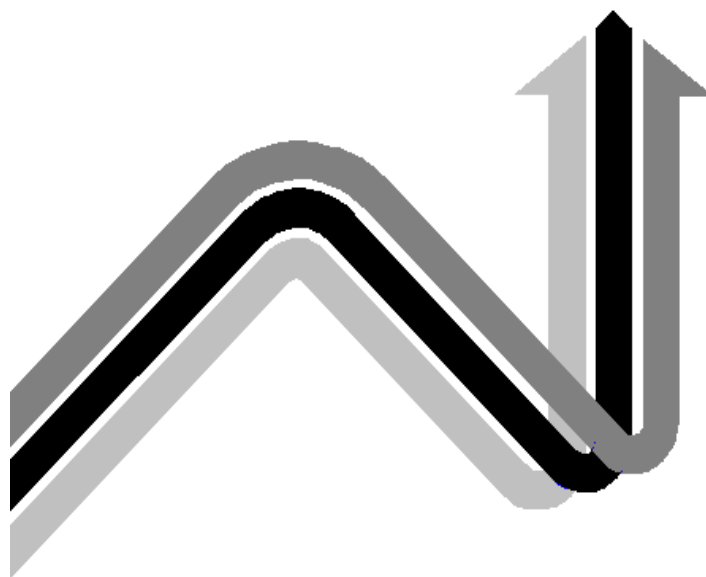


**THEMATIC REVIEW OF THE TRANSITION  
FROM INITIAL EDUCATION TO WORKING LIFE**



**HUNGARY**

**BACKGROUND REPORT**

MAY 1998

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## CHAPTER 1: ECONOMIC AND SOCIAL BACKGROUND IN THE NINETIES

### 1.1. Change of socio-political system and economic crisis

A severe economic crisis exploded also in Hungary in the initial period of transformation of the socio-economic system. The GDP dropped almost by one fifth during the first three years. The crisis could be attributed directly to the collapse of Soviet economy and that of the COMECON co-operation system, and its implications were only reinforced by low Hungarian competitiveness on the free market. The possible way out, was transformation and modernisation of the socio-economic system and of the proprietary system.

Hungary was prepared for this transformation by a reform movement lasting tens of years, mainly in the domain of domestic and economic policy<sup>1</sup>. Since the seventies, old cadres were replaced by a constantly increasing number of young technocrats. In the public opinion private enterprise became generally accepted. Last, but not least, Hungarian research in the field of economy and sociology, playing a leading role in the reform movement, contributed significantly to the transformation of public opinion, and that of the elite in the economy, also made a deep impression on youth, changed their mentality and behaviour. As a consequence, by the late eighties, Hungary was looking forward to the transformation of the system and to market economy with great expectations and full of hope. They underestimated however the difficulties, bound to appear with transformation of the economy and integration into world economy.

### 1.2. Decline of employment

Gravest consequence of transformation and economic crisis is the major decline of employment, hitting the whole society, but especially hard hit are young people. (see Appendix, Table A/1.). Over 1.6 million jobs were lost between 1990 and 1997; the number of employed was cut by one third. Unemployment, mainly growing long-term unemployment, developing due to insufficiency of demand, and the number of inactive persons climbed even higher. The economic activity of the population, which was 51% at the beginning of the decade, fell below 40%, the number of dependants per 100 employees grew from 98 to 182.

**Measuring employment and its problems.** Source of employment data between 1989 and 1991 is the manpower balance of the Central Office of Statistics, its data for the initial yearly period

<sup>1</sup> Stations of importance of the reforms were the following: abolition of “obligatory agricultural delivery system” in 1957, one of the pillars of the Soviet type directive economy. By taking this step, the market became the main feature in the agrarium; in 1968 the “new economic system” was introduced, which declared independence of companies in the competitive sphere, abolished the system of obligatory “plan indices”, management of companies was based on “plan and market”. After long-lasting political wrangling further steps were taken in the eighties; liberalisation of the economy: companies could deal directly with their western business partners; centralised price fixing was widely abolished; with limits - private enterprise was permitted; a commercial banking system was established and an up to date personal income tax system was introduced.

originating mainly from institutional data-supply. Starting 1992 data originate from labour-surveys according to international standards and represent the average of the first quarter of the year. Of the two different methods, the manpower balance most probably distorts the number of employed upwards, the manpower survey on the other hand downwards. The possible deviation however could not have changed significantly the picture so received, of a declining employment. Problems are nevertheless caused – as reported in the OECD Survey Hungary 1997 (Annex III) – by the fact, that the system of definition of employment has changed several times. The category “active earners” for a long time did not include those several hundred thousand retired, nevertheless employed persons, nor mothers being on child-care leave. In the past few years, employees receiving pension (and those on military duty as well) are already counted among the employed, the 230,000 persons on child-care leave are registered in the Hungarian labour statistics as “employed”, in the tables however, following international standard, are counted as “inactive”. The present study contains employment data according to the ILO/OECD terminology, which in some cases may differ from official statistics. – According to international practice, the number of registered unemployed will show a difference from those of labour – surveys. Of the data shown in table No.1, those up till 1991 originate from registration, while those starting from 1992 are data of surveys.

Decline of production and employment was much higher than average in the northern and eastern regions of the country<sup>2</sup>. Workers with low educational level and those unskilled were first affected by lay-off. All this has a cumulated effect on gypsies, the largest ethnic minority of the country, the majority of whom live in villages, and whose educational level is very low, and are mostly unskilled.

Only a smaller part of those, who lost their jobs, became unemployed in the post-socialist countries; in Hungary their ratio hardly surpasses one third. Two thirds were lost for the labour market. (Timár, 1995) The labour supply was highly flexible “downward”; the decline of labour demand produced a decline of labour supply to a significant extent. Decrease of unemployment does not necessarily mean improvement in employment.

**The gypsy** (roma) population formed 3% of the country’s total population in 1971, 4,4% in 1993; their ratio may surpass 7% by the year 2010. Up till the late forties they lived segregated from the Hungarians, not having any opportunity to hold permanent jobs. During the decades of state-socialism, with its continuous labour-shortage, their situation improved significantly. In the seventies, the employment ratio of gypsies – comparing identical demographic groups – was similar to that of Hungarians. The decline of their situation is illustrated by the following figures: in 1993, 55% of the Hungarian population, age groups 20-24 years, was employed, and only 24% of the same gypsy groups held a job (Kemény-Havas,1996).

### 1.3. Channels of inactivity

The main part of superfluous labour-surplus was channelled by different routes of economic inactivity (Table A/2.). It has become widely applied practice in the years of labour shortage for people having reached the very low retirement age, to retire, and then reactivate themselves. During the initial period of

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<sup>2</sup> It is characteristic for the differences between regional economic development level, that in 1996 the per capita GDP in Budapest was the threefold of that of the average of Nógrád county in the North, whereas county Győr-Sopron-Moson, the county with the highest figure at all, on the Austrian border, was the double.

decline of labour demand, these people were fired first, which directly lead to the increase of the number of inactive population<sup>3</sup>.

Labour supply was further reduced by retiring at still active age. The number of the handicapped, and therefore pensioners, increased. The number of persons retiring before reaching retirement age was further increased by the systems established for retiring with an “age-bonus” and pre-retirement, introduced in order to reduce unemployment. As a consequence, the load on the social security system and thus on the active population grew even heavier, irreversibly.

Due to development of education, in spite of the decreasing younger population, the number of students in secondary and higher education kept increasing significantly, which was an effective way of reducing labour supply and thus unemployment.

In the past few years the increasing number of dependants in the households, mainly inactive women, contributed to the reduction of labour supply. An increasing number of women, who lost their jobs, especially those with young children, will stay at home<sup>4</sup>. This is also explained by the fact, that the share of part-time workers – already very low in the former era – dropped further in the past few years, since the incentives to change the confirmed traditions are missing.

The number of those working in foreign countries increased significantly in the recent past, of which only a minuscule part appears in the statistics<sup>5</sup>.

Extension of “black work” also contributed to the decrease of employment, and to the increased inactivity statistically shown, especially in seasonal branches, like catering, construction and agriculture.

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<sup>3</sup> Retirement age-limit was for women 54, for men 59 years. The number of those employed, although already retired, dropped from 488 thousand at the beginning of the nineties to 108 thousand at the beginning of 1997. According to the labour survey of the Central Office of Statistics, of the 2 million pensioners, only 20000 are counted among the unemployed, and the number of the “discouraged” unemployed is hardly 9000.

<sup>4</sup> This also explains, why the majority of the “discouraged” unemployed are not women, but men. According to the labour survey the number of “discouraged” unemployed under retirement age was 94 thousand at the end of 1997, of these 54 thousand are men, their share among the inactive men between 15 -74 years of age was 3,6%, that of women 1.7%.

<sup>5</sup> According to the 1990 census, the number of the population counted by the census was lower by 200.000, than that of the “registered” population. Two thirds of those “missing” were males, 20 - 44 years of age, which leads to the hypothesis, that the majority of the missing population was abroad, working.

**Black “employment”.** Based on employment ratios and other information, the number of those working illegally (moonlighting) may be estimated at 100-200 thousand (3-5%). Considering also research and publications on the hidden economy, others suggest a much higher number. Employment statistics however, similarly to the accounting of the GDP, will count those not figuring in institutional statistics (periodic and day-wage men, help family members, estimated number of those working in the informal economy) among those employed. And major part of the work carried out in the “black economy” is done by those registered as employed in the statistics. It does not follow from the significant share of the informal economy and that of the black economic performance, that the share of those employed “black” would be similarly high.

#### **1.4. Low rate of economic activity**

The overheated economy of the state-socialist system lead to the very high activity rate of the population. At the early nineties, employment of the 15-64 age male population, in spite of the then very low retirement age, exceeded the average of the European OECD countries, and that of women was significantly higher. In the past few years, employment of the population, especially that of young people and of men, dropped to a far lower level, than that of the OECD countries. (Table.A/ 3.)

During the period of stabilisation in the mid-nineties, economy started to grow again. All prognoses covering the next five-year period forecast further continuous growth, but their estimates for employment – growth show very different figures, between 100 and 400 thousand persons. Even realising the highest estimate, employment would not come close to the level of the late eighties, but a lower growth rate would also mean a beneficial contribution to diminishing social tensions.

**Prognoses.** Of the prognoses: Variant “A” in the document “Laying the foundations of capitalism in Hungary (1990-2002)” published by GKI, reckons with an increase of the employed by 10-11%, in order to realise a growth rate of about 30% of the GDP. The forecast of KOPINT-DATORG for the economy operates with a labour-estimate (Timár, 1997) of 6-7% increase, presuming a more moderate economic growth.

#### **1.5. Structural change of economy and employment**

The profound decline of employment was suffered in the primary and secondary sectors. The biggest employer of the tertiary sector, the state budget was not forced to lay off people in the initial period, and the number of the employed in the economic services sector even increased. Thus, in the past few years, the share of the employed both in agriculture and industry fell sharply, which in itself increased the share of services. Today’s economic structure is similar to that of countries with far more developed economies, which is a special consequence of the economic crisis. (Table.A/ 4.)

Development of infrastructure does not require additional labour in all fields. In branches, where the increase is justified, it takes place mainly in form of regrouping within the service branches – at present as a consequence of stabilisation. This explains, why – in contrast to the international trend – the share of employed decreased somewhat in the recent past in the tertiary sector, and this may continue for some time. At the opposing side, the well-mechanised large plants of the state-socialist agriculture went even farther than the international tendency, when reducing their work force. Now the balance of the labour market would require, that agriculture improves its capability to maintain its work force, to moderate the drop of labour in agriculture, especially in underdeveloped regions.

The structural changes of the economy involved significant changes of composition of the labour demand by occupations and qualification. The share of unskilled and semi-skilled labour dropped fast; profound changes took place in the composition of labour demand of higher qualification by specialisation and partly by the level of qualification. Demand for agronomists and – to a lesser extent – for engineers, decreased, as well as – due to demographic reasons – that for teachers. The economy suddenly required great numbers of highly qualified personnel speaking foreign languages, with up-to-date economic knowledge. There still exists a virtually demand not yet satisfied – for personnel with post-secondary qualification and lower wage.

Education moved very slowly to adapt to the deep changes in the structure of labour demand. Vocational and professional education has a great inertia, the greater part of its infrastructure and especially its teaching staff not being convertible. Earlier, the dual apprenticeship-system was based on the large state-companies; their structure of specialised skills matching the demand of these companies; so changes take a long time. The change from overspecialised vocational secondary schools to system rendering more convertible vocational education is a huge task, now in process. The number and share of drop-outs from primary and secondary schooling is still considerable.

The very slow process of changing higher education poses great problems. Higher education produced earlier – by international standards – already a high proportion of high qualified manpower (Table A/ 5.) From the end of the eighties even a faster growth was initiated, in unchanged vertical structure, and in a structure of professions not changing too much<sup>6</sup>. Higher education, mainly financed by the budget, was not much influenced by the demands of the market. Lacking an elaborate development plan, institutional interests dominated, slowing down adaptation of universities and colleges to the changed labour demand.

All this has been signalled clearly by the long-term manpower prognoses. Statements of the prognoses are confirmed by information of employment services, as well as initial results of career investigations of school leavers. Labour Demand (Munkaerő-kereslet...) 1996, Young Specialists (Fiatal diplomások...) 1998.

The mismatch between labour demand and output of education plays a role, too in the growing structural unemployment in the past few years.

## **1.6. Demographic evolution**

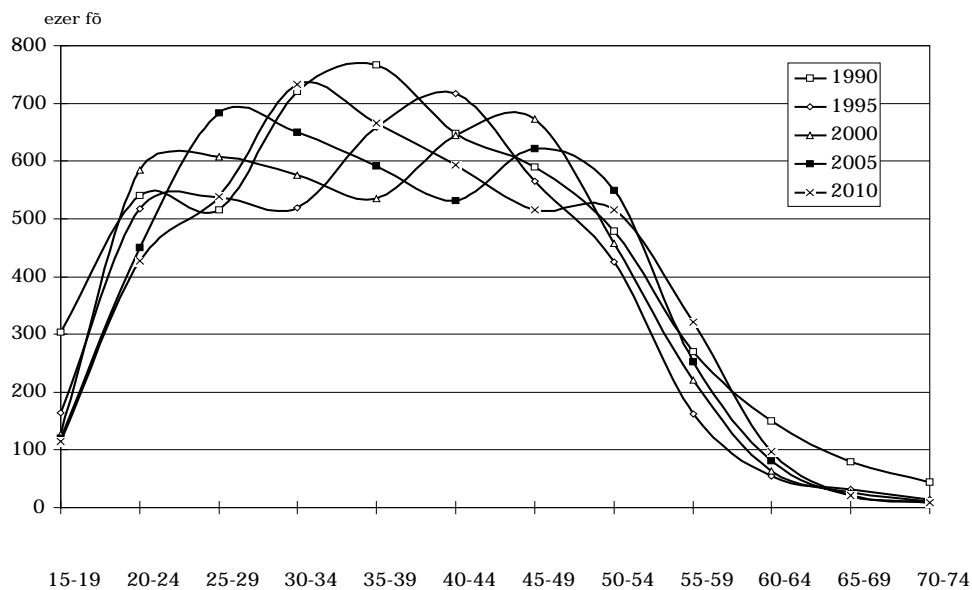
It is a Hungarian specific of demographic evolution, that as a consequence of the “demographic wave” of the years between 1952 and 1995, generations following each-other show a recurring and very high degree of fluctuation. This also is followed by problems in the development of education and in the balance of the labour market. The number of youth to enter higher education was dynamically increasing up until the mid-nineties, and circumstances encouraged them to continue with their education.

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<sup>6</sup> Number of students in higher education day-courses increased from 77 thousand in 1990/91 to 153 thousand in 1997/1998. The increase of the number of students of technical and agricultural professions even surpassed that of students of economy. Accredited post-secondary courses has not yet been started (Oktatási adatok... 1998).



**Figure 1. Number of the economically education by age-groups, between 1990-2010**



Forrás: *Hablicsek... In: Munkaer•kereslet... 127.old.*

The flood<sup>7</sup> of enrolling young people seemed to verify the views of those, who considered increasing the number of students to be the main and long-term target of higher educational policy, although due to the fast decrease in the number of young people, even maintaining the present level of enrolment requires large extension of upper secondary education to include the great majority of young people, and making the attainment of the upper secondary leaving certificate a general goal.

This is the strategic goal and task of development of public education, being at the same time the foundation of development in the next century as well. (A magyar... 1996) Realisation of this goal, and thus securing the basis of higher education is an extremely difficult job, since those masses of young people, who have to be conducted to and incorporated into upper secondary education, and who could hardly cope with requirements of apprenticeship-school, require much better educational methods, more subsidies and improvement of equal social opportunity (A magyar... 1996)<sup>8</sup>.

<sup>7</sup> Young people, especially those leaving grammar school, can hardly expect to find a job. Earlier modest unemployment benefits have been replaced by subsidising further education, men reaching military recruitment age, may also reckon with being called up immediately. Contrastingly, higher educational institutions, mainly part of the colleges interested in increasing enrollment, have reduced their acceptance requirements. The budget provides all students with much higher and longer lasting grants, as earlier unemployment benefits, men may count on delaying their military recruitment, finally, young people are aware that their diplomas will facilitate securing a job, and a job much better paying, than one attainable with only secondary education; educational investments show a much higher individual rate of return, than social rate of return.

<sup>8</sup> Difficulties are illustrated by the fact, that the number of students enrolling into ninth grade – corresponding to the level of initial grammar school – could only be increased from 83,9 thousand to 84,4 thousand from 1990/91 to 1997/98.

