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SUPPORT OR PUBLIC WORK? THE POTENTIALS AND RESULTS OF COMMUNAL WORK IN THE REGION OF NORTHERN HUNGARY¹

Summary

The subject of our article is the examination of „working chance instead of support” programs. The basic element of the analysis is a questionnaire, which was filled in by the local governments and non-governmental organizations in the region of Northern Hungary. The results are analyzed with statistical methods (correlation, regression analysis etc.). The main goal is to get significant information, appraise the experiences of „The Way to Work” Program, disclosing of development chances, presentation of settlement differences derived from the size. Finally we formulate suggestions to a sensitive employment policy.

Keywords: local government, public work, support, employment policy

I. Sustainability in the labour market (?)

Creating equality and its conditions is one of those factors which are necessary for a society to permanently develop. It requires that the European society is more open towards the adversely treated groups of the population, it ensures the fundamental rights. Those who have received less because of their poverty need to get more in tools, support and time. Inequality and poverty is growing, which is a break for the societies. Many youngsters have no perspective for the future. They view that they have to live their lives without being able to work; they cannot make themselves useful and cannot train themselves instead of taking part in the life of the society like other citizens. What sort of future can those children

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expect who have seen their parents unemployed in their whole life? In the best case they are offered practices and trainings, which does not lead anywhere or, in the worst case, they become inactive and neglected.

The national economy is able to make, use and sell products and services in the global competition so that the yield of its own production factors and, parallelly, the welfare of its population is growing. The condition of this competitiveness is facilitating the productivity-growth of the resources by way of continuously maintaining the conditions that ensure the efficiency-growth of companies and other institutions [Chikán-Czakó 2009].

This economic definition takes into account that the economy is a sub-system of the society, the operation of which has its own rules and mechanisms. It also includes the peculiarity that the role of the national economies has to be reconsidered within the frameworks of the global economy; and that the factors of productions are renewable and should be renewed. Interpreting competitiveness as an opportunity, the size of the labour supply, the qualification of the workforce and the elasticity of the labour market circumscribes the contribution of human resources to the competitiveness of the economy. The efficient use of the Hungarian labour source is mainly limited by the low labour supply. Both employment and activity rates are low in West European comparison and also compared to the period before the change of regime.

The seemingly unfavourable Hungarian labour market model gradually became questionable by the end of the 20th century in the light of the international statistics. The essence of the model is the widespread use of the traditional form of employment and emphasising social solidarity. As a result this, the eight-hour, full-time, highly paid and high wage-cost employment was general which also included the costs of a social insurance resting on wide bases. The high wage level was based on the employees' high performance and the good interest representing activity of trade unions that could be explained by the employees' level of being organised of 60 to 80% [Laky, 2004]. Services became the dominant sector of the regime change in Hungary. Following the example of the European employment model a services sector, narrow in scope but of high standard, was established at high cost. Thus, because of the narrow opportunities provided by the services sector, unemployment gradually widened for those leaving agriculture and industry. Although services, as a potential solution for employment problems, has been many times in the focus of political rhetoric, has not been able to employ the wide masses of people. Services has remained a „mystic sector” that is still often mentioned as a solution, however, it has not fulfilled the hopes that it raised [Beck, 1996]. The society more and more often faces the unsatisfied promises concerning total employment. The social and economic tension and distance is growing among the specific social groups. The more the economic system is intricate for the population, the stronger they stick to the idea: „the one who wants to work can work”. Social paradoxes develop and consolidate that hinder finding solution to this hitherto

unknown situation. The verbal exclusion of the unemployed has become general [Trube, Witig-Koppe, 2000]. Only labour and its product has remained the main measure of value of an individual's place, role and importance in the society. Therefore, if someone loses job will lose his or her ultimate foothold of identity.

By the beginning of the 21st century it has become evident in Hungary that certain social strata have fallen out of the labour market in spite of all labour market tools. This situation alone is an urgent problem calling for a solution. These strata's main strategy being to reach the highest allowance possible has made the problem more serious. It was aggravated by the social tensions caused by the economic crisis and the contradictions strengthened by the political uncertainty. This has led to an obvious need for a reform because of the quasi low efficiency of the employment policy tools thus far. Although a total reform is not in sight yet, we argue that certain tools have yielded result not only at theoretical but also at practical levels; a substantive change of view occurred in 2009 one tangible sign of which is the „Way to Work” program.

