close to the capital, and public works to implement traffic and transport regulation there. This law prescribed in detail the tasks of the council on public works in the capital (Law of Hungary, 1870).

Based on various experiments and models seen in other countries, in Eger, a system of care for the poor was developed in Hungary, whose model other cities in Hungary gradually adopted. Finally, in the middle of the 1930s, a decree by the Ministry of the Interior made this model mandatory in every city. The so-called Eger model (egri norma) became the basis of money directed to treating the poor. This was due to the absence of any systematic state or local government aid program. Instead, especially in winters, there were various discount sales, usually under the auspices of important ladies in society. These included discount potato sales, wood for burning, clothing, etc. This was intended primarily to support those families which were capable of working but did not have access to work at the moment. These frequently repeated, but not centrally organized sales reached more people in rural areas than in the major cities. For this reason in the counties, those who required a reduced wage continued to have the opportunity to work for a low daily rate on some public projects. There was often a special taxes for supporting the needy which went to support these public works projects, however the work itself often wasn’t of much use, nor did it help those affected to escape their situation by the following winter (Bódy, 2013).

Between the two world wars, management of public employment was the responsibility of the Központi Szegénynyilvántartó és Ínségmunkaelosztó Hivatal (Central Poor and Charitable Work Office). This organization oversaw the poor and distribution of charitable labor among the various employers and among those employed, and this is also where employers had to register their request for charitable workers. In Budapest, the city itself provided charitable work, however, for those who were trained but required work, it usually let other offices take care of them. In 1929, for example, 100,000 pengős were set aside for financing public employment (Gyáni, 2011).
When in 1932 and in 1933 the Great Depression had a notable impact on Hungary, 200,000-250,000 registered for industrial unemployment, causing issue of employing these unemployed to have special political and social significance. Gyula Gömbös, the Prime Minister (1932-1936), created a special plan to overcome unemployment in point 44 of the National Labor Plan, declaring that dealing with the issue of providing work to the unemployed was a responsibility of the state during the economic crisis. The government maintained its policy of not giving unemployment benefits. Instead, in order to provide employment to as many of the unemployed as possible, it launched public works programs, financing them in part from its own budget, and in part from foreign loans. The government accepted several of the Finance Minister’s recommendations, including starting to invest in waterworks, road and bridge construction, building an airport in Csepel, developing the ports of Csepel and Tisza, flood relief and prevention works, development of fruit farming and fishing, and modernizing railways (Vonyó, 2015).

Following the second worldwar, for a few years under the direction of the Ministry of Agriculture, public employment continued which had been introduced in waterworks projects (Dunka et al., 2003). After this period, with an end to some of the unemployment and the firm establishment of the socialist system, public employment took on new forms, at first through forced labor camps, and then later through the socialist industrialization program. From the end of the Second World War, several types of forced labor camps operated in Hungary. From the second half of June 1950, to the summer of 1952, 451 communities from the southern and western borders of the Hungary and from larger cities rounded up nearly 8,000 people (2500 families), forcing them into 12 closed labor camps in Eastern Hungary (Bank et al., 2012).

Figure 1. Forced Closed Labor Camps in Eastern Hungary

Source: Állambiztonsági Szolgálatok Történeti Levéltára (State Security Historical Archives).
After these forced labor camps were shut down in 1953, public employment focused exclusively on the socialist programs of industrialization, all the way until the end of the socialist system in Hungary with the regime change in 1989. Hungary’s communist rulers introduced the soviet economic system in the country. January 1st, 1950 marked the start of the first five-year plan, which sought to transform Hungary into the country of iron and steel, without considering the country’s economy and geography. The first five year plan truly was a plan for heavy industrialization, where most of the investment was in steelmaking, coal mining, and military production. The most prominent action of the 1950s was the building of so-called socialist cities. These cities were each meant to provide the labor for large investments into a specific industry. In the first decade after 1949 the majority of population growth was in the capital and in county seats or these soviet cities. The population of these new industrial cities nearly doubled during this time, which together accounted for nearly one fifth of the combined populations of “city-sized” communities—61 in total in 1949 (Laki, 2015).