**The “demographic waves”.** In the early fifties, the totalitarian state wanted to stop the plummeting birth-rate, following the “baby-boom” after world war II, by introducing drastic measures against abortions. Consequently, the number of live births jumped from an earlier yearly figure of 160-170 thousand to over 200 thousand in 1954. After easing of the untenably harsh restraints, the number of live births dropped to less than 130 thousand by the early sixties. A similar demographic wave recurred in the second half of the seventies. Number of live births surpassed 190 thousand per year, followed by a drop in another few years to less than 130 thousand. According to the basic variant of latest estimates the figure may go down below 100 thousand within the following next one-two decades.

Labour supply is influenced by demographic changes to be expected. Within a short period of a few years “demographic waves” will have an impact on the composition of labour supply by age<sup>9</sup> and occupational structure. In the longer run the number of population between 20-59, forming the main source of labour supply, will decrease significantly, which in itself will require the change of migration policy, employment policy and economic policy, too.

### **1.7. Social characteristics of transformation**

After the sixties, stable job and wage was attainable and a comprehensive social (state-) supply system was established in Hungary, which was made possible by the simultaneous presence of the following three components: rapid economic growth during two decades, high level of employment and a more balanced uniform distribution of income. The economic basis of this supply system was shocked by the economic crisis of the nineties. The mass disappearance of jobs greatly diminished the tax-payers’ number and income, while high unemployment increased the loads on the social security system<sup>10</sup>.

Government initially reduced the share of GDP, so consumed by the state budget, by reducing investments, and subsidies for production and prices. This share however climbed back within a short period, surpassing the former level<sup>11</sup>. The deficit of the budget on one hand and inflation on the other was a hurdle in stabilising the economy. In 1995 such measures<sup>12</sup> were taken, which served as the foundation of stabilisation and cleared the path for new economic growth.

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<sup>9</sup> Within the economically active population and within the next five years: number of young people aged 15-24 will drop by 100 thousand of those aged 25-34 will increase by more than 200 thousand, while the number of those aged 35-39 will drop by the same number, and finally the number of the active population over 40 will increase by 260 thousand (Timár,1997).

<sup>10</sup> At the beginning the active and passive protection expenses for unemployed raised sharply. Besides, steps taken to reduce unemployment speeded up the increase of the number of retired people representing, in 1998, quite 30% of the population. The proportion of households receiving a pension grew, from the 57% in 1991 to 62.3% by 1997 (Report... 1998). In the health supply the price explosion of technical means and medicines caused an extreme increase of expenses. The deficit of all Social Insurance Funds amounted, in 1991, a half per cent of the GDP; in the following years it grew gradually until it exceeded, by 1996, 1.1% of the GDP (A kapitalizmus alapjainak... 1998).

<sup>11</sup> From 60,9% in 1989 to 61,6% in 1992 (Hungarian Structural 1994.) Within the total income of households the share of market incomes dropped from 64,6% in 1991/1992 to 58,4 % in 1993/94 (Jelentés a magyar... 1998).

<sup>12</sup> The measures called “Bokros-package” after the minister of finances then, included the significant devaluation of the Forint, reducing of real wage and limiting the services of the social supply systems. In organisations with more than 10 employees the real wage of full-time employees dropped by 12,2% in 1995 (Foglalkoztatottság... 1995).

The reform, having the objective to reduce costs of social protection, incorporated both the services supplied by the state ( thus free for the citizens), and also limiting the eligibility to these services. Part of the eligibility, (by citizenship, or by employment), was replaced by eligibility by that social need<sup>13</sup>. As a consequence, the share of GDP spent on social protection was considerably reduced and today it is not so high, even in international comparison. (TableA/6.) This share, however, due to the relatively small number of those paying taxes and other contributions, does not even cover the costs of the reduced social protection. Therefore once more the question is posed whether to continue with reduction of the costs of social protection, or to raise taxes.

Modernisation of the social protection systems continues to be an important objective. Some financial experts still hold, that further cuts of the social supply is inevitable, a solution, which however has become by now an issue where going any further would be quite limited by requirements of social stability. A tax increase and increase of contributions has not even been mentioned as a possibility, on the contrary, it has been raised by many, that Hungarian taxes are “too high”<sup>14</sup> and their effect on wage costs jeopardises our international competitiveness.

In international comparison Hungarian taxes are high, however still below the average of those of the European Union. (TableA/7.) Wage costs are considerably increased by taxes, contributions and other costs<sup>15</sup>, a comparison on purchasing parity however shows, that they are still only about the half of that of the EU low developed economies, and about one seventh to one eighth of the cost level of Western high developed countries. Considering the good quality of Hungarian labour and their satisfactory productivity, cost of Hungarian labour should rather be considered low for the time being, which enables enterprises to make a significant extra profit. Reducing taxes and contributions does not seem to be justified from this point of view.

The subject however is raised from another aspect by experts who claim, the amount of taxes collected is very low because due to their high rate, actors of the economy will evade taxes thus excluding their income from redistribution<sup>16</sup>. Neither empirical research, nor international comparison support the existence of such close correlation between taxes and size of the black economy.

Capital and capitalists are a prerequisite to the transformation of the state-socialist system into a market economy based on private ownership. During transformation of the political system, a historically unprecedented regrouping of capital took place with privatisation. The national elite, participating in transformation, has had an opportunity to convert its “relationships capital” originating from personal

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<sup>13</sup> The former is illustrated by the payments for some dental treatments and for some medical auxiliary equipment, or introduction of the payment for tuition in higher education, the latter by limiting payments of child-support or for child-care leave to families over certain low income level.

<sup>14</sup> According to comparative data, the Hungarian tax rates are high, though they are under the EU average (Table A/7).

<sup>15</sup> At present the compulsory contribution is 51% of the gross income (social security, tax) and further 24% are other costs (payments during sick-leave, social and cultural subsidies, etc.).In 1996 full cost of one hour of performed labour was HUF646, equals converted on purchase power exchange rate, 4,2 dollars.

<sup>16</sup> OECD Economic Survey Hungary 1997.(OECD, 1997. 43, page 83.) referring to several Hungarian research projects (see page 130, footnote No. 51) mentions a 30% ratio. The 30% ratio in the studies, however, does not refer to the “black economy” - as already mentioned - but, and the report refers to this - to the “hidden” economy not registered by statistics, the part of which belonging to the informal economy is tax-free according to regulations. According to computations of the Ministry of Finances, rates and taxes paid by farmers is a quarter of that paid by employees, at the same rate of income. This however is not due to different tax rates or tax-evasion.

connections into real-capital wealth and/or into high income. Formation of a new national class of capitalists is in the process, as well as that of high-income managers serving both domestic and foreign capital successfully, which is also an important condition for further economic growth. The fast regrouping of wealth and incomes, which accompanies this process however, – under the circumstances of crisis – leads to growing inequality of incomes, to fast spreading of poverty. Share of the “relatively poor” is higher than average and has grown during the years more rapidly among young people, whose employment has suffered more than that of the average

Conflicts arising due to the above, especially social problems originating from the low rate of employment cannot be solved by ad-hoc monetary measures, and there is no cure in the social protection system, which could fill in for the increase of the number jobs.

Foundation of increased employment is economic growth, which however is not necessarily accompanied by the increase of the number of employed. Hungarian economy has started to grow in the past two years, this is however not reflected in such an increase yet.

In the centre of interest of the economic policy was up till now the financial balance of the country, respectively reducing inflation. Employment policy was mainly concerned with solving the problems of unemployment, and educational policy is still quite removed from recognising the strictness of labour market demands. The increase of employment level requires working out of an overall, governmental strategy, also closer co-operation between the making of economic, employment and educational policies.

## CHAPTER 2: EDUCATION OF YOUNG PEOPLE

### 2.1. Education of the population and of young people

The following table shows the most important indicators for the population, education and schooling for 1995 in international comparison.

The share of young population is for the time being more favourable in Hungary, than the average of the 15 countries of the European Union, and in the majority of them. This is especially valid for those of 15 - 24 years, attending secondary and higher education.

Hungary spends a relatively high share of the GDP on education. This share is higher than the average of the 25 OECD member countries and of the EU. There are only four countries spending more than that<sup>17</sup>. One could only answer the question, why – calculating with the purchase value of the (PPPs) dollar – the cost of secondary education is so “cheap” in Hungary compared with other countries after a profound analysis, and why higher education is so expensive, even after the rapid climb of the number of students. From this point of view, the low ration of students to teaching staff in Hungary is remarkable.

Level of Hungarian economic development is much lower, probably the half, or one thirds of that of the European members of the OECD. Considering this, the secondary and higher educational level in all age groups and in the total of adult population of active age may be considered as satisfactory. The true conditions however are not as good, as shown by the aggregated indices. The number of those having a college degree is relatively high, on the other hand that of those having a university degree is relatively low. It is also one of the greatest problems anyway, that within secondary education, the share of those having an complete (four grades) upper secondary school certificate is relatively low.

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<sup>17</sup> Importance of this indicator is not clear to part of those engaged in education. There are some, who believe, that the expenditures of individual countries expressed in nominal money value is the authentic information, and explain the unquestionably limited financial resources in Hungary by saying, that neither of the different governments following each other satisfies the “justified” needs of education. Representatives of these views do not take into account, that there would only be more funds available to education, if other activities financed by the budget (pensions, health care, public security, etc.) would spend less. This erroneous view involves the danger, that people concerned fail to analyse, what resources could be gained by the more rational organisation of education itself.

**Table 1. Population, education and schooling in international comparison**

Indicator %	OECD average	European Union average	Hungary*	
			%	rank
<b>Share of young population</b>				
5-14 years	13,7	12,3	12,4	5
15-24 years	14,8	13,8	15,8	4
25-29 years	7,8	7,8	6,6	16
5-29 years	36,3	34,0	34,8	4
<b>Expenditures on education in % of the GDP</b>	5,6	6,0	6,4	4
Costs in PPPs \$ per student				
Primary education	3310	3630	1680	50,8%
Secondary education	4340	4350	1700	39,1%
Higher education	7740	6840	5100	74,6%
<b>Ratio of students to teaching staff</b>				
Primary education	18,2	14,8	11,6	3
Secondary education	14,4	13,4	10,6	4
Higher education	14,4	17,1	8,0	1
<b>Of the population 25-64</b>				
has university degree	13	12	6	15
has college degree	9	8	8	4
has secondary education	40	36	47	5
has basis level education	40	46	39	8
<b>Has minimum secondary education</b>				
25-34 years	71	67	65	10
35-44 years	63	59	58	9
45-54 years	53	49	45	10
55-64 years	41	36	16	13
25-64 years	60	54	48	11
<b>Has completed higher education</b>				
25-34 years	23	21	15	12
35-44 years	22	21	15	12
40-54 years	18	17	15	10
55-64 years	12	11	10	9

*Source:* Education at a Glance Indicators, OECD; Hungarian data, Microcensus 1996 and information from Ministry of Finance.  
Ranking compared with E.U. members.

## 2.2. The system of education

Educational level and structure by specialisation of young people leaving school is immediately affected by the vertical and horizontal structure of the educational system. Hungarian educational system was formed during the quarter of a century following the forties, and underwent more important changes for the last time from the eighties. Education was organised up until 1990 – with few exceptions – in the institutions of the state; following this an ever increasing number of schools belonging to churches and foundations started their operation. This mainly applies to upper secondary and higher education. (Figure. 1, following page) renders a survey of the present system; Tables. A/8-A/14 contain information concerning the main types of schools.

Basis of the educational system is the eight-grade uniform “general school”, which is preceded and prepared before the age limit for starting school by kindergarten. The attendance of kindergarten is obligatory from the age of 5 according to the Law on Education. Primary school, which is compulsory for all young people due to compulsory studying till the age of 16<sup>18</sup>, consist of the first four lower grades of “elementary school” the upper four grades of “lower secondary school”, finally these serve as the basis for four grades of upper secondary school, which is concluded by the upper educational level – however not entitling students to enter higher education when leaving the three-grade apprenticeship schools, and the two-grade „specialised schools”. Main types of higher educational institutions based on upper secondary leaving certificate and operating parallel are – universities – mostly 5 years – and colleges, three years of education.

Starting the late eighties, the public educational system underwent major changes. The system – the elements of which were built hierarchically and linearly upon each other – loosened. Formerly four-grade upper secondary schools changed in increasing numbers to 6- and 8 grade schools.

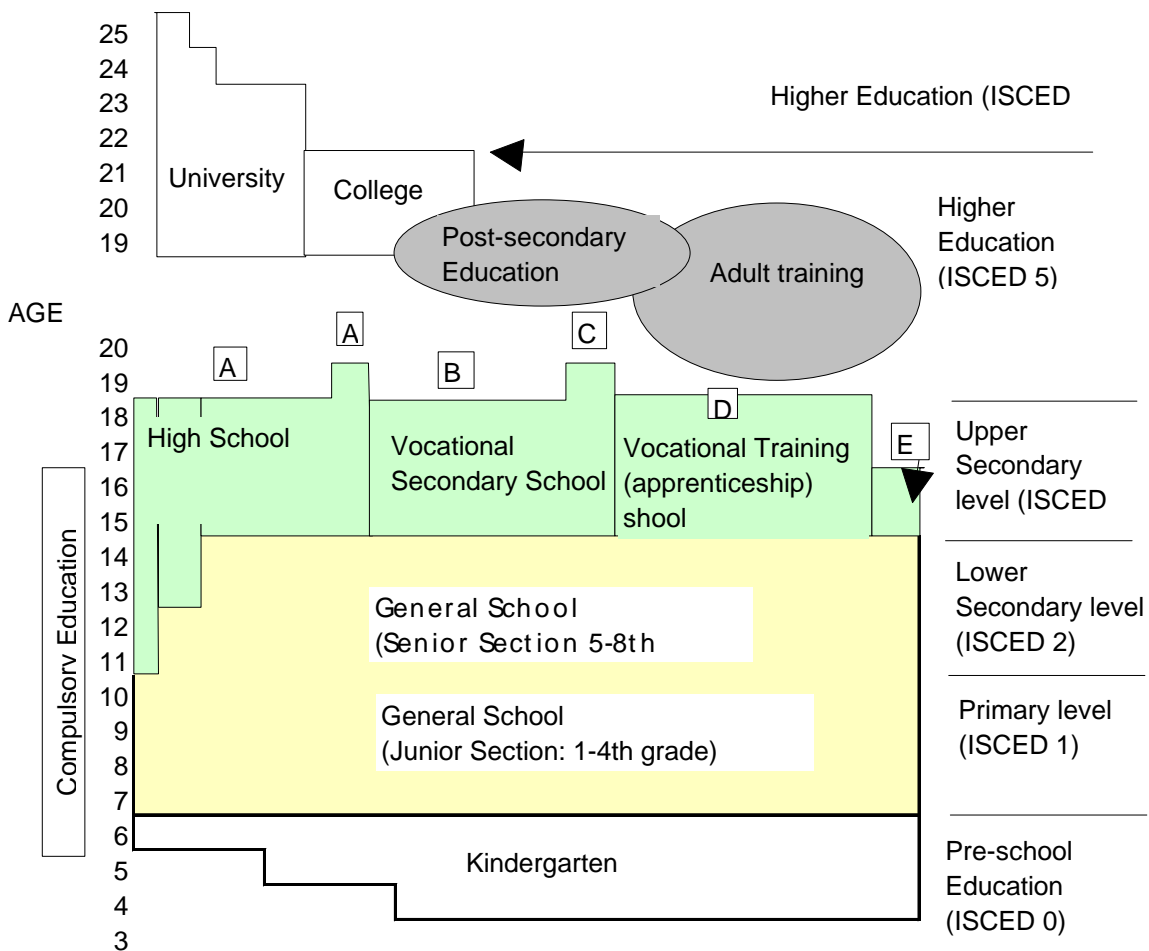
Educational policy wishes to shape the uniform, general 10-year education by regulating the curricula, and by means of financing. These 10 years cover the 6 (4+2) year lower and 4 year upper cycles. This is served by the National Basic Curriculum (NAT), to be introduced in 1998. NAT will be completed by such elements of an output regulation, like a basic exam after the ten-year period, and the dual upper secondary level leaving certificate<sup>19</sup>. In higher level education introducing of accredited “post secondary” two-year educational programmes is in the process.

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<sup>18</sup> The 1996 Law on Public Education has changed the obligatory upper age limit for education to 18 years, which shall be first applied to those entering school in 1998.

<sup>19</sup> Both types of vocational education are defined by the National Education List (OKJ). The OKJ is a classification system defined by the Law on Vocational Education of 1993 which enumerates 933 occupations divided in 9 education levels and 14 main professional (occupational) groups, determining for each one the graduation level, the pre-qualification, the duration of the education indicating the ministry responsible for the given trade. From among the qualifications indicated in OKJ, 216 can be obtained exclusively within the school system, while 717 of them can even be taught outside it. From among the qualifications indicated in the List, 47 can be obtained even without basic school graduation, 412 are built upon completed primary school graduation, 462 upon secondary level school graduation and 12 are tied to a college or university level degree. The OKJ is revised and supplemented on a continuous basis. As it can be seen OKJ practically does not include qualifications obtainable in the higher education system.