The essence of the system is that it breaks with the liberal „needs-principle” view of social policy and declares that one should work for the allowance as well. The state wishes to provide every suitable person with work, which means a revaluation of the concept of work. The classical market economy of the 20th century – like Marx himself – unambiguously expects the productive nature of work. Only the kind of activity is to be regarded as work that has a counter-value that can be realised in the market. The marketisation of education, healthcare and public administration.

A law recognised one and a half decade ago suggests that, at a higher degree of economic development, demand shifts towards services that, on the one hand, directly help production and that, on the other hand, serve the common good. The scene of the investments and returns diverge in space and time, the range of direct utility gets narrower as opposed to that of indirect utility. Making a considerable part of the services marketable and operating them exclusively on a utility basis is difficult or even impossible to solve in less developed countries as a result of partly low profitability, partly slow returns and the shortage of resources. Where the state does not take role, the lack of satisfaction of the demand for public goods and the emergence of infrastructural, educational, health-care, environmental, and various security deficits are general. These deficits tend to get less attention than the instantly recognisable financial imbalances during the four-year political cycles of parliamentary democracies, since their effect restraining development comes forward indirectly with a larger shift in time [Kádár, 2007]. The essence of the market reforms is that the (often paternalistic) distribution of public goods should give place to realising them.

2. „The Way to Work Program” in Hungary

The Way to Work Program started after these preliminaries in 2009. The Program provided work for active job-seekers who could not find job. They were employed in public employment for at least 90 days per year and received the maximum of the minimum-wage.

The advantages of the program are that (1) it has a greater motivating power to work (higher earnings than social allowance); (2) children’s socialisation for work is getting stronger, they are inspired by parents’ example; (3) it takes regional discrepancies into account: it is the greatest in Northern Hungary and Northern Great Plain.

The disadvantages of the program are that (1) it provides only temporary (3-month) solution to the individual who and his or her family will fall back to the previous status after a short employment; (2) it is still associated with a hidden local-governmental financing, but they cannot be involved in performing public tasks requiring higher qualifications due to the narrowing of the target group; (3) the economic result does not count, the one-sided social approach further exists; (4) the unwritten rules of selection impair the equal opportunities of women (man enjoys priority within the family), they enhance the power of local petty monarchs [G. Fekete – Lipták, 2010].

Table 1

„Way to work” Main features of the program

| Point of decision | Rule | Problem |
|---------------------------------|---|---|
| Who | People eligible for regular social allowance, non-employed of working age, people eligible for availability allowance | One person per family – a man – the woman in disadvantage Subjective selection – „the useable person” „relatives, friends” |
| For how long | The local government provides 90-day participation in public employment for those receiving availability allowance | Temporary – no time for getting used to it, falls back to previous status soon |
| For what job | For public work (home nursing, village maintenance, flood protection, canal cleaning) | Little value creating, sensible work – demoralising effect For compulsory local – governmental tasks – it would require continuity |
| For how much | The pension minimum complements the income of the family up to 90% (maximum is the net minimum wage, 57,815 forints) | |
| With what complementary service | Obligation to get the minimum school qualification (to complete primary school) | It does not bring about a permanent change for the majority |

Source: Fekete, Lipták, 2010.

While we are making efforts to establish market-conditions instead of state employment, it is difficult to keep the large number of people without job in the labour market. Its significance is not in the economic benefits of the given moment, it is rather in the maintenance of the future employees' threshold-competencies.

The „Way to Work program” helped 154 thousand people find way back to work in 2009, according to the publicly available data. However, in spite of this, the number of people suitable work and getting social benefits is about one million, which shows an extraordinarily negative tendency. The objective of our research conducted in Spring 2010 was to obtain sound information about the local employment capacities, as well as to explore the best-practices of local employment with special regard to the experiences of the „Way to Work” and the opportunities for further development. Further objectives in this regard are to introduce the differences according to the various types of settlements and to help shaping the employment policy also sensitive to the regional differences.

We conducted a questionnaire survey in 100 settlements in Northern Hungary. We asked the leaders of the local governments and non-profit employers about the capacities and results of the local employment, as well as the set of conditions they thought was necessary. Furthermore, we made an interview with the leaders of the selected settlements on the basis of a prior sample the basis of which was provided by case-studies.