In the 1970s and the start of the 1980s, there was a temporarily decline in the workforce in some important industries that were somehow less attractive than other sectors. However, this situation was reversed from the end of the 1980s. Those companies that were operating at a loss or which were producing goods that couldn’t be sold were closed, or their production levels and therefore workforces were drastically reduced. Heavy industry suffered the largest unemployment rate. Between 1982 and 1990 nearly 300,000 people were displaced from work in heavy industry, which represented nearly 20% of that workforce (and from 1989-1990 a further 106,000 lost their work), as industry shrank for one thing due to the overly developed mining and metallurgy industries that had been chosen under the socialist system (these two industries shrank by 24.2% and 21.1% respectively, from 1988-1990). Following this the KGST (Comecon) soviet market’s collapse led to a 40% decline in the machinery and chemical industries, and reduction in the workforce (80,000 people in machinery). The fall in production, inflation, unemployment, and resulted in a drastic reduction in domestic consumption, which led to a fall in production in both light industry and food industries, and further layoffs (Barta, 1991). Due to the drastic increase in the number of unemployed, the traditional system of public employment was gradually reintroduced.

After the regime change, in the 1990s, the major form of public employment was public works projects in the public interest, coordinated centrally. From 2000, municipal governments were required to organize public employment in the public interest, which had two goals: to introduce people to the idea of an open job market, and to exclude those who were not willing to work in that market from public assistance. Public employment programs have been operating in Hungary since 1987. Under various names and somewhat different conditions, but basically the same operating principles, programs have been in place from 1987 under county commissions, from 1990 under the direction of the employment office, from 1996 under the Public Employment Commission, and from 1997 under municipal government of the various communities. However, the number of people benefiting from these programmers only reached the level of programs in other countries in 2009, when the “Road to work”
program was launched (Scharle, 2014). The Road to Work program launched in 2009 had the declared goal of helping those in the most disadvantaged small communities and with a low level of education to be able to find gainful employment and be reintroduced to the open job market, or in other words to encourage the long-term unemployed to start working and to improve their employability (Budapest Institute—Hétfia Elemző Központ, 2011).

Public employment and public works projects are a traditional method of treating unemployment, however have only recently become a primary tool for treating this problem. The system of public employment was substantially reworked on January 1st, 2011. Various programs of work in the public interest were ended, and a unified system of public employment was created. Public employment became the responsibility of the Ministry of the Interior fell under the responsibility of the State Secretariat for Public Employment (Hungarian Government Decree, 2010; and Hungarian Government Decision, 2011).

The resources available to these programs were increased considerably, and the public sector employment budget became open-ended. Local governments have received specific support for public employment rather than aid. The public employment budget in 2011 was 64 billion forints, 137.5 billion in 2012, 153.8 billion in 2013, and 231.1 billion in 2014. This amounts reached 270 billion forints in 2015 (Becso, 2015).

In Hungary, between 1996 and 2008, 30-40 thousand people worked in public employment in some form, which increased from 60 to 100,000 in 2009 and exceeded 130,000 in 2013 (Scharle, 2014). The number of public employees has risen rapidly since 2012, almost 200,000 on average in 2015 on a monthly basis, and the total number of people involved was close to 350,000 (Note 2). One change was that from 2012 there was practically an end of the part time form of public employment, the average length of contracts for public employment workers became longer, and became more even in its length. However, the amount of remuneration was no longer centrally regulated at one general level. The public employment wage from 2011 has been roughly 75% of the minimum wage in effect at the time, i.e., in 2015 it represented a net amount of approximately 52,000 forints per month for public employment for 8 hours a day. Rejecting a public work contract offered means the loss of eligibility for for that person of FHT (Employment substitution), so people are essentially bound to accept this work (KSH, 2016).

4. Legal Background for the Current System of Public Employment in Hungary

Public employment programs provide a very wide range of alternatives to public workers wishing to use the possibilities provided by the state. Public employment is basically provided for temporary employment opportunities as defined by law. The state provides employment opportunities for those who are unable to gain access to job opportunities in the open labor market due to their level of education, age, health status or any other circumstance. The public employment system is managed by the Ministry of the Interior.
The main characteristics, concepts and conditions of the public employment (duration of participants and activities, working time, wages, paid leave, etc.) are regulated by the 2011. Law CVI of Hungary. The types of public employment subsidies and the rules on the use of these funds is outlined in state regulation 375/2010 (XII. 31). Regulation 1139/2017 (III. 20) on public employment subsidies summarizes the operating principles. All relevant information, documents, legislation, current news and practices on public employment can be found on the public employment portal operated by the Ministry of the Interior. Legislation defining requirements for the establishment of a public employment relationship is found in Law of Hungary, 2011, CVI. The most important general rule is that natural persons may be employed who are at least 16 years old and register as someone seeking employment (FHT), does not qualify for job seeker or social benefits, or is currently undergoing medical rehabilitation.