**Figure 2. The structure of education system**



- A. High-school diploma
- B. Final diploma plus specialised training
- C. Technical certificate
- D. Skilled-worker certificate
- E. Lower-level vocational certificate

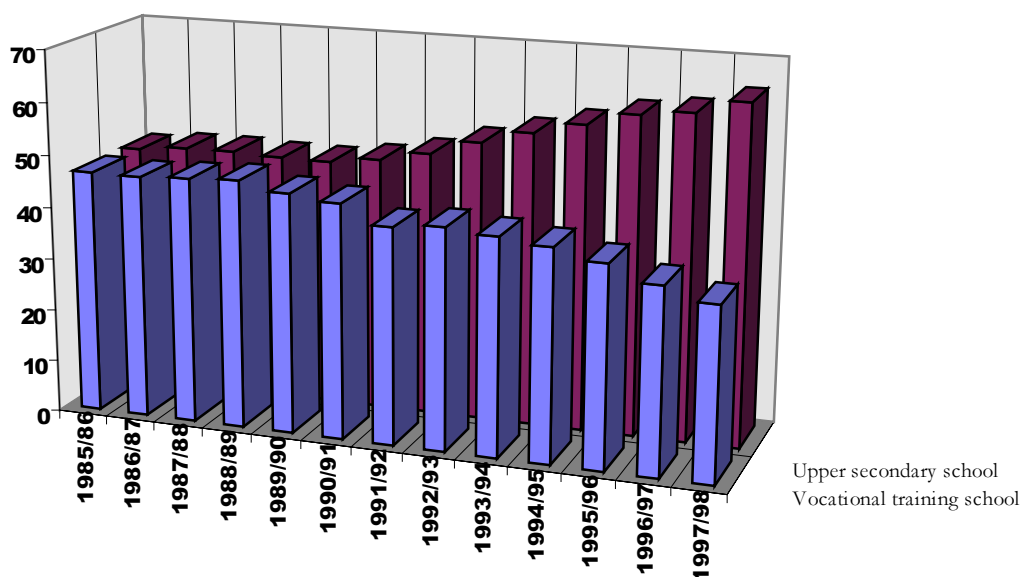
### 2.3. Secondary education

From the 80's on most of the children complete all eight grades of general school and proceed with their studies in upper secondary education. In 1997 96,5% of compulsory school-age children completed the eighth grade and 97,6% of these continued its studies. Up to the end of the 80's among secondary-



education participants only one fifth attended high schools that have always been the thresholds of higher education, while a quarter went to vocational secondary schools and 50% learnt at vocational training schools. In the 90's, however, a drastic change started to take place in secondary education: presently almost two-thirds of the students enters upper secondary school. (Table A/15.)

**Figure 3. Continuation of education by students finishing primary schools (%)**



Due to a rapid decrease in the number of children, however, the number of those entering the 1<sup>st</sup> grade of upper secondary school remained almost the same as it was a decade ago.

#### 2.4. Upper Secondary schools; high schools and vocational secondary schools

The above mentioned changes are originated partly from demographic processes and a new, normative system introduced in the financing of public education, and partly from the transformation of economic structures. Due to a significant decline in the number of young population, high schools wanted to sustain their numbers of students by ‘grabbing’ two or four grades of the senior section of 'general' schools. The purpose of this was to avoid the reduction of their budget share within the system of normative financing. Thus 6-grade and 8-grade high schools came into existence. Eight-grade high schools were functioning in Hungary at the beginning of the century, so this is not a brand-new form. Today almost 1/3<sup>rd</sup> of the students attends such ‘reformist’ high schools. These novel high schools naturally admit their own lower secondary level students to their upper secondary section, thus curbing the opportunities of those graduated from traditional 8-grade general schools.

Those in charge of public education wished to regulate transformation even in the 80's and for any high-school reconstruction a license had to be obtained. The Public Education Act of 1993., however, did not prescribe a school-structure desirable for public education; decisions concerning institutions fell within the discretionary competence of the local authorities supervising the schools. The changes thus triggered and accelerated disturbed the hitherto unified and hierarchical system of public education; the education structure is losing the close relation with normal pedagogic cycles, this demanding new methods for the support, content-control and management of education.

The 'Public Education Development Strategy' published by the end of 1996 (A magyar közoktatás...1996) – as quoted above – defined the obtention of a secondary-school diploma for the large majority of young people as the primary objective of public education development policies. This implies that vocational training schools and vocational schools, that have formed so far an integrate part of secondary education, will gradually have to be substituted by upper secondary schools. This is in direct relation with the phenomenon that due to the economic transition most of these apprenticeship-schools lost their main bases, i.e. the large state enterprises. Those graduated from schools with out-of-date trades had big difficulties in finding a job, and thus vocational training schools lost popularity to a great extent.

At present the children and their parents rather pick general high schools or vocational secondary schools instead of entering vocational training. (Table A/16) Secondary schools, however, admit only some three-fourths of the applicants mainly because of rejecting pupils that proved to be weak at the lower secondary level. For several years now, secondary schools have implemented various methods for picking the best students from among the applicants<sup>20</sup>. A particularly strict selection method based on written tests in 80-90% is adopted by the elite upper secondary schools, particularly 8-grade and dual-language high schools and modernised vocational secondary schools. In these schools the applicants are 8-10 times bigger in number than those actually admitted. At the same time vocational training schools do not endeavour to concentrate on those excluded from secondary schools and on those holding a high-school certificate but not entering higher education. This inertia slows down the structural modernisation of secondary education.

Secondary education is gaining importance due to the phenomenon that while high schools and vocational secondary schools were completely isolated before, this separation is gradually disappearing today. Though high schools remain to be the main bases of higher education (they mainly provide students for universities), more and more high schools introduce optional practical subjects into their curricula, that may help those not entering higher education in finding a job after high school. (Table A/17) The 'specialisation' of high schools is supported by the universal spread of 'optional courses'. These 'courses' teach certain general subjects with an increased number of lessons per week, particularly foreign languages, mathematics, physics, chemistry and biology. Special courses and optional subjects in high-school education are useful as future employers thus will not consider those graduated from high schools as 'unskilled' labour, as these students possess a greater general knowledge and at the same time the basics of some professional knowledge, that can be boosted by further training.

Vocational secondary schools up to the end of the 80's were characterised by over-specialisation and technical and agricultural trades being over-represented. Proposed and heavily supported by the World Bank and with the assistance of PHARE, during the last years educational programs have been worked out to merge the formerly large number of specialisations into thirteen basic trade-groups. By now, nearly half of the existing 500 specialised secondary schools switched to this modernised education-system. This reconstruction serves the needs of the labour-market and favours students entering higher education and parents as well.

The trade-groups of specialised secondary schools modernised according to the **World Bank's programme** are as follows: mechanical engineering, electrotechnics-electronics, informatics-telecommunications, chemical industry, food industry, architecture, transport, environmental protection and water-resources management, agriculture, economics, commerce-marketing, hotel

<sup>20</sup> Admission procedures are manifold: interviews, oral or written examinations, evaluation of general-school results and different kinds of tests. Most schools survey factual knowledge, but several schools are keen on examining the abilities, motivation and enduring capacity of children.

and catering trade – tourism, human services. New specialised secondary schools in their first two grades accomplish or complete the basic general education provided by 8-grade general schools in line with the ‘National Basic Curricula Plan’. In the next two grades 40% of the lessons serves vocational education. Professional specialisation takes place in the following year or two years. In 1997 some 20% of the first-grade students started its studies in such modernised schools.

The isolation between high schools and vocational secondary schools and vocational training schools is decreasing due to the phenomenon that instead of the completely separated schools of the past, more and more integrated schools come into existence, that comprise all three or at least the two main types of secondary education. This yields much more efficient teachers and infrastructures along with a higher - quality education that supports students’ carrier orientation and trade-modification. In 1997 only one-third of high-school and specialised-secondary-school students went to a ‘pure’, i.e. non-multiple-profile school.

## **2.5. Vocational training schools (apprenticeship-schools)**

Three-grade vocational training schools have mainly been related to – big state-enterprises right up to the 90’s. Most of the training-shops previously operated by big enterprises presently under liquidation or reconstruction have been taken over and are managed by vocational training schools. The role of small enterprises in vocational training has increased only to a moderate extent (Table A/18); relations between schools and enterprises have become looser. This is interrelated with the changes in the economy and the labour market. In most trades there is abundant supply of labour, thus employers have grown less interested in acquiring young recruitment. Nevertheless a growing number of local authorities, schools, and regional chambers of entrepreneurs have begun to take initiatives to reform vocational training. Big enterprises, particularly multinationals, however, rather set up their own training centres instead of taking part in the reconstruction of school-based education. Recently the issue has been brought up again that schools had better concentrate their activity on teaching public knowledge subjects and giving vocational theoretic knowledge in the first place. It would be more reasonable to organise practical classes at the employer’s shop or at ‘regional’ vocational training workshops. For the time being, however, none of the organisations taking part in vocational training wishes to take a leading role in practical training. Another problem is that these schools – according to the regulation prescribed by the Public Education Act, namely the ‘National Basic Curricula Plan’ (NBCP) – are supposed to provide mainly general education in the first two years, which they are not prepared for, and students themselves find these subjects difficult to learn.

Despite a significant decline of demand, the number of students passing the skilled-worker-examination is almost steady and the occupational structure has only partly changed either. (Table A/19). Among those completing the 8-grade general school, for students not admitted to secondary schools the only possible path led to an apprenticeship-school and the student was not free to chose the trade he or she likes best, being limited by the profiles and trades available in the locality. A quicker adaptation of vocational schools to the altered demands of the labour-market is greatly hampered by insufficient qualification of teachers along with lacking facilities and equipment.

## **2.6. Vocational schools**

From the two-grade vocational schools, two prominent types are left back from the past decades: short-hand typing schools and schools of nursing, the functions of these, however, are being taken over relatively speedily by vocational secondary schools. A completely different profile is represented by the

so called ‘specialised’ schools’, that started to develop in 1991 and initially admitted mainly the growing numbers of young people of the demographic boom not admitted either to secondary or vocational-training schools. After the boom has passed, the number of students is rapidly dropping here. Education in this field was characterised by a great diversity of curricula and certificates along with a great deal of uncertainty. These schools had two main objectives: to help their students catch up with others and to give some kind of vocational training. The future of this school-type depends on reconstructed secondary schools and vocational schools: the question is when these new and reformed institutions can undertake the education of these young people.

## **2.7. Higher education**

In the 50’s and 60’s of ‘socialist industrialisation’ the spread of higher education was remarkably speedy as compared to developed market-economies. In the 60’s, however, when developed market-economies embarked on a rapid development of higher education, the number of university and college students in Hungary was increasing quite slowly. In spite of this, the country – in an international comparison - is still well supplied with highly qualified labour, which fact we have referred to in the first chapter. (Table A/5)

In the 80’s, the low number of students admitted was less and less in line with the growing demand for higher education triggered by the demographic boom and the increasing number of students holding a high-school certificate. Certain circumstances urging young people to enter higher education also increased the demand. Universities and colleges had interest in meeting these demands; and they fulfilled the needs by reforming admission procedures and cancelling strict regulations related to application. Some institutions went on with reforms up to the complete abolition of entrance examinations.

**Higher-education admission procedure** is a standardised system for all institutions of higher education (see govt. decree no. 28/1995. (III.24.). The Ministry of Culture and Education (MCE) issues a detailed guide by the end of each year featuring the general terms of admission and a register of higher-education institutions, faculties and majors, along with the terms of each institution. (The guide issued for 1998 is a 540-page book.) For the academic year 1998/99 the following branches and majors have been announced by 119 public, 32 church and 6 foundation-owned institutions plus 6 foreign institutions operating in Hungary:

Form of education, branch	No. of majors announced
<b>Undergraduate and graduate studies:</b>	
regular	721
evening-school	38
correspondence-course	99
distance-learning	18
<b>Postgraduate studies:</b>	
regular	112
evening-school	48
correspondence-course	98
distance-learning	5
<b>Supplementary studies:</b>	
regular	27
evening-school	8
correspondence-course	46
<b>Professional further studies:</b>	
evening-school	3
correspondence-course	13
distance-learning	2

Each higher education institution is free to choose whether it holds an entrance examination or not and free to prescribe any other terms. Entrance exam results are expressed in scores. The institutions themselves make a proposal concerning the number of students admitted and the minimum score to be obtained, and this needs to be approved by the minister – on the basis of the expert opinion of the Higher Education and Scientific Council – considering that the total number of students financed by the annual budget is determined by the Parliament.

Applicants are free to define the number of institutions, branches and majors they apply for, they just have to indicate the order of priority. If the institutions picked prescribe an entrance examination, then exams of the same type can be sat for at a single time and location. On the basis of the scores of the entrance examinations, a central computer program evaluates the results and shows the institutions and majors each individual applicant won admission to.

In 1989 only 22,000, while from 1995 about 43,000 students signed up for the regular branch (day-courses) of higher education. The estimated number of those embarking on evening-school and

correspondence course studies within the framework of higher education was 11,000<sup>21</sup>. The ratio of first-grade university or college students in comparison with the 18-year-olds was 34%; the same ratio was 73% among students having obtained their high-school diploma in that year<sup>22</sup>. The demographic boom of the second half of the 70's reached the 18-year-old age group in 1994, when the number of 18-year-olds exceeded 191,000. The number of those obtaining a high-school diploma cumulated in 1995, i.e. 70,000 students at regular day-schools and 11,000 at evening-schools and correspondence courses; their ratio compared to the age-group was 47 %. The number of 18-year-olds will go under 125,000 within a few years. This implies that if we can – via the expansion of upper secondary education – sustain the number of those admitted to higher education, then the ratio of those entering higher education will be 40-50% compared to the 18-year-old age-group, thus we could reach or even exceed the same rates of the majority of the highly developed West-European countries.

From the transition's point of view the main question is whether the development of higher education is in line with the demands of the labour-market. The vertical structure of Hungarian higher education has not changed so far, as the preparations for a post-secondary (shorter-term) higher education have been started quite late. With the assistance of PHARE an effective preparatory work has been accomplished recently and the accreditation of 6 programs has already taken place, and the approval of 9 further programs is under way. The government decree regulating post-secondary education, however, was passed only in 1997 and the first 'official' courses can be launched in the academic year 1998/99, but such an announcement has not taken place as yet.

The big delay experienced in the introduction of the new institution-type of higher education is in first place in relation with the different interests affected by the insertion of such a new form of education into higher education. One or two-year vocational course has existed for a long time now within the framework of vocational secondary schools, after finishing the four grades of the upper secondary level. The World Bank programme reinforced this vocational training. These vocational secondary schools wish to be recognised as schools providing post-secondary higher education also because this title would pay them a significantly higher government subsidy. The Ministry of Labour supports this endeavour. The new government decree resolved this problem by letting vocational secondary schools operate accredited post-secondary higher education, but only in co-operation with a recognised higher education institute.

An even bigger problem is that several higher education institutions, mainly colleges, have been organising two-year fee-paying 'high-grade courses'<sup>23</sup> for years now. A part of these courses grants

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<sup>21</sup> In the first half of the nineties, the general international trend was that the increase in enrollment numbers slowed down. In this period the number of students was increasing in Hungary at a pace that was the quickest in Europe (Ladányi, 1996).

<sup>22</sup> The number of those admitted to the regular (day course) branch is a gross number. The statistical data of part-time education do not comprise the number of students freshly starting their studies and the number of those already holding a degree. That's why we simply supposed that university part-time students are all postgraduate students. In case of college students we supposed that they are all fresh higher education students. The age of the students is usually between 18 and 25 years. In line with international standards we have compared the total number of university and college students with the population of the starting age. This procedure gives rise to distortions, as the population of certain age groups and the age-composition of students varies from academic year to academic year.

<sup>23</sup> It might be interesting to note that in case of universities and colleges the introduction of a fee that was particularly insignificant initially (HUF 2000 a month, that is less than USD 10) gave rise to a remarkable political and social resistance. At the same time no one objected to the phenomenon of private enterprises involved in education and even state-owned higher-education institutions launching short-term and lower-quality courses not granting a recognised degree and charging 10 or 20 times the above mentioned sum.

practical quality-education to those not admitted to colleges or universities, and the completion of such courses with good results helps them enter recognised higher education. That's why such courses are very popular among young people and the great number of students participating brings a remarkable extra income to institutions and teachers involved. If these courses, however, were recognised as official post-secondary education integrated into higher education, colleges would only be able to charge the petty fee prescribed by state regulations and they would lose significant sources of extra-income without being compensated in any way, not to speak about their teachers losing their extra tuition fees. This strange situation explains why universities and particularly colleges in question are reluctant in this matter or even object fiercely to the introduction of an 'official' post-secondary education. This is reflected by the stand adopted by the Higher Education and Scientific Council as well, which disapproves of new courses putting competition on existing institutions.

Finally, the whole problem is greatly affected by the fact that while the speedy development of higher education took place with the old vertical structure untouched, the labour market features a significant latent demand of manpower having received shorter training, bearing practical knowledge and claiming a moderate salary<sup>24</sup>. Moreover, those regulating higher education fail to realise that an oversized training time leads to a waste of scarce financial resources.

An even more widespread problem is that the steep rise in the number of students involved in higher education left untouched the old professional composition that was in line with the economic structure and labour-market demand of the past decades. According to Table A/20., e.g. the number of students within the agricultural and pedagogical specialisation increased at a pace close to the average (while the demand for such professions has dropped radically), while the increase in the number of law students (where there is a significant shortage ) fell behind average<sup>25</sup>.