3. The most significant findings of the research (not exhaustive list)

Although the report about the ultimate findings of the research has not been completed yet, some parts have been published on the basis of the experiences and data.

In the region of Northern Hungary the families are hit by unemployment hang on social benefits. They lose the connection with the labour market, the children have great chance to transmit the poverty, because an unemployment father and mother give a sample life to the next generation. This situation embarrass reaching the based services, such as medical, housing problem, education and justice or other own services (in field of culture sport and leisure).

In 2009 according to the Hungarian Central Statistical Office the unemployment rate was 14,64 percent, pursuant to Public Employment Service 20 percent was. We assume these data do not coincide with the opinion of small settlements' leaders. Many people do not register themselves, the labour market surveys cannot manage the margin.

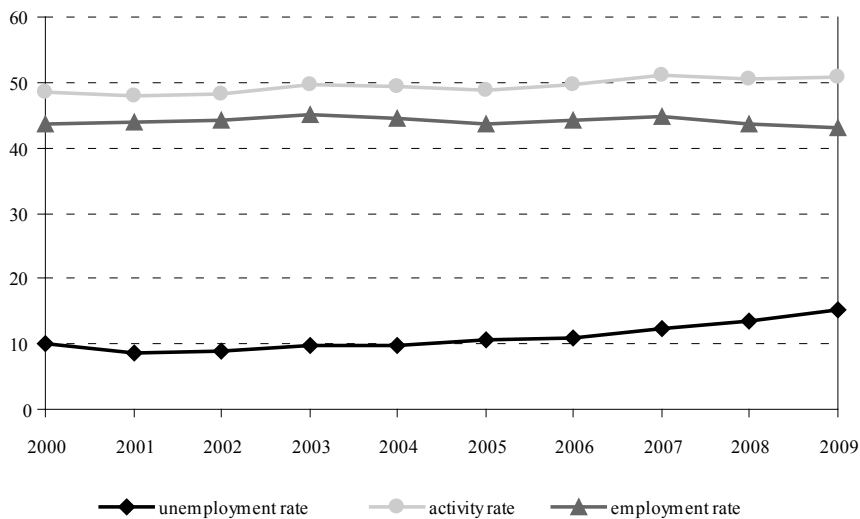


Figure 1. Employment rate of Northern Region between 2000–2009

Source: own construction.

We made the following category to the analysis:

Table 2

The category of settlements

| Category | Unemployment rate | Category | Population |
|----------|-------------------|----------|--------------|
| 1. | 1–5% | 1. | 1–500 |
| 2. | 5,1–10% | 2. | 501–1000 |
| 3. | 10,1–20% | 3. | 1001–2000 |
| 4. | 20,1–30% | 4. | 2001–3000 |
| 5. | 30,1–50% | 5. | 3001–5000 |
| 6. | 50,1–100% | 6. | 5001–10000 |
| | | 7. | 100001–20000 |
| | | 8. | 20001–40000 |
| | | 9. | 400001– |

Source: own construction.

In the examined settlements according to the respondents the unemployment rate is 21 percent. We analyzed the variance between the Public Employment Service's data (April, 2010, based on settlements) and the authorities' estimate on unemployment rate. In major cases (in 90 percent of cases) there is significant difference (more than 3 percent point) between the official and the estimated datas. This difference is demonstrated by Figure 2.