Law 2011. CVI. on Public Employment defines who employ employees under the public employment program. Mainly these include members of municipal governments and similar government bodies (for example: water management, forestry, national parks), church legal entities, civil organizations, NGO’s, social organizations, organizations operating railways, etc.

The above organizations become public employment organizations when they enter a contract with the relevant authorities for public employment support. The amount of the current public employment wage is determined 170/2011 (VIII. 24). Data who is eligible for public employment is included Foglalkoztatási és Közfoglalkoztatási Adatbázis (FOKA)—the Employment and Public Employment Database. Rules concerning these electronic records are in 1991 act IV. The annual goals for 2018 are in law 2018, 1952/2017. (XII.13.), government resolution.

4.1 Types of Aid for Public Employment

The government regulation 375/2010 (XII. 31) provides for the following types of public employment assistance.

- **Short-term employment** is for up to 4 hours per day and for up to four months. Refugees who have applied may also be considered.

- **Longer-term employment** extends to a maximum of 12 months, for 4-8 hours per day. This is for disadvantaged people, who are at least 40% disabled according to a government examination.

- **National public employment** is a program for those public employees who will work for the national government, as determined by the Parliament or other national body.

- **Model programs** are startup model programs for small municipalities, and meant to develop those municipalities. They are subsidized for up to 12 months for 4-8 hours per day.

- **Program to increase mobility** is for workers who are being replaced and performing work in the public interest, for at least 60 and a maximum of 60 days.

- **Assistance available for small businesses**, these are small grants to municipal governments for a maximum of 8 months. However, these grants are not considered public employment.
Special public employment program aims to improve the employability of those who due to their mental, social, or other disability cannot yet be involved in the traditional job market, and who will be given work and also special rehabilitation services. This work was piloted in 2016, with a 5-month program in four counties (Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Baranya, Zala), for a total of 300 persons.

During the special public employment program, the participating public employees work under a new type of special public employment wage, being employed for 6 hours a day.

4.2 Model Programs, Implemented Activities (Ministry of the Interior, 2015)

4.2.1 Agricultural Projects

Agriculture is the branch of the national economy which includes the production of crops, breeding of farm animals, furthermore, the production of basic plant and animal food products as well as industrial raw materials. Agricultural products fill an important role in public employment. They provide long-term livelihoods for the disadvantaged and most disadvantaged, usually those individuals with low education levels, as regards employment and aids them in returning to the mainstream employment market.

4.2.2 Programs for Draining Flood Water

It can be said that over 80% of Hungary’s municipalities constantly struggle with the effects of water damage. About a fourth of the country comprises lowland plains where water drainage cannot occur naturally. Without flood protection works, these areas would always or temporarily be covered in accumulated precipitation. The program’s aim is to prevent the flooding that threatens these municipalities and agricultural lands, to build and regularly maintain drainage ditches.

4.2.3 Renovation of Agricultural Roads

Haulage for agricultural purposes is the greatest cause of wear and tear on public roads. During the course of the program, the damaged sections and the directly connected ditches, curbs, and embankments are renovated and broadened using natural, environmentally friendly, local materials.

4.2.4 The Use of Organic and Renewable Energy Sources

People in the public employment program plant energy crops and transform the gas heating systems of public institutions, for example, government offices, schools, and kindergartens, with the help of biomass-fueled furnaces. The main task of the publicly employed during the course of the program is to collect raw materials for biomass and to produce fuel.

4.2.5 Maintenance of Public Roads within Municipalities

The local government of the municipality is obligated to ensure that roads are safe for travel. Complex road maintenance includes the operation, maintenance, and repair of roads, bicycle paths, and sidewalks.