The differences between the level- and major-wise composition of higher education and the actual demand of the labour-market are well reflected by the long-term prognosis of labour supply and demand<sup>26</sup>. The prognosis comprised all levels of education, but the significant changes in the relation of economy and education support the importance of labour force holding a university or college degree, thus focusing on

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<sup>24</sup> According to a survey, the number of those attending post-secondary-type 'high-grade courses' is estimated about several tens of thousands, that is 20-25% of the students involved in recognised higher education. If this education was not recognised by the labour-market, students would obviously not pay market-determined high fees. (Setényi, 1996). The labour-demand prognosis explains the necessity of this kind of education from another point of view that we will come back to later.

<sup>25</sup> The data contained in Table 20., unlike official statistics, assessed actual occupational structure on the basis of the individual classification of the nearly 800 majors, and not according to the denomination of different institutions and faculties.

<sup>26</sup> The World Bank tender related to the elaboration of the Hungarian prognoses was won by US experts, where from the late 70's on, 15-20-year prognoses have been prepared in every 2-5 years featuring 400-600 occupation-groups within 250-400 branches. Knowing the requirements of the model-system used in the US, American experts estimate that Hungary needs 15 years of 'preparation time' before we could start applying the American method. (H.A. Goldstein: Report on the elaboration of a system forecasting long and middle-term employment. U.S. Bureau of Labour Statistics, World Bank, September 1992, Ministry of Labour document) That's why they suggested the use of simpler methods that Hungary already used in the indicative planning of the 60's. Within the framework of the World Bank Program, under the Steering Committee of Long-term Development of Human Resources co-presided by the under-secretaries of the Ministry of Culture and Education and the Ministry of Labour, extensive work was being carried out in 1995-96, in order to elaborate long-term labour-prognosis supporting the educational and employment policies of the government. A complete review of this work is given in a nearly 800-page document titled 'Labour demand and supply 1995-2010 I-II' (Munkaerő-kereslet... 1996).

higher education both today and in the future. As the main objective of public education is to make upper secondary education universal, consequently the development of this level of education will be no longer determined just by the demands of the labour-market but by demographic and social factors. However, it becomes more and more important to assess the demand for degree-holders correctly; this is relevant both for educational policies and the maintenance of labour-market balances. At present some 600 thousand degree-holders are employed, one-third of which will leave employment within 10-15 years. With the present figures of university and college admissions, however, more than 500,000 fresh graduates would enter the labour-market. Thus the qualification of higher-education graduates needs to be in line with the demand; this will play a vital role in labour-market balances. Table A/21 provides us with information on this<sup>27</sup>.

**Qualification and occupation/profession.** A well-known problem of labour-prognoses supporting educational decisions is that labour-supply can be put into numbers only on the basis of formal qualifications held, while demand can only be measured via occupations representing actual jobs. However, qualifications held and profession pursued coincide only in case of a minor part of labour force (e. g. in most of the developed countries it is legally prescribed that only medical university graduates can become doctors and a legal degree is needed to work as a judge, prosecutor or attorney, etc. ) The majority of the professions may be pursued holding various kinds of qualifications and vice versa: one type of qualification supports several occupations. (Table A/22. demonstrates the profession-qualification matrix of 'degree-holding-professions' in 1995 in Hungary, and Table A/23. compares Hungarian, French and Italian data concerning some of these professions.) Comparison between the two categories is made easier by the fact that the unified occupation-classification (FEOR or ISCO) used for labour statistics is already trying to take into consideration the classification system of qualifications (ISCED) as well. In order to solve the remaining problems we must accept that the harmonisation of supply and demand is not aimed at the creation of a 'perfect' accord between the demands and the major- and level-wise composition of work force. This would be impossible to achieve and it would be hazardous to society itself. People continuously make use of, develop and modify their qualifications/occupations throughout their lifetime. Moreover, mobility of employment can be an important drive of social and economic development, if this is motivated by the objective of finding a carrier supporting the further development of individual abilities and skills.

The comparison of the demands and the present higher education system first of all indicates the lack of post-secondary courses and an over-extensive college education (three grades). The capacities wasted in the over-developed college education could fill up post-secondary education completely and resources would still remain. This is a good reason why we should position the future role of secondary schools (lacking capacity today) within such post-secondary education that forms part of higher education. For this purpose the enrolment numbers of such secondary schools should be significantly increased. A harmonised development of college and post-secondary education in line with the demands would be able to remarkably boost the efficiency of higher education as well.

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<sup>27</sup> In the study related to this we have used the method of first deriving the requirements facing higher education from the prognoses of labour-demand and replacement demands, and then finding out what modifications are desirable in the present system of higher education in order to meet these needs. For this purpose, with the help of a technical prognosis-variant, taking the number of 1994/95 graduates as constant up to 2010, we expressed the emission of higher education in a figure and set it against the above mentioned demands.



According to the prognoses the whole of university education should be increased by 15-20%. While assessing virtual deficiencies and surpluses, however, we should consider that a surplus present in one major may not be easily converted into resources fulfilling another major, or such a conversion might be totally impossible.

In a major-wise study we can find an extraordinary educational surplus in agricultural higher education and in the college-level education of teachers. Surpluses in technical higher education and college education are much less significant. In order to meet the demands, present admission numbers in medical, legal and 'other' majors like human and similar professions should be increased by one-third; admission numbers in the economics, commerce and accounting group could rise by 50%.

It has been known for long that there is a large gap between the emission of higher education and the demand for labor<sup>28</sup>. Conclusions, however, are being drawn very slowly<sup>29</sup>. According to the most recent analyses and experiences, the conclusion can surely be drawn that the main strategic objective of Hungarian higher-education can not be to increase the number of students, but development should be defined as the harmonisation of educational structures with the labour-demand, along with the modernisation of contents and the improvement of quality and efficiency.

## **2.8. Changes in regulated contents (curriculum?) of public education**

While starting from the late eighties Hungarian public education was characterised by changes in its regulated structure, in the second half of the nineties regulation of its contents became paramount, which of course will also affect the changes of the school structure.

The National Basic Curriculum (NAT) passed by Parliament in the fall of 1995 formulates *common requirements* for all students up until and including the tenth grade, irrespective of what type of school an individual may be attending. This does not formally change the present school-structure of public education, but presumes, that applying NAT in itself will bring about the formation of the uniform ten-grade basic educational system<sup>30</sup>. At the same time, NAT leaves individual schools great liberty to adjust their local curriculum to the capabilities and learning potential of their students. Since the local curricula should be approved by the local authorities, who are also maintainers of the schools, it is imperative that these authorities should be qualified to do this, and their qualifications be kept up to date.

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<sup>28</sup> The former National Planning Bureau completed the elaboration of the fourth long-term labour-prognosis in 1984 for the period of 1980-1995, that emphasised the necessity of a structural modernisation of higher education even within the conditions then prevailing. The elaboration of the document titled 'Development of Hungarian Higher Education up to 2000', initiated by the Rectors' Conference was completed in 1992, that underlined professional disproportions of education as well. A more definite change is proposed by Révész András: Informative recommendation on the modification of domestic higher-education schooling,(Révész, 1995) and the report prepared upon the request of the above-mentioned Conference, titled 'The definition of admission priorities. Commission report (chairman: Károly Barakonyi) (Felvételi... 1996).

<sup>29</sup> This why the conclusion of the information on labour force forecast activities in the EU member states is very timely. According to this: Arises the question, whether the political sphere is capable to draw the conclusion from the prognoses and to put it in practice. Experiences are not always encouraging even in countries with good forecast infrastructure (Frank Stille, 1997).

<sup>30</sup> Increasing the obligatory educational upper age-limit to 18 years does not mean, that the general and obligatory basic education is extended to 12 years, since one can satisfy the requirements of the law by taking a 2-year course of vocational training having completed the 10-grade basic schooling.

The ten year uniform general education will be concluded by an examination of basic education. This is a perfectly new element in the contents regulation of Hungarian public education. According to the law, this is a state exam, which is administered in a uniform way nationally, according to requirements based on NAT. Students may take this examination after having completed the tenth grade, and schools must provide for the administration of the exam, although students are not compelled to take it. The certificate of basic education entitles to the participation in vocational training as well as in the filling of jobs and execution of trades to be defined by regulations of the authorities.

Working out the rules for the examination of basic education was accompanied by many debates. Those against the introduction of it argued, that it was not favourable, for the control of output to be established in educational institutions, where in the majority of schools no formal section limit has been set yet. Other critics say, that raising the compulsory educational upper age-limit will automatically lead to the 12 grade schooling.

As a result of putting into practice the strategy for development of public education, within five - ten years the majority of a generation will attain upper secondary school final examination. Their majority will most probably continue learning within the higher educational system, others will participate in such vocational training – not belonging to higher education –, where an upper secondary school final certificate is condition of admission also, or they will wish to start work without further learning. All this will necessarily lead to a new role, new contents and new function of the upper secondary school final examination. It will become a multi-function concluding act of upper secondary education which will simultaneously fill the role of regulating the contents of education, preparation for higher education, resp. that of a filter, founding of specialised training, and will at the same time function as a special "rite of introduction" of modern society. With masses participating in upper secondary education, the situation has already lead to a reform of the closing examination in other countries too.

On the request of the Ministry of Culture and Education, the concept of a reform of the upper secondary school final examination has already been worked out by a committee of experts in 1995. The concept included different proposals, but all were identical in one respect, they suggested, that those taking the exam should be able to choose with a greater degree of liberty from a greater variety of subjects, and that two exam levels should be introduced for the subjects, one regular, and one higher. There was a further important common element in the proposals, namely they suggested that basic vocational subjects, taught in the school, should also serve as examination subjects, and that written exams should possibly be standardised nation-wide.

A relatively great number of upper secondary schools reacted unfavourably to these suggestions. It appeared, that both public and expert opinion had difficulties with the interpretation of the two-level exams of individual subjects, namely to accept, that it did not necessarily mean a two level upper secondary final exam.

Although NAT is basically of integrative character, teachers in Hungarian public education still tend to be strongly centred around their own subjects, in spite of the fact, that scientific and technical progress as well as the newly developing division of labour demand ever increasing competences (reading, writing, application of counting, foreign languages, informatics) and capabilities (solving problems, communication, learning), not the lexical knowledge of school subjects, from young people starting to work.

In order to keep up the age-limit of 18 years for compulsory education, and to provide marketable knowledge for all young people, one should not reduce the level of education, rather one should make high-level general knowledge more attractive, with the assistance of introducing practical skills in

teaching and examining for those who are not motivated enough to learn theoretical subjects. Hungarian education needs modernisation of contents and methodology to move from the present subject-oriented view to a competence-centred one. The training of teachers has to change accordingly.

## **2.9. Young people in the education system and after**

The academic results of students entering the three main types of secondary education feature striking differences: the average grade of those entering high schools is better than of those entering vocational secondary schools, while the results of those admitted to vocational training schools are the worst. Big differences show up within the certain types of schools. Education is not able to eliminate the profound structural differences prevailing in the society, as schools themselves form part of and reflect their own social environment. (Bukodi 195) The social 'elite' benefits from such a differentiated system helping their children enter higher education relatively easily.

Inequality is demonstrated by data according to which the average grade of those entering elite high schools is usually '5', i.e. 'A', while the first-grade students of high-prestige vocational secondary schools have brought '4', i.e. grades 'B' and those entering vocational training schools usually had '3' i.e. 'C' as an average grade. (Table A/24.) The above data clearly demonstrate the difficulties to be overcome by upper secondary education, if this education wants to attract this significant stratum of young people into secondary schools in the next years.

Dropout rates of secondary schools are as diverse as the grades brought from the previous level: in the 80's this rate was about 12% in high schools, 16-18% in vocational secondary schools and 23% in vocational training schools. In the 90's dropout decreased significantly in high schools and particularly in vocational secondary schools (to 9 and 11%, respectively). The dropout rate of vocational training schools has scarcely improved and is still about 20% (Table A/25a-b). These ratios reflect the differences between the students' socio-familial environments and the different evaluation of schools, and they prove the existence of different paths of career opportunities.

The number and qualification-pattern of school-leaving students in each year is determined by the population of the given age groups, the structure of the education system along with the dropout-rates and continuation rates. This is shown by the following data:

**Table 2. Number and composition of school-leaving students<sup>31</sup>****1988-1996**

Qualification	1988	1989	1990	1991	1992	1993	1994	1995	1996
Higher education	10,5	11,3	10,6	10,1	9,9	9,3	11,0	13,8	15,8
High school	6,9	5,7	4,9	7,5	7,6	9,4	9,3	11,3	12,1
Vocational Sec. School	18,0	12,7	13,9	14,7	16,7	20,9	21,1	19,0	19,0
Skilled worker	36,9	35,4	33,9	33,1	36,5	33,3	33,6	33,5	33,3
Training school	2,5	2,8	2,8	2,9	3,2	5,1	6,4	7,2	5,7
8 grades	19,9	26,2	27,2	24,3	20,3	18,2	15,1	12,1	13,2
Less than 8grades	5,3	5,9	6,6	7,4	5,8	3,8	3,7	3,3	..
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Total, 1000	138,3	142,6	152,4	167,5	172,6	180,3	174,3	151,8	148,6
Low educ. 1000	34,9	45,8	51,5	53,1	45,0	39,7	32,8	23,4	11,5
Low educ. %	25,2	32,1	33,8	31,7	26,1	22,0	18,8	15,4	13,2

Source: Statistical Yearbook 1986-1995, KSH (1987-1996)

Holding reliable demographic information it was clear already in the second half of the 70's that the number of students entering schools would temporarily rise sharply in the 80's. This could have been a good opportunity for the expansion of upper secondary education, and could have served as a basis for an increase in the number of university and college students. The educational policy, at the end of the eighties however, drained the children of this demographic boom into vocational training schools and newly introduced 'special' training schools as this seemed to be an easier and cheaper solution. This was a rather short-sighted measure. Moreover, after the Hungarian 'transformation' and under the new circumstances, this policy of the past resulted in grave and long-lasting consequences, as the majority of the young population's surplus of the demographic boom left schools with low qualifications and unskilled, thus increasing the masses of unemployed.

The qualifications of young people entering the labour-market climbed back to the improvement only from the second half of the decade. In 1991 the proportion of those holding a higher education degree or a "technical" diploma was 13,3%, and the proportion of those having received low-level education was 31,7%. By 1996 proportions have turned, the ratio of those having received high-level education reached 27,6%, while of those with low-level education dropped to 13,2%. However, the consequences of the former policy are long-lasting and costly, and this clearly shows that educational policy has an important influence on labour-market balance and that it is extremely difficult and costly to heal deficiencies afterwards with the tools of employment policy.

<sup>31</sup> This system of statistics of course does not consider those having completed one level of education and continuing to study at the next one as "leaving school". The qualification/education of those leaving school is always the highest level completed. This explains e.g., why in spite of development of upper secondary education, and as a consequence of extensions of higher education, the share of those leaving school with an upper secondary level diploma or the qualification of upper secondary vocational training is low, resp. decreasing.



## CHAPTER 3: EMPLOYMENT AND YOUTH

### 3.1 The employment and unemployment of young people in international comparison

The introduction of the study emphasised that during the grave economic crisis following the transformation in Hungary, mainly for two-three years after 1990, the economic activity of the population declined significantly, to a level very low in international comparison. The employment of the youth kept on decreasing even after this period; for 15-19-year-olds the reason for this was the extension of education and for 20-24-year-olds, mainly for women, the main reasons were the limitations of labour-demand. The employment of 55-year-olds and above has been decreasing all through the way. The employment of men between 25 and 54 has slightly increased, while that of women declined, particularly for the age group 25-29. (Table A/26.) The employment rate of the population from 25 to 64 years is lower only in Spain among all countries of the EU and the OECD, than in Hungary.

The general trend is that the employment of certain age groups is greatly influenced by the level of education received; the higher the qualifications are, the higher the employment is and vice versa. The following table demonstrates this phenomenon beside some indicators of unemployment, in international comparison. (The interdependency between education level and economic activity of men and women in Hungary is shown by Figures A/2 and A/3)

**Table 3. Employment and unemployment in international comparison**

Indicator %	OECD average	European Union average	Hungary	
			%	rank
Employment of 25-64-year-olds (%)				
Qualif. lower than upper secondary level	57	55	32	16
Completed secondary education	74	73	69	13
College degree	82	82	78	7
University degree	85	85	82	10
25-64-year-olds, altogether	70	67	56	15
Unemployment of young people (%)				
15-19-year-olds	20,9	26,7	32,4	12
20-24-year-olds	15,9	19,3	16,1	9
25-29-year-olds	10,4	12,6	14,1	10

*Source:* *Education at a Glance Indicators*, OECD, 1997. p.251. 1995 data. Hungarian data are based on the 1996 microcensus. Ranking is as compared to the 15 member-states of the EU.

The employment of the population with an education lower than secondary level is 12-13%-points lower than average in EU and OECD countries, while 24%-points lower than average in Hungary. This does not only indicate that mass dismissals mainly affected those with low qualification, but also that even while later recruitment employers prefer to neglect such people. The employment of the population with secondary and high-level qualification has decreased at a significantly slower pace than average and thus is not much lower than the average EU-level. (The difference is a mere 3-4 percent-points.) This shows

that employers endeavour to keep their qualified manpower, i.e. by the mass dismissals accomplished they managed to speedily improve the composition of their human resources.

Dismissal and the recruitment following improved the age-composition of the employed population; the proportion of those under 30 increased. Their share is notably high in the catering industry (42%), in commerce and the commercialisation and reparation of vehicles and household consumer goods (36%), and in financing and financial services (33%). The proportion of young people within education, the energy sector and agriculture has fallen back much behind average. (Table A/26.)