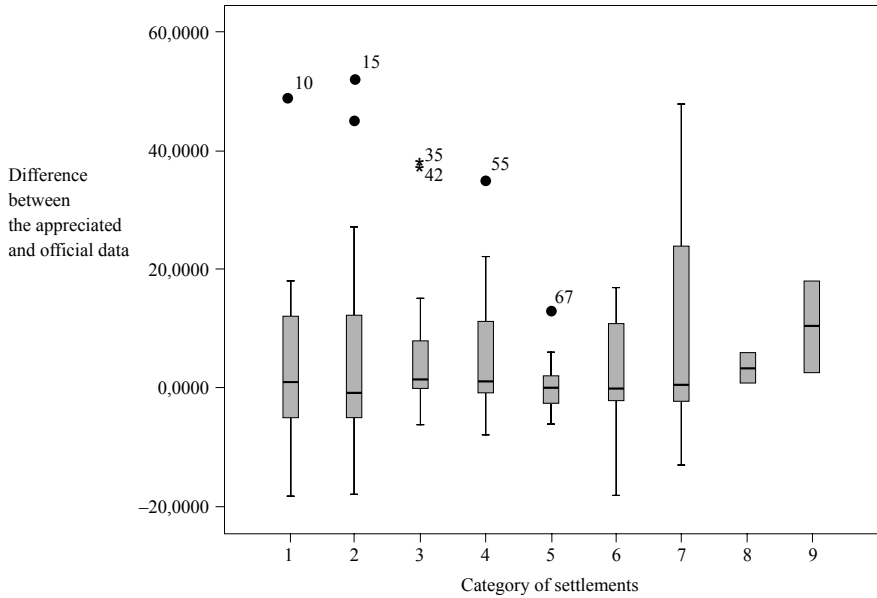


Figure 2. The difference of examined settlements' data in the estimated and official unemployment rate

Source: own construction.

We can find the smallest difference in the big towns. Likely in the bigger towns the estimation is very hard or impossible, the respondents answered in view of official data. In the smaller villages – where the employees working by the local authority know all inhabitants – the real measure of unemployment can be estimated. Notable in the smallest villages the difference is about 20 percent point, not only in positive direction, but in negative as well.

Looking the specific number of public workers there are tight, negative correlation between the intensity of public work and the measure of settlements and classifying by the unemployment rate there are tight, positive correlation. The less the settlement or the more the unemployment, the more the specific number of public worker. It verifies the hypothesis that in many villages this is the only way to work. In that villages, where there are not working chance, the inhabitants are usually under-qualified and under-motivated, the public work is a serious chance. The difference between the claim for public work and real number of public workers is not significant. It proves that hypothesis in the most disadvantageous, least developed settlements with high unemployment rate the public work operate very well and it is used active.

First and last in the smallest villages with very high unemployment rate is the biggest the claim for public work.

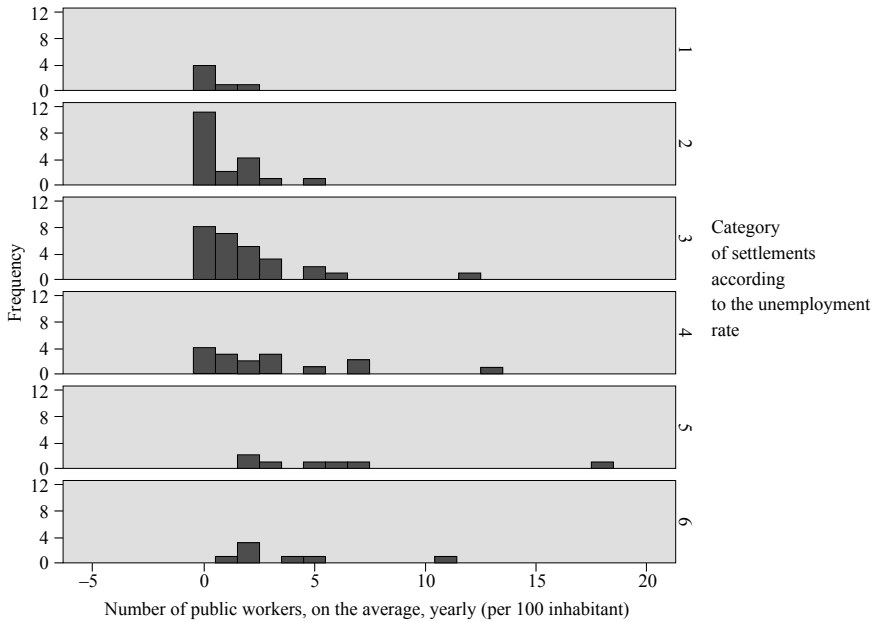


Figure 3. Number of public workers in the examined settlements according to the size category

Source: own construction.

3.1. The main characteristic features of public work according to our questionnaire survey

In every settlement categories the long of employment by blue-collar workers fluctuate between 5 and 8 months, by the white-collar employees it is about 10 months. It derives from the features of their work: in winter the blue-collar employees can not work so much. In the public work the employees usually get only salary. Small rate of them get eating ticket or have chance to eat (under 5 percent). Circa 30 percent of them get working dress.

The local authorities usually do not contribute to further employment, but they support the employees' to finish the elementary education. The vocational training and the mental care is supported by less than 20 percent.