4.2.6 Eradication of Illegal Waste Dumping Sites

Illegal waste dumping sites have sprung up in an increasing number of places on the outskirts of municipalities, next to roads and parking lots, in rest areas, next to and inside wooded areas. Waste
disposed of in such a manner pollutes the environment and causes a possible public health hazard. The program’s goal is to eradicate illegally disposed waste from inside and outside towns cities (by collecting, treating and properly disposing of the waste) and to prevent future illegal dumping. The most important task is to alter dumping behavior and to eradicate the hazardous and unsightly phenomenon.

4.2.7 Programs Based on Local Characteristics
Its aim is to meet community needs and aid the development of the municipality with unique programs which are based on the earlier work and production culture or the previously unexploited geographical and natural assets of the municipality. During the planning phase of the program, public employers place great emphasis on the preservation of local cultural traditions, the utilization of tourism opportunities and the widening of the scope of value-creating public employment.

4.2.8 (MaNDA), the National Cultural Digitalization Public Employment Program
The National Cultural Digitalization Public Employment Program coordinated by the Hungarian National Digital Archive and Film Institute sees public employment participants digitalizing cultural assets available all over the country and uploading the content and its metadata to the MaNDA database. The publicly employed colleagues work forty hours a week all over the country in the different partner institutions: public collections (museums, libraries, archives), state-run foundation, church and private collections, local governments, cultural NGOs and educational institutes.

4.2.9 Media Services and Support Trust Fund (MTVA)
In the 2nd semester of the year 2012 experimental model public employment programs were initiated in order to provide trained (often those having higher education degrees), but disadvantaged people with value-creating job opportunities. Such were the digitalization programs, the aims of which were the creation of municipal value cadasters, the collection, and organization of cultural and natural assets, as well as the creation of public archives (MaNDA, MTVA). Based on feedback, these programs were very popular among job-seekers and during their realization, significant public values were created, thus, further digitalization programs based on the original can be expected in the future. The Media Services and Support Trust Fund (MTVA) realized a public employment program built on the initial digitalization program with 220 public employees by February 28, 2015. The MTVA model program’s aim was the digitalization and processing of audiovisual content at three different Budapest locations.

4.2.10 Public Employment of Homeless People
The national expansion of the public employment of homeless people model program is implemented in the capital. Within the national model program aiming to employ homeless individuals, public employers entrust these individuals with value-creating tasks such as raising saplings, ornamental plants, and plants for food, briquetting, composting, the maintenance of cemeteries that have fallen into disrepair, building “exit houses”, pottery work, rug-weaving, and soap-making. The produced ornamental plants are planted in public parks, briquetting allows for the production of fuel for heating, the vegetables grown are used in public catering and distributed to disadvantaged persons. The public
employment program has a dual aim: providing the homeless with useful, value-creating activities in order to improve their life circumstances and the program focuses not only on their employment but also strives to ensure that the products of their work can be enjoyable and usable for the public.

4.2.11 The National Institute of Culture and Education’s (NMI) National Cultural Public Employment Program

The National Institute of Culture and Education’s (NMI) national scale cultural public employment model program was implemented in 2013 with the support of the Ministry of the Interior and the employment of 4000 people. Prior to this program no such wide-scale public employment initiative was implemented pertaining to the area of culture. The NMI’s program aims to create a cultural network and to initiate a program of community and social development. The program aims to assist municipalities and parts of municipalities where the social fabric is weak or non-existent and thus, the re-organization of the local community, the strengthening of social cohesion and activity has become necessary.

4.2.12 The Expansion of the “Bricklayer” Public Employment Model Program on a National Scale in 2014-2015

The village of Gilvánfa in Baranya County in 2013 showed all the signs of the impoverishment of the Ormánság region. Most of the houses needed to be renovated or only the demolition and reconstruction of the houses could serve as an appropriate solution, thus the Ministry of the Interior chose to initiate the “Bricklayer” public employment model program which led to the construction of 842m2 social family homes for the Roma minority population of the municipality via the public employment of 20 people. The aim of the national initiative based on the Gilvánfa model program is to use cheap and environmentally friendly construction material (loam) and repurpose bricks from demolished buildings within the framework of public employment to build social family homes for minority and disadvantaged families in the village.