Favourable changes have taken place in the age-structure of the occupational groups as well. In case of service occupations, the proportion of those under 30 has exceeded 40% by now. Their proportion improved also among those holding top posts, but worsened within those in occupations requiring higher-education qualification and self-reliance. (Table A/27.)

### 3.2 Education participation and labour-market status of young people of 15 to 24 years of age

The labour-force survey system introduced in 1992 lets us follow quarter-by-quarter the number of young people still in education and the labour-market status of those who have already completed their studies (Tables A28-33<sup>32</sup> of the enclosure provide detailed information about each year). The following table summarises the changes taken place between 1992 and 1997.

**Table 4. Schooling and labour-market status of young people from 15 to 24 years of age in 1992 and 1996, 1st quarter**

Age	In Education		Employed		Unemployed		Inactive		Total	Total, in 1000	
	1992	1997	1992	1997	1992	1997	1992	1997	%	1992	1997
15	96,9	97,5	0,5	0,0	0,4	0,1	2,2	2,4	100,0	178,5	138,1
16	90,6	95,1	2,7	0,1	2,0	0,4	4,7	4,4	100,0	189,9	143,8
17	72,5	92,4	6,1	0,6	4,4	1,7	7,0	5,3	100,0	181,7	154,6
18	61,2	78,4	23,5	8,6	8,1	4,0	7,2	9,0	100,0	151,2	162,0
19	56,4	56,5	39,4	20,7	10,9	7,2	13,3	15,6	100,0	146,9	170,9
15-19	75,8	83,1	16,3	6,3	4,9	2,9	6,6	7,7	100,0	848,2	769,4
20	25,6	37,6	46,3	33,0	12,7	8,5	15,4	20,9	100,0	142,2	178,1
21	18,0	29,4	57,1	41,6	9,1	8,0	15,8	21,3	100,0	143,6	189,4
22	11,8	19,1	60,9	50,6	11,6	9,9	15,7	20,4	100,0	144,1	181,2
23	11,3	22,2	62,2	55,8	10,4	6,6	16,1	25,4	100,0	144,5	150,8
24	2,1	2,9	66,2	63,8	9,3	6,6	22,4	26,7	100,0	138,4	146,4
20-24	15,4	22,0	57,1	47,9	10,7	8,3	16,8	21,9	100,0	712,8	845,9
15-24	34,1	36,7	43,3	38,7	8,0	5,8	14,6	18,8	100,0	1561,0	1615,3

Source: Calculations of Galasi-Nagy based on the labour surveys.

<sup>32</sup> In our study we have processed the data of all 23 quarters available. However, disclosing all results would be too lengthy for this report. That is why, considering the last quarter available, i.e. the first quarter of 1997, we disclose the first-quarter data for each year, that seems to be the most rational way as these data include those enrolled in the given academic year and also demonstrate better the labour-market status of those graduated in the previous academic year. The population numbers represent the data of the beginning of the quarter. The manpower-survey is based on statistical sampling, thus the accuracy limits of certain partial data may be well above average.

In the field of studying education and employment patterns, the importance of the analysis of age-group-wise participation-rates has greatly increased world-wide. The above data calls our attention to the fact that these indicators can only be used if demographic changes, particularly the change of birth-rate, are slow and more or less uniform. In case of such a big fluctuation in the population of certain age-groups that has been prevalent in Hungary and is about to come to an end now, the annual change of rates may easily mislead the analyser, if he does not consider that the perceived rates and their grave oscillation may be the mere consequences of fluctuations in the population of certain age-groups<sup>33</sup>.

Due to the extension of secondary and higher education in the last few years, the education participation rate of young people, mainly in the age group 17-21, became much better despite the fluctuations in the number of children. According to Table A/34., education rates of 15-24-year-olds in Hungary were quite close to the same indicators of 2-3 times more developed European OECD-countries already in 1995/96. By the end of the next five-year period our education rates are going to exceed the same indicators of most of the developed European market-economies, as by then the population of the age-groups will be steadily around 125,000 and four-grade upper secondary education will gain field to the detriment of 3-year vocational training, and present admission numbers of higher education will also be sustained. This highlights the importance of quality-improvement on each level and in each form of education; this is what educational policy should focus on in the first place. This greatly applies to kindergarten and elementary-school education as well, as these support the expansion of secondary education to the major part of young people.

It proves to be really justified to emphasise this if we observe the academic performance of students. This shows that academic performance in subjects of vital importance, like reading and mathematics, worsened significantly between 1991 and 1995<sup>34</sup>.

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<sup>33</sup> Between the years 1991-1996, the number of students involved in secondary education hardly grew, the education-participation-rate among 15-18-year-olds still rose steeply, as the population in this age-group has dropped by 20% in 1996 compared to 1992. On the contrary, in case of higher-education indicators we can observe that since the number of 19-22-year-olds went up by 20% between 1992 and 1996, education rates of these age-groups didn't rise significantly in spite of the fact that the enrollment number of higher education doubled.

<sup>34</sup> This is not changed by the fact, that at the same time results of Hungarian schools are quite favourable in the international comparison. According to the latest so-called TIMSS investigation conducted by IEA in 1994, Hungarians were placed 10<sup>th</sup> in mathematics and 5<sup>th</sup> in science within the eighth grade students of 25 ranked countries.



**Table 5. The change of academic performance in different periods**(the change in the percentage of students solving the given tasks successfully)<sup>35</sup>

Grade	Subject	1993-1995	1991-1995	1995-1997
4 <sup>th</sup>	Reading	-	-	+ 5,10
	Mathematics	-	-	- 5,93
8 <sup>th</sup>	Reading	-	- 11,98	+ 0,64
	Mathematics	-	- 3,24	+ 1,12
10 <sup>th</sup>	Reading	- 4,38	-	+ 1,43
	Mathematics	- 5,84	-	- 2,61
12 <sup>th</sup>	Reading	-	-	+ 4,71
	Mathematics	-	-	- 3,05

This phenomenon is also alarming because it is mainly originated from the differences between the performances of students of certain types of settlements. Performance has worsened in small towns and particularly in small villages, which fact calls our attention to the problems of schooling in the small settlements.

During the last few years the growth of education-participation rates has been the consequence of the fact that people expect to get a better job and earn more if they are educated. In the historical period of industrialisation, the education of young people and the development of industry and services were closely interrelated: education snatched more and more young people from households and work, and decreasing their economic activity. (Figures A/4 and A/5.) In case of 15-to-19-year-olds this trend remained even in the 90's. This is also shown by the fact that the expansion of the ratio of those attending school exceeded the aggregate ratio of those employed, unemployed and inactive. In case of young people above 20 years of age, however, the decline of employment was much bigger than the growth in the number of higher-education students. A large part of young people, mostly women and quite a lot of men, was forced to stay at home: between 1992 and 1997 the ratio of inactive men in the age-group 20 to 24 rose from 8.6% to 13.2%; the same ratio in case of women rose from 24.6 to 30.8%.

### 3.3. Unemployment and its measurement

According to Table 3, unemployment is much higher among young people, particularly 15-to-19-year-olds, than in any other age-group even in the most developed countries, but in Hungary this ratio is even higher: 32.4%. This gives rise to a great concern in every country. The related data of Table 4 (2.9%), however, seems to contradict the above observation. The cause of this contradiction is that two different methods are employed when measuring unemployment, otherwise both data are equally "accurate".

The accepted indicator of the measurement of unemployment, i.e. the rate of unemployment is a quotient, where the denominator is not the whole population, but only a part of it, i.e. those economically active

<sup>35</sup> The IEA and Monitor investigations, which are in accordance with international standards, are carried out by the Centre for Evaluation and for Upper Secondary School Final Examination, belonging to the National Institute of Public Education. (Monitor, 1997)

(employed plus unemployed). This implies that in case of age-groups where the majority of the population are “ab ovo” involved in education and extracted from the labour market, thus the number of economically active population (i.e. the denominator) is very small, even marginal number of unemployed may prove to be extremely high rate (32.4%), although the proportion of unemployed is insignificant as compared to the population of the age group (2.9%). When interpreting the conventional rate of unemployment, however, it is frequently forgotten that this indicator only shows the proportion of those among active population who do search for a job but can not find one; this is one dimension of labour-market analysis, but not the only one and not always the most important one.

A similar problem comes up concerning the unemployment of women, for example, that is usually thought to be higher than that of men, and this is frequently explained by the situation of women and discrimination against them. If, however, we compared the number of unemployed men and women to the size of male and female population, respectively, female unemployment would prove to be lower in numerous countries of the world.

Table A/35 gives a summary of the changes in conventionally measured unemployment rates between 1991 and 1997, by age- and sex. According to these data, the unemployment rate of 15-to-19-year-olds rose sharply between 1992 and 1997 for both sexes. Unemployment of 20-to-29-year-old men rose slightly, while that of men above 30 decreased. In case of women, unemployment of 20 to 24 and 30 to 39 year-olds slightly increased, while that of women above this age remained about the same. We have already drawn attention to the labour-market characteristic of post-socialist countries that a smaller or greater part of those leaving employment don't become unemployed but return to the households. This process is clearly seen if we look at the percentage of those unemployed and/or inactive in each age-group in the first quarter of 1992 and 1997.

**Table 6. The proportion of those unemployed and inactive in 1992 and 1997 (%)**

Sex, age-group	Unemployed		Inactive		Total	
	1992	1997	1992	1997	1992	1997
<b>Men</b>						
15-19	5,4	3,7	5,1	7,3	10,5	10,6
20-24	14,9	10,9	8,6	13,2	23,5	24,1
25-29	11,6	7,9	6,3	8,5	17,9	16,4
15-29	10,2	7,5	6,6	9,8	16,8	17,3
30-39	8,9	9,0	7,3	10,7	16,2	19,7
40-54	6,9	6,7	13,4	19,0	20,3	25,7
55-64	1,9	2,0	62,5	7,05	64,4	72,5
15-64	7,6	6,8	17,7	21,6	25,3	28,4
<b>Women</b>						
15-19	4,4	2,0	8,2	8,2	12,6	10,4
20-24	6,6	5,6	24,6	30,8	31,2	36,4
25-29	6,8	4,7	39,0	47,1	45,8	51,8
15-29	5,8	4,1	22,5	27,9	28,3	32,0
30-39	6,4	5,6	21,0	32,0	27,4	57,7
40-54	4,6	4,1	21,7	29,3	26,3	33,4
55-64	1,0	0,4	83,8	87,8	84,8	88,2
15-64	4,7	3,7	33,1	39,5	37,8	43,2

Source: The calculations of Galasi-Nagy based on the labour-surveys.

According to the conventional rate of unemployment the situation of 15-to-19-year-olds is the gravest and this is the one getting worse year-by-year. The situation of girls is somewhat better than that of boys. According to the above indicators reflecting reality much more accurately, the status of age-groups and sexes seems to be inverse. The labour-market status of 15-to-19-year-olds here is the most favourable by far (almost the same for both sexes and slightly improving in time). The status of 20-to-24-year-olds is significantly worse, and the situation of men has slightly worsened here in the last five years. The status of women in the same age-group was much worse in 1992 already, and it has grown remarkably worse by 1997. Unemployment and inactive rates were smaller among mostly skilled, 25-to-29-year-old men than in the previous age-group and it has slightly improved in the last few years. In 1992 itself nearly the half of 25-to-29-year-old women lacked regular income and this ratio reached 52% by 1997.

All this doesn't just prove that there haven't been enough jobs available for those leaving school, particularly women, during the last years, but also demonstrates the unfavourable and ever worsening status of young women, mainly those with babies and small children. This unfavourable situation was caused – beside limited employment opportunities – by the disintegration of the former system of child-care leaves<sup>36</sup> and by the fact that part-time employment is almost completely missing. This gravely affects families with children and hampers demographic development that is unfavourable anyway.

Naturally this doesn't imply that the high rate of unemployment among 15-to-19-year-olds (measured by the conventional indicator) does not show a real problem. Even if their number is relatively smaller, the majority of them belongs to the gypsy minority (being particularly underprivileged) or to the most backward strata of Hungarian population; and if we are not able to improve their status, these groups will become constant sources of chronic unemployment. The data, however, demonstrate quite clearly that much more efforts are needed to improve the status of 20-to-29-year-old young people extracted from the labour market in masses and to an ever increasing extent, particularly the status of young women having small children. Neglect of these groups is probably related to the fact that due to regular analyses accomplished concentrating merely on unemployment, the conventional indicator rather hides than discloses real problems.

Table A/36 shows the aggregate effects of the patterns of employment and unemployment. Table A/37 gives a summary of the change of economic activity by age and sex.

### **3.4. Labour-market flows**

The different ratios of those entering and exiting unemployment may give rise to an unemployment of the same volume but of a different nature. These rates (taken according to ILO/OECD standards) of labour-market flow differ by age and sex. The figure below shows the monthly rates of entries. (The corresponding figures (numbers) are contained in Table A/38.)

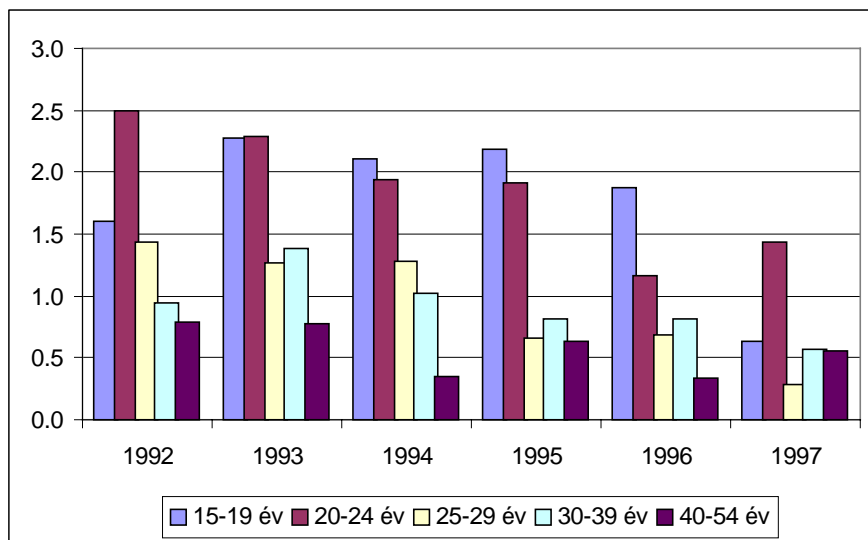
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<sup>36</sup> The system of child-care leave used to ensure the maintenance of the employment of women up to the child's age of three, along with a regular government benefit about the 50% of the formerly earned salary. This system was elaborated in 1962 within the framework of an indicative long-term planning accomplished by the National Planning Bureau, in order to bring in line the loads put on women by employment, household and child-care at the same time. The approved system was planned to be introduced in 1967, as that was when the employment of a great number of school-leaving young people ('products' of the first demographic boom of the 50's) had to be arranged. In the 90's when all social expenditures were curbed, the system was modified: the child-care benefit granted by the government through the child-care leave was further reduced and according to the new regulations this subsidy is granted only upon individual solicitation and only to those families where per capita income does not exceed the prescribed minimum.

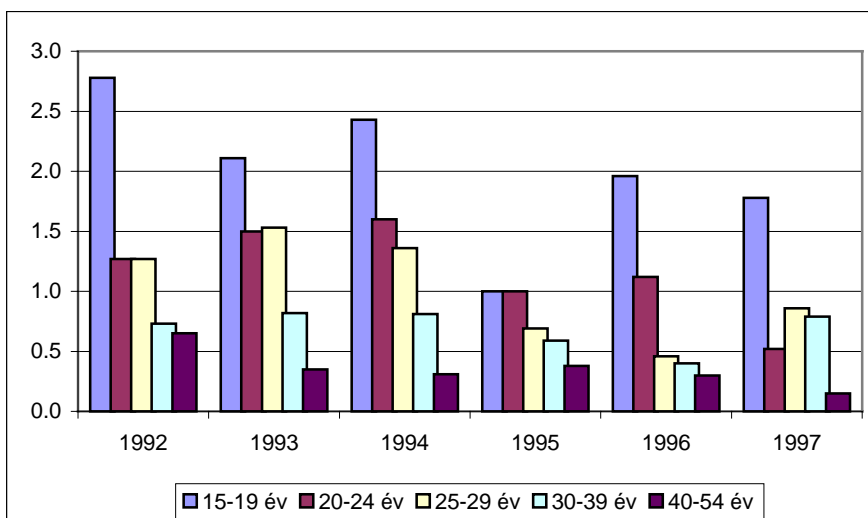


**Figure 3/a-b. The monthly number of men and women entering unemployment, in proportion to the economically active, according to age-groups (%) (data of the first quarter)**

**Men**



**Women**



Forrás: KSH Munkaerő-felmérés

According to the conventional indicator of unemployment – due to the reason described above – the entry-rate of 15-to-19-year-olds seems to be the highest. This indicator correctly shows, however, that the ratio of those entering the unemployed status is smaller among older people, as the majority of job-losers becomes inactive here.

Entry rates are not high in international comparison, but exit rates are much smaller. Thus the stock of unemployed Hungarians is changing very slowly, this giving rise to an increasingly long-term unemployment. The proportion of those who had been searching for a job for at least 7 months reached 56% by the end of 1992 already, and the percentage of those unemployed for at least 12 months was 27%.

In the last quarter of 1996, within a shrinking unemployed population, the ratio of the former group reached 70%, while the ratio of those unemployed for 12 months at least was 54% (A munkaerő... 1997).