According to the asked authority the public workers do not go back to the labour market (according to the respondents only 10 percent of them can find job). Most of them work in the public work further (circa 75 percent). It is really truth in the bigger towns, where 95 percent of public worker remain also in this form. So the conclusion is that the public work is just a temporary employment form.

3.2. The financial site of the public work

In 2009 one public worker costs 1 890 thousand HUF (circa 7000 euro), in 2010 it costs 2423 thousand HUF (circa 8970 euro).

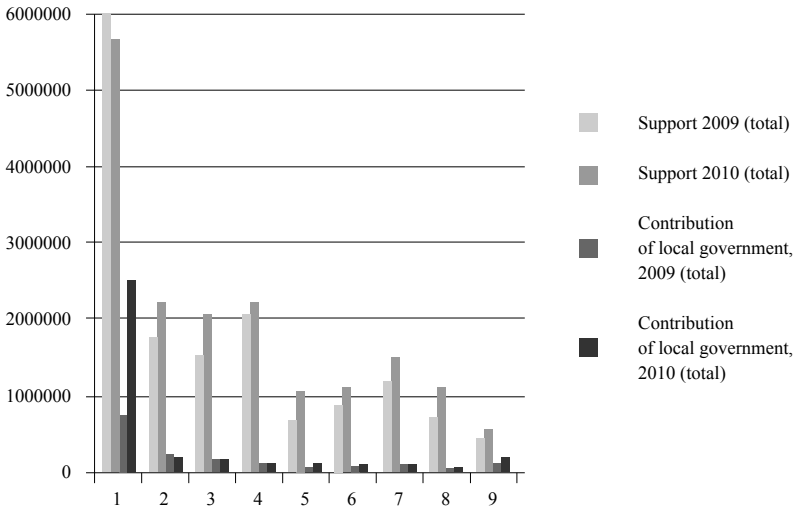


Figure 4. Support and contribution of local government per 100 capita (2009–2010)

Source: own construction.

The amount of support increased in 2010 excluding the settlements signed with 1. The largest part of the amount is the salary and the incidental expenses. The support per capita and the contribution of local authority per capita is the biggest in the smallest villages. The under figure show that the smaller settlements use the „The way to work” program more intensively.

The figure 5 do not show the settlement category signed with 1, because it represents outliers, which would distortion the results. The 8 and 9 categories do not act, because the respondents do not answer the questionnaire’s 17th question. The figure confute that hypothesis „The way to work” program cuts down or takes out the wage costs of the local authority. Significant decreases didn’t happened from 2008 to 2009.

We can say that „The way to work” decreased the amount aid paid by the local governments, so our stating hypothesis is really truth: this program takes out a certain part of social aids, so it can relieve the local authorities. By this figure 6 the data was corrugated by the inflation.