4.2.13 Ragweed Control Activities within the Framework of the Public Employment Program

In the year of 2014, a total number of 70,662 publicly employed persons took part in ragweed control activities, 13,535,63 hectares of land infested with ragweed were cleaned. In the year of 2015, a total number of 69,580 publicly employed persons took part in ragweed control activities, 9,968,43 hectares of land infested with ragweed were cleaned.

4.2.14 Social Land Program

The foremost aim of the Social Land Program is to contribute to the mitigation of regional disadvantages, to improve local social and economic circumstances, to improve the quality of life and to implement a planned system of production and sales. In 2014, the Ministry of Human Capacities issued its open tender procedure number SZOC-FP-14, titled “Support for the realization of social land programs”. The number of publicly employed persons in connection with the program was 612. The program was carried out by the successful applicants foremost in order to supply the kitchen providing public catering via plant and animal agricultural programs. The publicly employed persons working...
within the framework of the program were able to carry out further local government tasks with aims for the betterment of the community as far as their capacity allowed.

5. Comparison of Number of Economically Inactive and Public Works Employees over Time

Subsequently to the drop in 2009, the number of persons employed in Hungary was already stagnant between 2010 and 2011, and then since 2012 it has been continuously growing. According to the currently available latest EU labor market data, in the 1st quarter of 2018 the number of persons employed was 4 million 435 thousand 200, it was 765 thousand 500 more than in the 1st quarter of 2010. The relatively high level of employment was coupled with low unemployment, in the 4th quarter of 2017 the unemployment rate was only lower in 3 EU member states than the Hungarian 3.8% (Hungarian Central Statistical Office (KSH, 2018) in the Czech Republic, Germany and Malta).

The reduction in the number of unemployed in Hungary was only followed by increased employment level with a slight delay, because of the influx of inactive persons into the labor market. At the same time it is conspicuous that the reduction of economically inactive persons primarily occurred among those with the lowest education qualifications. It was reduced to the greatest extent among those who only had the mandatory 8 grade elementary school qualification, who previously represented the large majority of economically inactive persons. The number of economically inactive persons who exclusively had the mandatory 8 grade elementary school qualification was reduced between 2006 and 2010 by 161 thousand 800, while between 2010 and 2018 by 495 thousand 400, in total between 2006 and 2018 by 657 thousand 200. Among those with lower qualification than the mandatory 8 grade elementary school the number was also significantly reduced, between 2006 and 2010 by 94 thousand 900, while between 2010 and 2018 by 58 thousand 50, in total between 2006 and 2018 by 153 thousand 400.

In recent years, public works employment has activated a considerable portion of those who were previously absent from the labor market. It provided work offering higher income than social benefit to those who were unable to find employment on the open labor market. It developed or improved the workplace socialization of program participants. With the increase in the demand for workforce it became a realistic goal for as many participants as possible to leave public works employment and move in the direction of the primary labor market. This has been incentivized by opening the scissors between the minimum wage and the public works employment wage, and by subsidies available to employers.
In the studied period (between 2006 and 2018) the number of economically inactive between the ages of 15-74 was the highest in January-March 2008, 3 million 550 thousand 900, while it was the lowest in July-September 2017, 2 million 812 thousand 900. Thus in a period of almost ten years the number of economically inactive was reduced by 738 thousand persons. The number of those who don’t wish to work was also the highest in January-March 2008, 3 million 207 thousand, while it was the lowest in July-September 2017, 2 million 565 thousand 500. Therefore, in comparison with January-March 2008, by July-September 2017, the number of those who don’t wish to work was reduced by 641 thousand 600. Thus the trend of the number of economically inactive persons was almost identical with the number of those who don’t wish to work. We can observe an extraordinarily strong correlation between the two datasets, in the studied period their correlation coefficient was 0.98978.