On the basis of a multi-variant modelling of employment-likelihood of those entering unemployed subsidy, we have calculated the age-group-wise characteristics of 'unemployment-leavers' for four different periods<sup>37</sup>. In case of men above 25 it is obviously shown that the older one gets the less likely it becomes that he finds a job. Results are somewhat different for women. Those under 20 had a bigger likelihood of finding a job in all four periods than those between 21 and 25. The chance of leaving unemployed status is significantly smaller among 26-to-30-year-olds; and above 30 women's likelihood of finding a job increases at a slower pace than that of men. On the whole, outflow, i.e. the likelihood of finding a job, is negatively affected by the progress of age. This means that young people find a new job more easily than elders do

The study of the in- and outflows of the unemployed demonstrates after all that young people are more likely to lose their jobs than elders, but their unemployed status lasts for a much shorter period.

### **3.5. Relative wages of young people**

Wage is an important factor when leaving school and entering the labour market. The choice of the school itself is influenced by the expected wages – and thus the return rate of the investment put into education –, and later, when entering the labour market wages more or less determine the job searched for and then picked.

First of all we examined<sup>38</sup> the effect of age on clear incomes, with all effects excluded that come from the different labour-force composition of each age-group. The results are trivial: incomes rise with age. It is not so natural, however, that due to the changes of the labour market the relative net hourly wage of young people under 30 as compared to that of 40-to-54-year-olds has decreased: from 47% to 39% for 15-to-19-year-olds, from 68 to 58% for 20-to-24-year-olds and from 76 to 69% for 25-to-29-year-olds.

We would like to emphasise here only two more of the main characteristics of employed workforce: those holding a higher-education degree naturally earn a higher income than those having completed a mere elementary school. This advantage, however, rose from 21-30% in 1992/1993 to 42% by 1996. The income advantage of senior executives as compared to semi-skilled and skilled workers rose from the 50-64% value of the first two years to some 80-100% by 1995/1996.

Finally we have to mention some related results of a recently accomplished methodological pilot survey<sup>39</sup>, not because of their present significance but rather due to their future relevance. According to these

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<sup>37</sup> This analysis is based on the registering system of unemployed people, as this is the only way to follow individuals.

<sup>38</sup> We analysed the changes in wages with the help of the income functions prepared from the data collected by the Hungarian Household Panel 1992 and 1996. (Table A/40).

<sup>39</sup> In 1997 the Ministry of Culture and Education decided to elaborate a carrier-monitoring system to follow the carriers of young people leaving school. As the first step of this work, a methodological pilot-survey was accomplished at the end of 1997 surveying the labour-market status of September, 1997. of those graduated from regular (day-school) higher education in 1996. Four majors and 19 institutions were involved. The pilot study proved to be successful and the system is going to be introduced first in the whole of higher education), followed by public education later. The pilot study naturally provided limited information this time, as it was carried out with a small sample.

results, among all those graduated in the technical, agricultural, economic or pedagogical specialisation, economists are definitely on the top of the income-scale. Within the studied sample, the average income of degree-holding economists is 20% higher than that of -qualified engineers; economists are 62% ahead of teachers and earn 94% more than agricultural engineers with MS degree. Moreover, there are significant differences between institutions, if we look at the income of graduates of the same major and level: e.g. those graduated from the Budapest University of Economic Sciences generally earn some 40% more upon one year of graduation than economists from a university of an other town. These significant discrepancies clearly show the regional and professional differences prevailing on the labour market.

## CHAPTER 4: LEARNING AFTER LEAVING SCHOOL

### 4.1. Lifetime learning

Many people, after having left school – at some point of their career, at various years of age and in different ways – will restart or continue to learn. Statistical observation in Hungary of learning of those having left school, covers with regularity out of the many ways of continued learning only the basic data of adult education within the educational system, as well as the activity of regional labour development and training centres. There was a repeated experiment since the mid-nineties to make a survey of the so-called "training on the labour market". Information received up till now are partial only, due to the large share of those not responding. We only have fragmentary information on distance learning and especially on the job training of enterprises. Lifetime learning at present and its development is not subject of systematic research activity either<sup>40</sup>.

### 4.2. Education of adults in the educational system

Education of the adults started in Hungary in the late forties and for decades it played an important role in raising the educational level and that of qualification of the population, and those of employed. Initially its main target was to give those, not necessarily young people a chance, to make up for their lagging education, which was due to social, political or racial discrimination before world war II. This objective became less important by the sixties, but another function gained significance, namely to reduce the shortage of labour supply, still existing until the late eighties. One third of skilled labour trained in the seventies and eighties, one half of those obtaining an upper secondary leaving certificate or a higher level educational diploma, were those participating in adult education. (Table A/41.)

In these decades, however, an increasing number of youth entered these forms of education, who may have only graduated a few years ago from the previous level school. Reason for this was their non-admission into regular day-time education. This was due in upper secondary schools to the lack of vacancies, in higher education to the admission-limits. By the mid nineties, in adult classes of upper secondary schools, close to three quarters, in higher education one third of the students were below 22 years of age.

The decline of labour demand in the nineties, as well as the increasing admission to full-time education and led to the diminishing of importance of adult education mainly in upper secondary education. Also the number of students dropped to some extent in higher level evening and correspondence courses, and the function of these changed even more; the share of those graduating from lower colleges and then

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<sup>40</sup> Out of some of the known empirical investigations, listed in the List of Sources only one investigation handles the whole of market labour training. (Bajomi-Szabó-Tót: 1997). Further, analysis of continued learning is a separate task of the planned program for career-following investigation of those leaving school.



proceeding to universities, increases rapidly, as well as those studying for a second diploma, wishing to change their career, or to complete their education by additional specialisation.

Greatest problem of adult education has been for a long time the antiquated methods and low level of teaching. Great majority of the students have full-time jobs, there are many mothers with children among them, and the number of young people in leading positions is on the increase. Given these circumstances, with such heavy loads on the students both at work and in the family, it would be hard to be more successful by application of the old methods, even if these classes were attended by the most talented, and not the reverse of this would prevail. The solution of this problem requires a great deal of work from the educational institutions, also a change in financing of adult education and – especially in higher education – a combination of part-time education with part-time employment. There is still a lot to do in modernising education in traditional evening and correspondence classes, which carries even a larger importance, because the number of those studying in evening and correspondence classes is still considerable in higher education, compared with those participating in regular day-time education. According to table A/42., one fifth of those 20-24 years old and close to two-thirds of those 25-29 years old are enrolled in evening and correspondence classes.

#### **4.3. Distance learning**

The high degree of conservatism prevailing in adult teaching within the educational system, most probably attributable to the lack of competition, interest and control, explains why distance learning, a flexible, open, relatively cheap form of education, has not gained much ground in Hungary. The experimental programs of the early eighties were discontinued and have been started again only by the National Distance Learning Council which came into being in 1991. Since that time, ten distance learning centres have been set up with international support, which usually combine distance learning with other forms of education. According to estimates, there are about 7-10,000 students participating in the programs. This form of education is mostly limited to a few specialised subjects, like management, informatics, foreign languages, and the majority of it is undergraduate education, not giving any official qualification.

For the time being mainly the private sector and some universities show interest for distance learning. The Gödöllő University for Agriculture has undertaken an outstanding role in distance learning. No steps were taken however yet, to modernise institutional adult teaching, especially “correspondence courses” in higher education within the framework of distance learning.

Experiences in Hungary gained up until now, – in conformity with large organisations for distance learning – confirm, that distance learning is the adequate, efficient form of learning, especially for those with higher education, since these already have acquired those learning experiences, capabilities and have the motivation, which are essential to be successful in intensive individual learning.

#### **4.4. “Profit-oriented” education**

As a Hungarian technical term this form of education does not only comprise education organised by mainly profit-oriented enterprises as well as education within the companies, but also covers specialised education organised by the vocational training centres financed by the state budget, and also training, which is mainly provided by the former organisations for the unemployed, on behalf of the Employment Fund and financed by the same. This name for a heterogeneous conglomerate may be misleading to some,

it is however supported by the argument, that the two latter educational systems financed by the budget, resp. from annuities, wishes to comply directly with the market demands.

#### **4.4.1. Regional labour developing and training centres**

Within the framework of the World Bank Human Resources Development Program, a new regional network for adult education came into being by establishing nine training centres between 1991 and 1996. Full capacity of participants is 3400 at one given time. Since duration of the majority of courses is less than a year, the total number of those participating or having participated in the program is yearly around 30-35,000. Training having a seasonal fluctuating, there are months without a full load of the centres, and in some other periods they engage outside capacity.

The shares of unemployed financed by the Employment Fund, participants being trained and organised on behalf of the request and order of employers, and that of individual trainees varies very much from centre to centre, most probably due to the specifics of the regions and also depending on the leadership of the centres. In 1994 the share of unemployed among those enrolling was 67%, in 1996 only 30%; but 81% of their funding came even in 1996 from the Employment Fund. Table A/43 gives concise information on their activity. According to this, 23% of those having completed the course, left with a specialised skill listed in the National Training Register (OKJ), all others received a certificate of attendance.

The National Training Register (OKJ) is a system of classification according to the law of 1993 on vocational training, which lists 933 specialised groups, 9 by level of training 14 by main occupational groups. It defines for all groups the level of training, basic education, period of training, and the minister responsible for the vocation. Of the groups in the OKJ, there are 216, for which training is possible only within the educational system, 717 may be trained for also outside the system. Of the qualifications in the register, 47 can be obtained even without having completed general school, 412 are based on finishing 8 grades general school, 462 on upper secondary school, and the Register foresees for 12 the completion of higher education. Revision and completion by OKJ is permanent.

The establishment of training centres was accompanied by a long polemic. The main argument against them being, that in Hungary, where – as opposed to the advising countries – a network of more than on thousand schools for specialised training had already been operating, so it seemed more reasonable to allocate the funds available to development of the existing schools, instead of establishing a second, new, parallel, but overcentralised network. It was further argued, that funding the new regional centres was highly expensive. Nevertheless, no doubt, these new regional centres have introduced such new views and methods to the country, which serve as models for the old training network and start cutting into their conservatism.

#### **4.4.2. The “subsidised labour market training”**

The above concept covers the training, financed by the Labour Market Fund, which also takes care of financing the active employment policy targeted at reducing unemployment. Initiators of training are the regional labour centres and their local offices, the training on the other hand is organised and carried out mostly by the regional training centres, and to a small extent by various training enterprises.

At the beginning of 1998, altogether 31,500 persons, one third of them just starting their careers leaving school, participated in these courses. Of these, 18,000 unemployed gave his (her) own suggestion specifying the training, when applying for the subsidy. 11,000 unemployed accepted the training suggestion of the labour office and another 2,000 persons, still employed, asked for subsidy for training in order to avoid expected unemployment. The number of those receiving training during the full year was about 70,000<sup>41</sup>.

It is remarkable, that more than half of the participants is less than 25 years of age, 80% has at least an upper secondary level education, and more than 8% has a higher educational degree. Considering the composition of the unemployed by age and educational level, this means, that the chances of youth and those with higher educational level are about four times that of the unemployed with lower educational level and unskilled, resp. of one above 25 years, to get the costs of their further education paid for an also receive subsistence support during the period of training.

All this leads us to believe, that those with lower, than upper secondary education are not only at a disadvantage to hold jobs, but not even vocational training – a precondition to proceed on the route of employment – renders him (her) the necessary extra support. There is no doubt about it namely, that while the former group of the unemployed is in the possession of the required learning capability and motivation to make use of the advantages presented by the employment policy tools, the latter is characterised just by the lack of these qualities. This group of the unemployed is the core of long-term unemployment, which receives new supply year by year from today's school.

There is a lot to be undertaken to develop the activity of labour offices, in order to achieve real changes in this present situation. This organisation, founded only a few years ago, is efficient enough by now to register the unemployed, takes good care of supporting them according to the rules foreseen by law, and is capable to deal with actions for masses. Their potential, however, for the time being, – due to their given organisation and personnel – makes them less capable to deal with the individual unemployed, to prepare for them – adapted to their person – individual career plans, to give them the personal care and support they need to lead them out of their seemingly hopeless situation. Today's labour organisation can only offer them the possibility of "public-work" as a temporary solution.

Similar reasons explain – only in a different way – that today's network of labour offices are seldom visited by unemployed persons with higher educational degrees. The number of these is only around 14-15,000 but this will increase in the coming years. Solving their problems will only be possible by dealing with them individually and working out individual career plans for them, while the network at present can take care of their registration only.

#### ***4.4.3. The education market***

Up until the late eighties, education was a state monopoly. After the transformation of the socio-political system, a real explosion of various new educational organisations could be registered. On the basis of these experts' estimate, that only 5-600 organisations can be considered as engaged in serious training activity, who also mostly rule the education market. These were partly, formerly educational centres of ministries and other central organs as well as those of former big state-enterprises, and partly smaller

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<sup>41</sup> The cost of training and the grant for the participants totalled together close to six billion HUF, 18% of the total spent on active employment policy. (0.08% of the GDP.)

organisations with professors from educational and research institutes to get some complementary income<sup>42</sup>.

The total number of participants of specialised training courses, was about 92 thousand in 1996 and two thirds of these were trained for marketing, finances, administration and the catering industry. The number of those being trained for “blue collar” trades reached hardly 10 % of the total. At least one third of this training is organised on behalf of the Employment Fund, for the unemployed. Among training courses to satisfy real market demand, we find many short-term “intensive” language courses, as well as “manager” courses of various levels of quality and questionable curricula. In larger cities, one frequently encounters invitations to courses for trades “en vogue” (like: hostess, modelling, chiropody, florist, tourist guide, etc.), in most of which there are no vacancies.

All things considered, in addition to a relatively small number of high level training organisations, there are many riding the boom and also many “forced into entrepreneurship”. Looking at the whole picture, neither the already existing organisations of the entrepreneurs in this field, even less the still non-existent consumer protection can warrant for and control the quality this training. The Ministry of Labour has now taken the initial steps to introduce “market supervision”.

#### ***4.4.4. Training on the job***

It is generally accepted, that the job-site and especially training on the job has an outstanding role in developing human resources in this age. We do not possess however statistical information at all of this activity, and our sporadic knowledge on the subject is based only on some limited empirical investigations. These show, that the most general contribution of companies to training is – for the time being – limited to payment of the obligatory contribution into the Training Fund, which is then used – in the more favourable cases – to the training of skilled labour within the company.

Additionally to apprenticeship – and disregarding small companies with a few employees only – approximately half of the companies investigated do have some own training programme. A smaller part of the programmes is performed in-house with the assistance of their own personnel, while they engage some specialised enterprises for the other half. Alternatively, they may pay the training costs of employees. According to one of the investigations, they spend a relatively large amount to pay for the costs of training of medium level managers with higher than average educational level, to learn subjects as management, informatics and languages, further to develop their managerial talents (Mártonfi, 1996, Tót 1996). This tendency is confirmed by the other investigation, which also shows however, that if not the specific costs of their training, but the share of the semiskilled and mostly of the skilled workers is equally high. Finally, both surveys found, that large multinational companies pay far more attention to in-house training, than do the Hungarian owned ones, who are still fighting for their development.

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<sup>42</sup> The results of a more reliable survey, conducted end of March 1998, have not been published yet. It is however common knowledge that 1018 institutions have been found engaged in vocational training outside the education system.

## CHAPTER 5: EDUCATIONAL AND EMPLOYMENT POLICIES

### 5.1. Interdependency and contradictions

Transition from school to working life is a field where educational and employment policies are the most directly and closely interrelated. Those in charge of educational and employment policies in the government are the Ministry of Culture and Education (MCE) and the Ministry of Labour (ML), respectively. A brief description of their scopes of duties and their structures is included in appendices No. 1, 2. As responsibilities are shared in educational matters, this also requires co-operation between the two ministries. Education as a whole branch falls into the responsibility of the MCE, but the ML is responsible for skilled-worker training, vocational training in upper secondary schools and out of school training. The teaching of general subjects in the same schools, however, is supervised by the MCE. This shared responsibility is also indicated by the fact that the Public Education Act and the Higher Education Act were prepared by the MCE while the Vocational Training Act – and naturally the Employment Policy Act as well – was prepared by the ML.

Relations between these two administrations have been quite changeable<sup>43</sup> in the past, sometimes characterised by rivalry, sometimes by disputes concerning fields of competence<sup>44</sup>. Relations between the two ministries have significantly improved in the nineties<sup>45</sup>. This improvement is mainly based on a more clear division of responsibilities. However, the co-operation between the two ministries, just like the co-operation between the administrations of public and higher education within the MCE itself, are areas that need a great deal of improvement.

Co-operation between educational and employment policies along with the contribution of employees' and employers' organisations to the resolution of the problems emerging on the way from school to working

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<sup>43</sup> This is partly implied by the fact that while education has always had a separate ministry (under different denominations), labour affairs and vocational training were supervised by different ministries in different times. A separate ministry of labour came into existence by the late fifties only, which was then the exclusive supervisor of apprenticeship schools as well. This ministry was abolished in 1981 and was re-established only in 1990 with the fields of competence described in the appendix.

<sup>44</sup> This was particularly so in the first half of the sixties when the Ministry of Education wished to draw vocational training schools to its field of competence, which only happened place at the beginning of the 80's when the ML was abolished. Another change took place in 1990 when all primary and secondary-level schools were put under the direct supervision of local authorities and the supreme-authority responsibility of vocational training was given back to the re-established ML.

<sup>45</sup> In the last few years, the only tension between the two ministries was caused by post-secondary education. The dispute was generated by the concept of the ML contained in the words of the Vocational Training Act that puts the training after upper secondary education into the ML's field of competence. In the interpretation of some leader of the ML, this means the “post-secondary” education, that forms part of the tertiary education is a post-high-school vocational training, too.

life is directly focused on three main tasks: career guidance, harmonisation of secondary and high-level vocational training with the demand for labour, and helping those leaving school in finding a job.