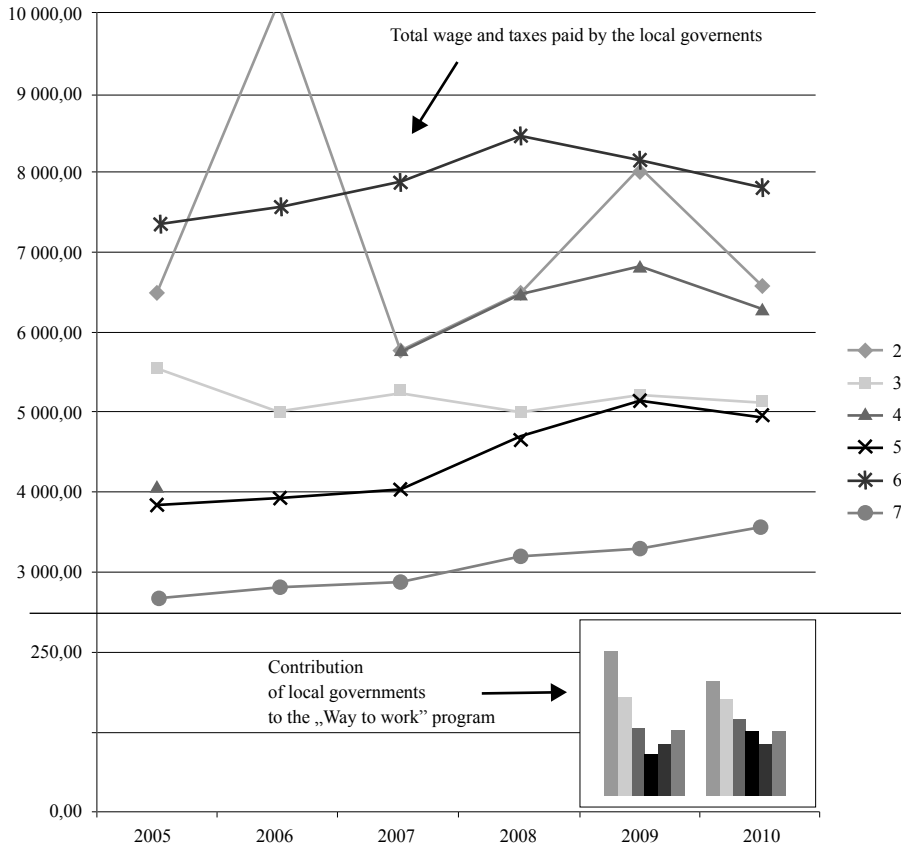


Figure 5. Wage and taxes (2005–2010)

Source: own construction.

3.3. The success of „The way to work” program influenced by the following factors

According to the respondents the success is influenced by mostly the part of families living from supports and the approach of the local leaders. The size of settlements, the number of institutions, high rate of mitigations, the initiative of civil organizations, the connection between the leaders of settlements and the regional employment offices and the previous experiences have medium affect. The party politics of local leader, low rate of mitigations, distance to a big town, the transport situation, business numbers and the program’s advertisement influence the program slightly.

We weighted the answers and we got the following rank of factors which influence the success:

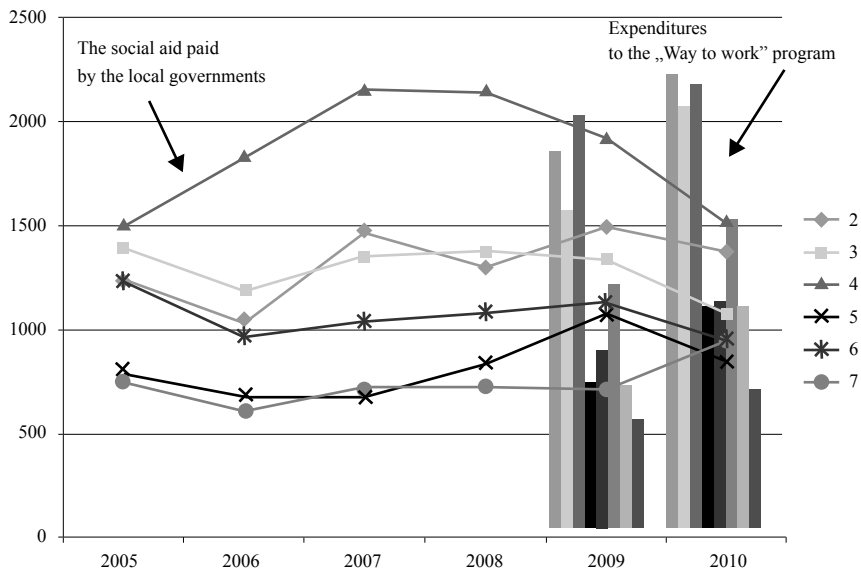


Figure 6. The social aid paid by the local governments

Source: own construction.