The general increase in the willingness to be employed shows that the social acceptance of the expansion of public works employment and its principle ("work instead of social assistance") is not only generally high level, but those who are directly involved also have a positive view of it, moreover occasionally there has been a kind of competition for winning public works employment. The fact greatly contributed to this that in this way people have been placed (back) into employment who, as a result of their education qualification, place of residence or other personal characteristics which represent a disadvantage on the labor market, have not been regularly employed for a long time, or ever.
For example, from 2015 in comparison with previous years even the employment indicators of the Romany population improved, moreover the extent of the improvement exceeded the extent characteristic of the non-Romary population, mostly as a result of higher opportunity to access public works employment. Besides the unemployed, there were a significant proportion of people who wanted to work, but as a result of their age, their education qualification (more exactly the lack of it) as well as insufficient employment opportunities in their place of residence, they regarded searching for employment hopeless (passive unemployed). The data is especially worthy of attention that 42% of the Romany population worked in the framework of public works employment in 2015, as well as the data that every 5th public works employee and every 8th unemployed person was Romany. Among those with changed work capacity the ratio of those working in atypical form is much higher than among those with full work capacity (KSH, 2016).

The number of persons working in the framework of public works employment was the highest in July 2016, 193 thousand 800, there has been a decreasing trend ever since. In the entirety of the studied period (May 2014 and May 2018) it trended between 100 thousand and 200 thousand, with the exception of May 2014, when the number was only 87 thousand 900.

The related surveys show that general opinion of public works employment is favorable almost two fifths of those between the ages of 19 and 64 regarded it as playing a positive or rather positive role in the fight against unemployment. However, the responses given to the questions sharply differed according to if someone has been a public works employee before or not, specifically those in the
former group had a considerably more favorable opinion of public works employment. Presumably, the explanation to this is that—since the majority of the participant of public works employment are those who as a result of their place of residence, education qualification or their lack of work experience, have a significantly lower than average chance to be successful on the open labor market—public works employment represents a real alternative in comparison with unemployed status which provides a rather low assistance income (or none at all). The opinion of those living in rural areas regarding the role of public works employment is more favorable than the opinion of those who live in municipalities with characteristically broader employment opportunities. Of those who have not been involved in public works employment, proportionally only half as many consider public works beneficial from the aspect of unemployment management, than those who have been involved before (KSH, 2016).

![Figure 4. Number of Persons Employed in the Framework of Public Works Employment](image)

**Figure 4. Number of Persons Employed in the Framework of Public Works Employment**

[Thousand Persons]

*Source: Own editing from based on the data of KSH.*

The number of persons in public works employment has been significantly reduced since 2016 the process of public works employees finding employment in the private sector has accelerated. Employers are motivated by labor shortage to hire and train public works employees, while public works employees are motivated by a much higher minimum wage, as a result of which they can earn much higher income. As a result of all these the number of public works employees is continuously decreasing (Nagy, 2018).
6. Conclusion

The Hungarian system of public employment provides more than a hundred thousand citizens and their families with the means to survive, and at once helps the development and maintenance of various settlements, as well as keeping residential areas and the environment clean and beautiful. In addition to the direct effects, people’s attitude toward work has improved, and so has their health, the number of kids absent from school has gone down, and public safety has improved. In their global quality, many parts of the country have surpassed the level in more developed countries of Western Europe, thanks in large part to the effects of public employment. The government continues to consider public employment to be a temporary measure, aiming to supply work and income rather than simple financial subsidies to those seeking work in the most disadvantaged parts of the country, in some of which this form of employment remains the sole legal form of employment available. Expanding public employment produces more workplaces, and helps develop rural areas and communities.

A large part of public employment aims to give temporary work opportunities to parts of the country in which the number of private employers is extremely small, and the job market has stagnated. In these areas, for a significant part of participants, public employment represents their first legal form of work. By choosing public employment, these participants choose to join the job market rather than remain passive and inactive, and therefore their work skills and self-esteem improve. A fundamental goal of public employment projects is to create value and make it possible for communities to sustain themselves, as well as maintain the skills of their rural populations. The work training they receive gives employees a greater chance of joining the primary job market, and leaving the public employment sector. In exchange for the money paid by taxpayers, society rightly expects public works projects to be as effective as possible at returning more participants to the job market more quickly than presently happens. In addition, it is important to increase the amount of value created by public works projects, and to increase the amount of human resources development performed in the course of public employment, so that public employment participants can participate in training and development in which they gain skills and professional knowledge for which there is a market need, and thereby help fill labor shortages. Beyond all this, public employment must have a greater charitable effect, first of all when it comes to focusing on placing those who have long-term health problems, have disabilities, or are members of disadvantaged groups into workplaces. Today, Hungary has a greater need for human development public employment programs, and ones that improve health, than standard public works projects.
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