## 5.2. Career guidance

In Hungary, where about 1100 secondary-level vocational training schools are operating at present<sup>46</sup>, when young people pick an upper secondary school to enter, this almost means the picking of a future career to a certain extent. A similar problem comes up in case of those having obtained a high-school certificate and deciding to enter higher education; nevertheless such students are usually able to take their own decision. These people have to choose from some 800 specialisation offered by nearly a hundred higher-education institutions, and this decision – at least through its intentions and opportunities – mostly implies future carrier decisions as well. The young people not proceeding with their studies or those who have already graduated, or at least a part of them, do need advice and help in searching for and finding a job. These form part of the scope of duty of the career-orientation and career guidance.

The establishment of the organisation supporting the career orientation of students and the employment of young people leaving school was started in the 60's in Hungary, under the supervision of the Ministry of Labour. By the 70's, a network of regional (county and capital) career-orientation institutes was set up employing some 400 experts instructed for these activities. Regional institutes established an extensive career guidance network in schools and maintained regular contacts with companies and administrative bodies. These institutes undertook counselling for students sent to them by the schools and also to the applying volunteers, and they also performed individual vocational-aptitude tests. This counselling activity was mainly focused on young people having completed general school and entering upper secondary education. As there was a shortage of labour in those times – except for volunteers applying for vocational aptitude tests – young people's job-finding did not require a separate organised support.

By the beginning of the eighties the supervision and organisation of career guidance was put under the supervision of the Ministry of Culture, that delegated the task of career guidance to the county pedagogic institutes<sup>47</sup>. The task of these pedagogic institutes was to support and supervise the education in schools. Career guidance that was artificially inserted into this activity without actually fitting there gradually melted away, the majority of the experts left and the remaining posts were taken over by pedagogic work; individual vocational suitability tests were abolished in most places. The present situation looks like this, although young people would have needed much more assistance in this respect during the last few years than ever before.

Independently from the above, many schools render assistance to young people in finding jobs, when entering the labour market, some of them employing agencies. The association of students of some higher educational institutions also provide organised assistance to job-seekers. It becomes increasingly popular to hold informal meetings with potential employers, or to organise “job-exchanges”. At the same time career guidance has started to revive in different ways recently. Regional labour offices give advice concerning job-finding as well, though to quite a limited extent and rather to unemployed young people

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<sup>46</sup> Among these 483 are vocational secondary schools, 204 are combined high schools and vocational secondary schools, 363 are vocational training (or apprenticeship) schools, 41 are “special” schools .

<sup>47</sup> The only exception was the Budapest Institute of Career Guidance, that is still in existence with a mostly untouched profile and is operating under the joint supervision of the labour and educational departments of the capital's local authorities.

only<sup>48</sup>. In the last few years new non-profit counselling organisations have been established. A professional association of these organisations has also been established which – as the Hungarian representative of the European Youth and Consulting Agency (ERYCA) – has far reaching objectives for the elaboration of a nation-wide network. At the same time the Ministry of Labour has also started to organise a new system, the “Network for Employment Information and Counselling” which have not been outlined in detail as yet. For the time being, however, the co-operation between the two ministries, the organisations already operating and different bodies protecting interests is still missing, that would be necessary for the reorganisation and elaboration of a career guidance system that is in line with the requirements of our age.

### **5.3. Harmonising the emission of education with the demand for labour**

The harmonisation of vocational training in schools with labour demand has become a global problem since the beginning of the fifties. One of the fundamental questions concerning educational development strategies has always been and still is the determination of the labour requirements that should be met by vocational training in schools. One of the answers to this question is the method that has been much debated but still applied up to now: human resource planning and - as an integrate part of this -long-term prognosis of labour-demand<sup>49</sup>. The other method that at the same time controls and revises prognoses as well is the constant monitoring and analysis of labour-market demand and supply, along with the monitoring of young school-leavers' job-finding patterns.

Chapter 2.5 described the results of Hungarian human resource planning in the years 1995 and 1996. Here we come back to some important learnings of organising this work. The work, which was performed upon the request of the World Bank, was organised by the ML in 1995 by establishing the 'Long-term Development of Human Resources Committee', co-presided by the under-secretaries of the ML and the MCE; the members being scholars and top representatives of the ministries. As none of the two ministries had a strategic analysing and planning organisation<sup>50</sup> an outside experts' team was entrusted to work out the prognosis, with the supposition that later on ML and MCE personnel will gradually start joining the work and in the meantime they will be able to set up their own strategic planning organisation that will take over the work upon completion of the first phase. This concept could not be put into practice,

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<sup>48</sup> This is shown by the special survey performed along with the labour-survey for the first quarter of 1996, according to which a mere 1% (!) of students under 20 visited any one of the nearly 200 job-centres to seek advice, and this ratio was only 4% even among those above 20. Only 2% of employed young people and 4,7% of the inactive took part in programs organised by job-centres, like orientation, job fairs, visits to workplaces and the 'FITT' and 'Choices' programs). Report to the government about the labour-market status of the young population. 1997. (Document)

<sup>49</sup> According to a present EU survey, 12 of the 15 member-states prepare labour-prognoses for at least 10 years ahead. (Forecasting... 1997) An international overview of human resource planning is given by Bertrand, 1992. A description of the Hungarian situation, particularly educational policy between 1948 and 1988, is given by Timár, 1990.

<sup>50</sup> Mainly because of the practices of the last decades, most fields of today's Hungarian administration lack regular strategic analysing and planning work. Within the system of directive planned economy, ministries were mere operative directing and supervising organisations, the elaboration and definition of strategies was the privilege of communist-party executives and planning centres. Ministries, including MCE and ML had no organisations or experts for strategic planning. This is even more so today, as due to the low salaries offered by administrative posts, the majority of experts with adequate knowledge and experience for strategic planning have been attracted by the private sector offering severalfold salaries during the last few years.

however, due to the lack of experts and the overload caused by operative tasks<sup>51</sup>. The elaboration of educational and employment policies, however, requires continuous strategic analysis and planning, and an information-basis serving all these, that is missing at present.

The present task is to draw conclusions from the prognosis already prepared and approved. The most important conclusions were outlined in chapter 2.5. The main problem of the implementation is that most of these tasks require political decisions<sup>52</sup>.

The above factors also explain the phenomenon that education as a whole in Hungary never had and still does not have a complex and coherent strategic plan. Such a work was embarked on in 1994 exclusively for public education, and the quoted strategic plan was completed by 1996. This was followed by initiatives taken for the elaboration of a strategy comprising the whole of education, but this work was discontinued within a short time. The strategic plan concerning public education is under implementation at present; the development of vocational education is determined by ML experts in case of vocational training, while in higher education some measures have been successful endeavouring more efficient enforcement of governmental responsibility<sup>53</sup>.

On the other side of the labour market, the ML basically acts as the organ responsible for the government's employment policy. Its operation has been greatly determined by the circumstance that it had to tackle mass unemployment generated with an incredible speed; a new system of institutions and a national administration had to be established for the handling of this problem. The ML solved this task successfully, but it consumed nearly all its capacities and attention. Thus the elaboration and operationalisation of an information-system necessary for the national and regional monitoring and analysis of labour-market demand and supply along with an analysing apparatus supporting a complex employment-policy strategy is still to be accomplished by the ministry. That's why the ML is not yet able to act as a 'supervisor of the labour-market' and sufficiently enforce the meeting of requirements by the vocational-training-type education and the related administrative organisations.

In the most recent times a significant progress took place in the organisation of the following-type career-study of school-leaving young people, that is in the elaboration of a statistical monitoring and analysing system used for the methodological study of the 'transition'. Upon the commission of the MCE, a pilot study was performed for the monitoring system at the end of 1997 (Young degree-holding graduates... 1998.), and the implementation of the three-year development program is going to start this year, first by the nation-wide survey among those graduated from the regular (day-school) branch of higher education, followed by other fields of education.

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<sup>51</sup> This explains the fact that the educational planning model (Summary..., 1996) - worked out within the framework of prognostic work upon the request of the two ministries - was implemented only when preparing the prognosis, though this model could be very well used for the modernisation of the operative work of both ministries, since it is up-to-date in international comparison, is filled with data and fully operable.

<sup>52</sup> These well-known difficulties are referred to by the closing conclusion of the brochure concerning the labour-force prognostic activities of the European Union member-states: 'The question remains whether actors in the political sphere are able to draw the necessary conclusions from labour market prognoses and to implement them in practice. The experiences in this regard even in countries with a good forecasting infrastructure are not always encouraging' (Frank, 1997)

<sup>53</sup> Independently of the MCE the counselling bodies of higher education are engaged in working out a new development program.



#### **5.4. Assistance to freshly graduated young people in finding a job**

Following the appearance of unemployment, the ML took steps to improve the status of freshly graduated young people, and in 1991 a benefit-system was introduced for such people holding secondary or higher-level certificates. Based on this, unemployed benefit was a civic right if job-centres were unable to offer a job or any active asset upon 3 months of registration.

This form of benefits has been criticised right from the start; as it was supposed that in case of a low wage-offer, young people are not interested in finding a job and they do not make any efforts, as they are granted the benefit anyway. That's why this system was abolished in 1996 and was substituted by the so-called Fresh Graduates' Job-finding Program (FJP). At the same time the circle of those entitled to receive a benefit was extended to include those with an education lower than upper secondary level as well.

FJP assists freshly graduated young people through services and active assets. So called Impulse Classes are available for the career-planning of fresh graduates, career orientation programs are available for those not holding a trade, career-correction programs for those with a non-competitive occupation on the market or for those wishing to change their occupation, and career-reinforcement programs for those having a trade/profession competitive on the market. Active assets embody assistance in the obtention of work experience and a support to help fresh graduates enter the labour market. Any employer who employs a fresh graduate for a minimum of 4 hours a day, thus providing him or her work experience, is given financial support by returning to him a part (50-100%) of the wage paid to the employee for a maximum of one year. This employment benefit is given to those employers only who employ the young worker within the framework of a vocational practice and at least for a year in 6 hours a day, and in a post that well suits his or her qualifications. The fresh graduates may naturally also benefit from other active employment benefits (repayment of travelling expenses, wage subsidies, repayment of training-costs.)

We have already pointed out in chapter 4.3.2. that the vast majority of those presently taking part in supported vocational training, have at least upper secondary-level certificates. Both this fact and the pilot study related to the monitoring of degree-holding fresh graduates brings up the following question: to which extent is this costly labour-market training the consequence of the outdated structure of vocational training that is quite costly itself?

#### **5.5. The contribution of social partners**

From all these and on the basis of the appendices describing the structure of the two ministries we can state that a great number of organisations has come into existence since the economic and political transformation having taken place in Hungary, in which organisations the interested social partners have acquired an important role in making the most favourable possible the transition of young people into the world of work<sup>54</sup>. The activity of these organisations focuses on operative problems.

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<sup>54</sup> The most important organisations and bodies operating beside the two ministries are as follows: National Council of Public Education, Higher Education and Scientific Council, Hungarian Accrediting Council, National Conference of Students' Bodies, Higher Education Council for the Co-ordination of Interests, and the National Council for the Co-ordination of Interests along with its committees, Labour-Market Fund Managing Board, National Council of Vocational Training.

The work of those organisations, which comprise employees and employers as main social partners, is determined by the fact that after the economic and political transition in Hungary a great number of organisations came into existence both on the employees' and on the employers' side, which organisations are isolated and vying to a certain extent, and whose fields of competence and hierarchical status is not always clear. The function of protecting own interests and the social legitimacy of trade unions have significantly declined since the transformation in Hungary, while new economic chambers and employers' bodies representing their interests are not strong enough as yet, and are not always able to exercise their rights efficiently. That's why the role of such social partners is rather limited for the time being. In those organisations, however, where the interests of social partners coincide, and their power to enforce such interests is significant, the ministries are the ones handicapped.

In the majority of the organisations, problems concerning the transition of youth from school to working life come up only marginally. This is partly because the majority of the participants of such bodies are not even familiar with this strategic problem that mostly has long-term effects.

The participation of social partners along with the social assistance and control provided by them is much more efficient and favourable within regional and local bodies, where – instead of 'principled', 'conceptional' and 'national' problems – clear, obvious and well defined tasks come up that are practical and well-known by all participants. At the institutional, local and regional levels, co-operation with social partners and harmonisation of interests operates in various different ways. These provide social publicity for professional disputes and promote the taking of more balanced decisions that consider several different interests.

## CHAPTER 6: CONCLUSIONS AND PROPOSALS

Our conclusions and proposals derived from the situation-analysis related to the transition from school to work concerns both Educational and employment policies along with the co-operation between these two. The proposals are based on those included in the previous chapters, thus no reasons and explanations are given here. The list begins with conclusions and proposals related to education, as the employment policy for young people, particularly the active assets improving the situation of the young unemployed, should mostly correct those deficiencies and errors that are – at least partly – produced by education and vocational training.

- In developing the pedagogical work of general schools, more attention should be paid to the acquisition of capabilities ensuring a job and being successful in filling it. On the basis of the improvement of education in general schools, particularly the measures concerning the support of small villages and children lagging behind in their studies and those with an unfavourable socio-familiar background, it should be examined how we can raise the quality of general-school education more effectively by boosting special benefits (positive discrimination), and how we can cut down drop-out rates and the ratio of children completing these studies only formally.
- Considering the fact that the strategic objective concerning the extension of upper secondary education is justified and timely, it should be examined how we could accelerate this process by admitting all applying students into secondary education and by speeding up the reconstruction of secondary-level vocational training, firstly by starting vocational training only after completing the ten-grade general education, and secondly in a way that gives a bigger role to the vocational training of those young people who do not enter secondary schools or drop out from there, and to the training of those not taking part in higher education.
- With a more active participation of employers' organisations and enterprises, an operative program should be worked out for the quicker reconstruction of the occupational structure (specialisation) of apprenticeship schools, paying special attention to the further training and employment of redundant teachers along with providing assistance to local authorities for the establishment of technical and personnel-related facilities that are needed for the modification of vocational profile.
- Due to the decline in the number of young people and the difficulties of extending secondary education, and by considering the demand for degree-holding graduates, we can state that within the foreseeable future it is not justified to increase the present enrolment numbers in the first grade of higher education (except for postgraduate and supplementary studies). Beside the maintenance of the total number of admissions achieved, the main strategic objective of higher-education development should be the improvement of quality and the implementation of the tasks listed under the following two points, which would bring the modernisation of the vertical and horizontal structure.
- If we want to satisfy labour-demand in a both socially and economically effective way, this requires the speedy development of post-secondary courses fundamentally making use of the present capacities of college level. College capacity can be reduced and thus saved first of all in the education of teachers

and in agricultural professions, and – to a smaller extent – in technical education as well. College admission numbers should be increased for legal, administrative, medical and economic-commercial professions.

- The need to harmonise the demand for higher-education graduates with the education itself justifies a slight increase in present university-admission numbers, namely the raising of enrolment numbers for the formation of teachers along with majors related to economics, commerce, medicine and human studies. Admission numbers, however, should be cut down in two major fields: at a slower pace in the 'technical' group, while at a quicker pace for agricultural professions.
- Admission policies of government-financed or subsidised higher-education institutions should be influenced by rational methods, in a way that enables the educational administration to fully fulfil its responsibilities in this field. If we wish to meet the requirements generated by existing and expected demands, an established strategy should be worked out including all reforms related to personnel, facilities and institutions that are needed for the structural change of education.
- The introduction of the monitoring of young people leaving the education system along with its gradual extension to all levels and types of education is an important and progressive step. The regular disclosure of the results of such studies within the circle of school- and career-pickers, educational institutions and employers can effectively promote the harmonisation of professional training with the actual manpower-demand. This may be of assistance in continued learning and choosing a career when seeking a job, as well as in improving the flexibility of adaptation of vocational training to the existing demand.
- The statistical and information-system of education should be extended and modernised in a way that takes into consideration the requirements of the strategic plan for public education, the structural modernisation of secondary- and higher education and the needs of employment policies at the same time. For this purpose we should examine what information-related requirements should be met if we want to set up and use the planning (operational) model of education in order to modernise educational and employment policies and control.
- These proposals concern the whole of education and vocational training: both the institutions under the supervision of the MCE or ML or any other supreme authority, and both those supervised by the local authorities. The problems derived from the questions of organisational division of labour can be successfully solved by the elaboration of a detailed strategic plan comprising the whole of education, along with a regular and comprehensive analysis of the implementation. The research bases for the observation and the analysis should be established or reinforced with this in mind, particularly in the fields of higher education and out-of-school vocational training.
- Raising the economic activity and the employment of the population should be defined as a high-priority and shared objective for both educational, employment and economic policies. This is a particularly important task in case of the age groups of young school-leavers. From this point of view, it would need a separate study to find out how we could support the employment of women under 30 with small children.
- Both because of the above mentioned facts and both in order to notably raise the quality of part-time education, an operative program should be worked out to encourage the speedy extension of part-time employment.