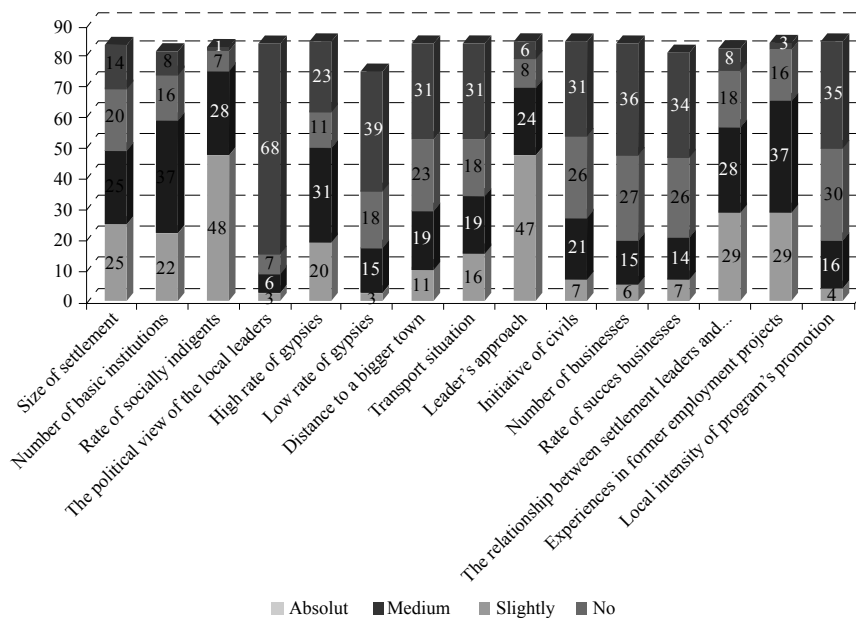


Figure 7. The factors which influence the success

Source: own construction.

- 1) the part of families living from supports,
- 2) approach of the local leaders,
- 3) previous experiences in public work,
- 4) the connection between the leaders of settlements and the regional employment offices,
- 5) number of institutions,
- 6) the size of settlements,
- 7) high rate of mitigations,
- 8) transport situation,
- 9) distance to a big town,
- 10) initiative of civil organizations,
- 11) business numbers,
- 12) success of businesses,
- 13) program's advertisement,
- 14) low rate of mitigations,
- 15) the party politics of local leader.

4. The results of the public work

The respondents emphasized chiefly the rise of income and the facilities of living. It is positive from the viewpoint of families, that they get earnings with work not support. It contributes to the socialization, increasing of life quality, the moral stability, positive pattern to next generations. The public workers get used to daily routine of work. They emphasized also the improvement of self-respect and the responsibility.

The local authorities have also positive opinion about it: it raises the assets of authority, decreases the amount of supports, cost-of-living delinquency, the villages become more attractive.

The local community also profit, because they live in a more beautiful and clearer surroundings, it makes the village community more strong. The work has value, the inhabitants appreciate the achievements. It contributes to the cleanliness and safety.

The most important result is that the support rate is 95 percent (not 70 percent as previous), there are more working facility and the local authorities can employ more and skillful people. It moves more people, the number of public worker became triple, than in previous years. So the public worker can execute more tasks than before. However according to the smallest villages' leaders there is no heavy changes. The tasks can be made without „The way to work” program but less people would work and less tasks would be done. The local community needs public workers.

5. Further opportunities for developing the „Way to Work Program”

The success of the program can be enhanced by way of the followings, according to the respondents:

- Launching remedial trainings and vocational trainings. By involving the business sector in public employment the enterprise would get state subsidy if it employed someone being granted an availability support.
- Publicly employed could be involved in the realisation of certain projects.
- If the subsidy made the purchase of materials and tools possible.
- Local government should receive support for creating preparatory and outside workers' conditions, as well as for purchasing material and working tool, small machines. Specialised firms should be assigned to organize, supervise and monitor the public work. Furthermore, a longer-term employment would be inevitably necessary.
- The work standard would be higher if the employer were not the local government.
- Involving those job-finders who are not eligible for availability support but would like to work.
- Material costs should be made part of the eligible costs.

The measures of the program transform the social allowances of the permanently unemployed; they place an emphasis on organizing public employment and training those not having primary school qualifications. One priority is that the permanently unemployed people who are suitable for work but already not eligible for job-seeking allowance can take part in some form of public employment so that they get a regular payment for work. That is, the first phase for people with low qualifications to get back to the open labour market is to take part in public employment.

Public employment that adapts to the talents of the inhabitants of the settlement and local peculiarities and being organised by the local governments is of paramount importance.

The proportion of those not willing to accept the offered work is low, nevertheless it is observable that the previously illegal employments have become legal with the intention of being involved in public work. Wastage is insignificant; finding employment in the primary labour market is typical, the number of eliminating „sanctioned” employment cases is minimal.

Publicly employed people are continue work till the end of the contractual time, for many of them – because of their good work – work opportunity is offered even beyond the 90 working days. The activities are traditional – not unique and versatile enough. The activities are traditional – they are not unique and diverse enough. The availability of work-positions is limited, therefore they mainly do unskilled physical work: the most frequent ones are settlement operation, maintenance, public sanitation, park maintenance, assistance to specialised industrial activities, event organisation. Further frequent task are administration,

reception work, delivery, archives, social support, driver, library assistant, safe-guarding. Unique jobs found in only several settlements: school-bus attendant, educator assistant, nurse, guarding public area, street attendants, social land-program, sports organiser.

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