- The reorganisation, revival and spread of career-guidance services are urgent tasks belonging to the joint responsibility of educational and employment policies; all these should be implemented with the active participation of all those interested. When reorganising career guidance, it is advisory to modernise the work of the existing network of job-centres at the same time.
- The modernisation of the vocational training of young school-leavers requires the active participation of the employment policy as well. In order to accomplish the structural modernisation and maintenance of the vocational-training system, regular information should be given to young people, their parents and employers about the demand and supply of the labour market, along with the expected manpower-demand.
- The structure and the activities of regional and local job-centres and offices should be developed in line with the above objectives by developing its agent's as well as its counselling and information services. According to those stipulated by the Employment Act, the patterns of labour-market demand and supply should be regularly analysed in a comprehensive way, along with expected disturbances of balance by sex- and age- and particularly by occupations.
- In accordance with the above factors the work performed by the nation-wide network of job-centres should be further developed in a way that allows the personnel to care for job-searchers – particularly young people – personally and individually if needed. Either by the internal reconstruction or through the participation of organisations protecting interests along with non-profit organisations, special departments should be established to deal with experts having graduated from higher education and help them find a job.
- A program should be worked out to develop the systems of lifelong learning and education. Within the framework of this, special attention should be paid to the modernisation of traditional evening-school and correspondence-course education, along with the need of a significant improvement in on-the-job-training.
- It should be thought about how we could intensify the participation of social partners (the ones interested in young people's vocational training and job-finding) in the assessment and solution of problems both at national and regional (local) levels. Within the framework of this it should be separately studied how we could tighten the relations between educational institutions and enterprises and other organisations ready to employ fresh graduates.

Budapest, May 1998.

## **ANNEX 1: ADMINISTRATION OF PUBLIC EDUCATION AND VOCATIONAL TRAINING**

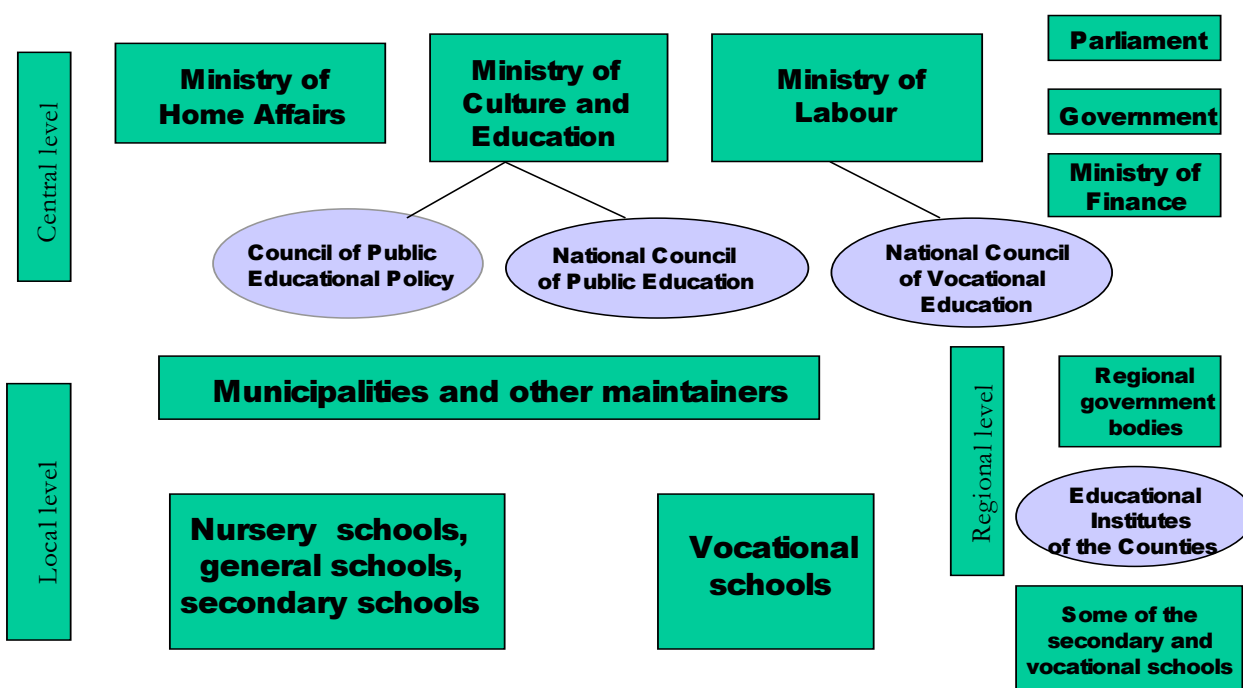
The administration of Hungarian public education is highly decentralised (see Figure on the next page). It is characterised by a system of shared responsibilities, by an educational administration integrated into public administration, and by the strong autonomy of municipalities and schools.

The Ministry of Culture and Education is generally responsible for public education as a whole, but shares this responsibility with other ministries. The Ministry of Home Affairs is responsible for transferring the state support to the municipalities. The Ministry of Labour is responsible for vocational education and training. The affairs of culture, Churches and youth are under the authority of the Ministry of Culture and Education. The minister cannot issue orders for municipalities or schools. His or her task includes the legal regulation and development of certain fields. The work of the ministries responsible for education is assisted by some consultative bodies. The National Council of Vocational Education is a tripartite forum working with the Ministry of Labour. The Council of Public Educational Policy helps reconcile the interests of organisations, the maintainers of schools and the organisations of experts and parents. The National Council of Public Education plays a role in the development of the content of education.

Municipalities have a substantial role in the administration of public education. In 1998, there are more than three thousand municipalities in Hungary about three-quarters of them maintain some sort of an educational institution. Municipalities make decisions about the establishment, closure, reorganisation and profiles of educational institutions. They determine their budgets, supervise them, they are the employers of the headmasters, and approve fundamental documents such as the local curriculum or the educational program, as well as evaluate the efficiency of the operation of the institutions. The most vital problem is that small municipalities often lack the competence in managing educational affairs, and have not got any unit or official specialised in education. Co-ordination and administration on the regional level are not solved.

Since the middle of the 1980s schools enjoy autonomy. The principal of the school is the employer of the staff. Schools are empowered by the Education Act to relaborate their own educational programs (including the school level curriculum prepared by the thatching staff or selected form among existing curricula). The programs are to be approved by the maintainer. Most of the institutions manage themselves independently on the basis of the budget plan approved by the maintainer. They can have their own sources of income. This independence is relative since is limited by the uncertain financial position of the maintainers. In the past few years the role of the headmasters has changed: now the principal are responsible for the financial management of schools, and need to tolerate conflicts, run risks, deal with the human resources, and run the school efficiently.

## Administration of public education



## ANNEX 2: ADMINISTRATION OF HIGHER EDUCATION

Since 1 September 1993 all state higher education (with the exemption of police and military institutions) has been supervised from the legal point of view by the Minister of Culture and Education. The Minister exercises general functions over the non-state, the police and the military higher education, too. Within its authority for supervising compliance, the Minister of Culture and Education examines from time to time whether the organisation, operation, decision making procedure and decisions of the higher education institutions and of its organisations comply with the legal regulations in force. The Minister's powers do not extend to decisions on the basis of which court or state administrative procedures are called for in accordance with separate legal regulations. Besides its governmental tasks the most important powers include:

- within the framework of supervision and compliance, the *ius cassationis*,
- the ability to suspend the right of the higher education institution to hold final examinations and to issue degrees,
- controlling the compliance of the use of state funds with the law,
- licensing the launching of specialisation in university and college graduate training,
- licensing the operation of foreign higher education institutions in Hungary,
- deciding on the number of students financed by the state.

**The Hungarian Accreditation Committee**

The Hungarian Accreditation Committee was set up by the Government to monitor continuously the standard of training and scientific activity in higher education, to perform ratings and to support quality assurance. It does so regularly, but at least once every eight years or upon the request of the Minister of Culture and Education, the Higher Education and Research Council or the higher education institution itself. The most important powers include:

- expressing opinion concerning the establishment or recognition of a university or college (Hungarian or foreign), and the establishment or abolition of a separate field of studies,
- approving the doctoral programs of universities,
- expressing opinion concerning the requirements for qualifications,
- expressing opinion concerning the regulation of the use of the credit system,
- expressing opinion concerning international agreements on the recognition and equivalency of higher education degrees.

### **The Higher Education and Research Council**

The Higher Education and Research Council is the most important organ of higher education development issues. It acts as an advisory body to the Ministry of Culture and Education through advice, preparing decisions and stating opinions related to higher education and scientific research. The preparing of decisions by the subcommittees of the Council focuses primarily on putting forward recommendations on the financing of the development of higher education, its institutions, training and scientific research (e.g. subcommittees on Educational and Research Strategy, on Financing). The Secretariat of the Council coordinates the activities of the Office of the National Credit Council, and that of the Basic Higher Education Developmental Programs.

The most important powers include:

- enforcing quality criteria,
- articulating and co-ordinating the interests of the academic, the governmental and the economic sectors.

### **Bodies of the Higher Education Institutions**

The Hungarian Rectors' Conference, the Conference of College Director Generals and the Rectors' Board of Hungarian Art Academies as important bodies of Hungarian higher education institutions play defining role in initiating and implementing reforms in higher education.



## ANNEX 3: LABOUR MARKET INSTITUTIONS

### 1. The Ministry of Labour and its Institutions

**1.1.** The Ministry of Labour (*Munkaügyi Minisztérium*) (established in 1990) is the principal department of state responsible for the labour market. Its functions cover employment policy and services, wage policy and national level wage negotiations, vocational education and training, labour and labour safety inspection, as well as labour relations policy and labour legislation. The institutions functioning under the control of ministry include:

- the National Methodological Labour Market Centre (*Országos Munkaügyi Módszertani Központ*) and the county and local labour market network;
- the Regional Re-training Centres;
- the National Labour and Labour Safety Inspectorate, OMMF (*Országos Munkabiztonsági és Munkaügyi Főfelügyelőség*) and its county network;
- the Secretariat of the tripartite Council for the Reconciliation of Interests, NCRI (*Érdekegyeztető Tanács*);
- the Labour Mediation and Arbitration Services (*Munkaügyi Közvetítő és Döntőbírói Szolgálat*) (currently being established).

The Ministry of Labour is also engaged in the collation of labour statistics (such as unemployment statistics) and in labour research. When unemployment appeared as a possible danger on the horizon, the Government started, at the end of the 1980s, to broaden the role and function of labour market institutions.

**1.2.** The network of labour services – directed by the Ministry of Labour – is ruled by the National Methodological Labour market Centre; has a Budapest Labour Market Centre and 19 County Labour Market Centres and almost 200 local labour market offices; the whole network employs about 4500 people. Its functions include the implementation of employment policies, it takes care of both passive labour market instruments (unemployment benefits) and active labour market programmes. The financial means for these activities are provided by the Labour Market Fund (*Munkaerőpiaci Alap*) – the successor in 1996 to the Employment Fund (*Foglalkoztatási Alap*) and the Solidarity Fund (*Szolidaritási Alap*). The legal foundation for the labour market service is the Employment Promotion Act, 1991 (*Foglalkoztatási Törvény*) (see paragraph 6.18).

**1.3.** A network of nine Regional Re-training Centres – also under the supervision of the Ministry of Labour – has been established under the framework of the World Bank's Human Resources Development Programme to function as a flexible means of promoting the re-employment of unemployed persons.

**1.4.** The tripartite National Reconciliation Council (NRC), and its two subcommittees, as well as the regional tripartite bodies (Labour Councils/*Munkaügyi Tanács*), also have a role in running the above labour market institutions. In 1996, a tripartite Labour Market Council (*Munkaerőpiaci Tanács*) was created to control the functioning of the new Labour Market Fund.

**1.5.** The National Labour and Labour Safety Inspectorate's original function was to implement labour safety regulations, but this traditional task has been recently complemented by its role in the enforcement of minimum labour standards established by legislation (such as the guaranteed minimum wage, working hours, overtime work etc.) and its control of clandestine employment.

## **2. National Level Tripartism**

**2.1.** The institution of national level tripartism – the National Reconciliation Council (NCR) – was established in 1988. It has a longer tradition and more influence compared to similar institutions created in other central and eastern European countries after the political transformation of 1989/90. In its first period (1988-90) the NCR's functions were limited to wage determination. Its most important function at this time was to set the national guaranteed minimum wage but it also adopted recommendations for average (maximum and minimum) wage growth in the competitive sphere of the national economy. The recommendations thereby gave direction to enterprise and sectoral level wage negotiations in collective bargaining.

**2.2.** In 1990, the NCR's authority was extended to being a consultative body concerning a wide range of economic and social policy formulation and legislation. As prescribed by the labour Code (1992), (*Munkatörvénykönyv*, MT) the Government is obliged to consult the national representative organisations of employees and employers about issues of national importance regarding labour relations and the employment relationship. Thus, the law obliges the government to enter consultations within the NCR, but it does not regulate the institution or the process whereby interests may be reconciled within the NCR. The NCR's organisational structure consists of a set of specialised subcommittees and an administrative secretariat.

**2.3.** An NCR subcommittee, the Labour Market Committee (*Munkaerőpiaci Bizottság*) had, until recently, the right – as empowered by the Employment Promotion Act – to decide:

- the utilisation of the residual part of the Solidarity Fund (after unemployment benefits were paid out);
- the direction of the utilisation of the Employment Fund;
- the establishment of foundations to promote employment using the resources of the Employment Fund;
- the launching and monitoring of the implementation of labour market policy programmes.

In 1996, the labour Market Committee's functions were taken over by the Labour Market Council (*Munkaerőpiaci Tanács*).

**2.4.** The NCR is not a legislative body. Parts of its decision making function (e.g. those of the former Labour Market Committee) have no consequences for legislation, while others (e.g. the decision about the guaranteed minimum wage) can be implemented only via legislation (government decree).

**2.5.** The NCR's 'workers' side' presently has six trade union confederations as members, while the 'employers' side' is constituted by nine employers' associations as members. In the NCR, the three sides – the government, the workers, and employers – are independent of each other and have equal rights. The NCR, it should be noted, is not a government institution and it has no permanent chairperson – this position is filled by the three sides on a rotating basis.

**2.6.** Tripartism is also found at the regional level. Labour Councils at this level are comprised of local representatives from trade unions, employers, and local government. County Labour Councils take decisions with respect to local active employment policy programmes and their financing (most of the Employment Fund has been transferred to the counties).

**2.7.** The NCR is the most important institution of social dialogue in Hungary, and its impact on the economic transformation, so far, has been in three major areas:

- (i) on labour legislation – e.g. by its participation in the preparation of the Labour Code (1992) – and in economic deregulation through its role in the abolition of administrative wage determination (1992);
- (ii) on economic and social policy formulation and related legislation, for instance, with reference to the agreements relating to the state budget;
- (iii) the settlement of nationwide conflicts (see paragraph 5. 10).

### **3. The Scope and Role of Other Labour Market Institutions**

#### **3.1. Trade Unions**

**3.1.1.** Between 1989-92, in the context of general political and economic change, a profound transformation in industrial relations took place. The major developments can be summed up as follows:

- a plurality of trade unions emerged: newly formed ‘alternative’, ‘independent’ unions appeared on the scene (1988-89) which later united to form the Democratic League of Independent Trade Unions and MOSZ (National Alliance of Workers’ Councils);
- the former monopolistic national trade union organisation ceased to exist and its member bodies assumed more decentralised and democratic structures.

**3.1.2.** The six major trade union confederations (engaged in national level tripartism) are as follows:

- Autonomous Trade Unions’ Confederation, ASZOK (*Autonóm Szakszervezetek Országos Konföderációja*);
- Democratic League of Independent Trade Unions, LIGA;
- National Confederation of Hungarian Trade Unions, MSZOSZ (*Magyar Szakszervezetek Országos Szövetsége*);
- National Federation of Workers’ Councils, MOSZ (*Munkástanácsok Országos Szövetsége*);
- Cooperative Forum of Trade Unions, SZEFE, (*Szakszervezetek Együttműködési Fóruma*);
- Confederation of Unions of Professionals, ÉSZT (*Értelmiségi Szakszervezeti Tömörülés*).

The strongest confederations are MSZOSZ, SZEFE and ASZOK. Union density is estimated at 20-40 per cent.

#### **3.2. Employers’ Association**

**3.2.1.** The transformation of employers' representation accelerated in the context of privatisation and the development of the private sector. Employers' associations have undergone similar changes to those of the unions.

**3.2.2.** The nine major employers' associations (involved in national level tripartism) are:

- National Federation of General Consumers' Cooperatives, AFEOSZ;
- National Association of Industrial Corporation, IPOSZ;
- National Federation of Traders and Caterers, KISOSZ;
- Hungarian Employers Association, MMSZ;
- Hungarian Union of Agrarian Employers, AMSZ;
- Federation of Hungarian Industrials, MGYOSZ;
- National Federation of Agricultural Producers and Cooperatives; MOSZ
- Hungarian Industrial Association (*Magyar Iparszövetség*);
- National Association of Entrepreneurs, VOSZ.

### **3.3. Labour Courts**

**3.3.1.** Labour disputes of rights are settled by labour Courts (Munkaügyi Bíróság): they function in each county and there is also a Chamber of Labour of the Supreme Court.

**3.3.2.** Labour disputes of interests have been settled by direct negotiations between the two parties sometimes with the involvement of ad hoc mediators. A national Mediation and Arbitration Service is being established and will be under the control of the tripartite NCRI.

**3.3.3.** Strikes have been sporadic and insignificant annually there are 10-20 cases of limited industrial action – mostly warning strikes of two hours or so have been reported. Longer and more important strikes have occurred in the State Railways Company.

## **4. The Scope and Role of Any Public/Independent Employment Services**

The labour placement function is filled by the National Labour Market Centre and its local network (see paragraph 4.1.). Private employment agencies also operate, but at present there is no information about the number of agencies. Private agencies tend to be concerned with specific groups of employees (e.g. managers).

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