



BUDAPEST
INTÉZET

ACTIVATING VULNERABLE GROUPS IN ORBÁN'S „WORK-BASED” SOCIETY

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6 July 2023

A historical map of Budapest, Hungary, showing various districts and landmarks. The word "OUTLINE" is overlaid in large white letters on the left side of the map.

OUTLINE

- measures to activate vulnerable groups
- impact on employment
- employability of vulnerable groups
- trying to explain the inexplicable:
why no investment in rehabilitation and training?

MEASURES: SIMILAR TO FIRST FIDESZ GOVMT

1999-2002 focus on monetary incentives for labour supply = increased GtW by doubling minimum wage and cutting amount of unemployment benefit, tightened work test for social benefit (no/negative effect)

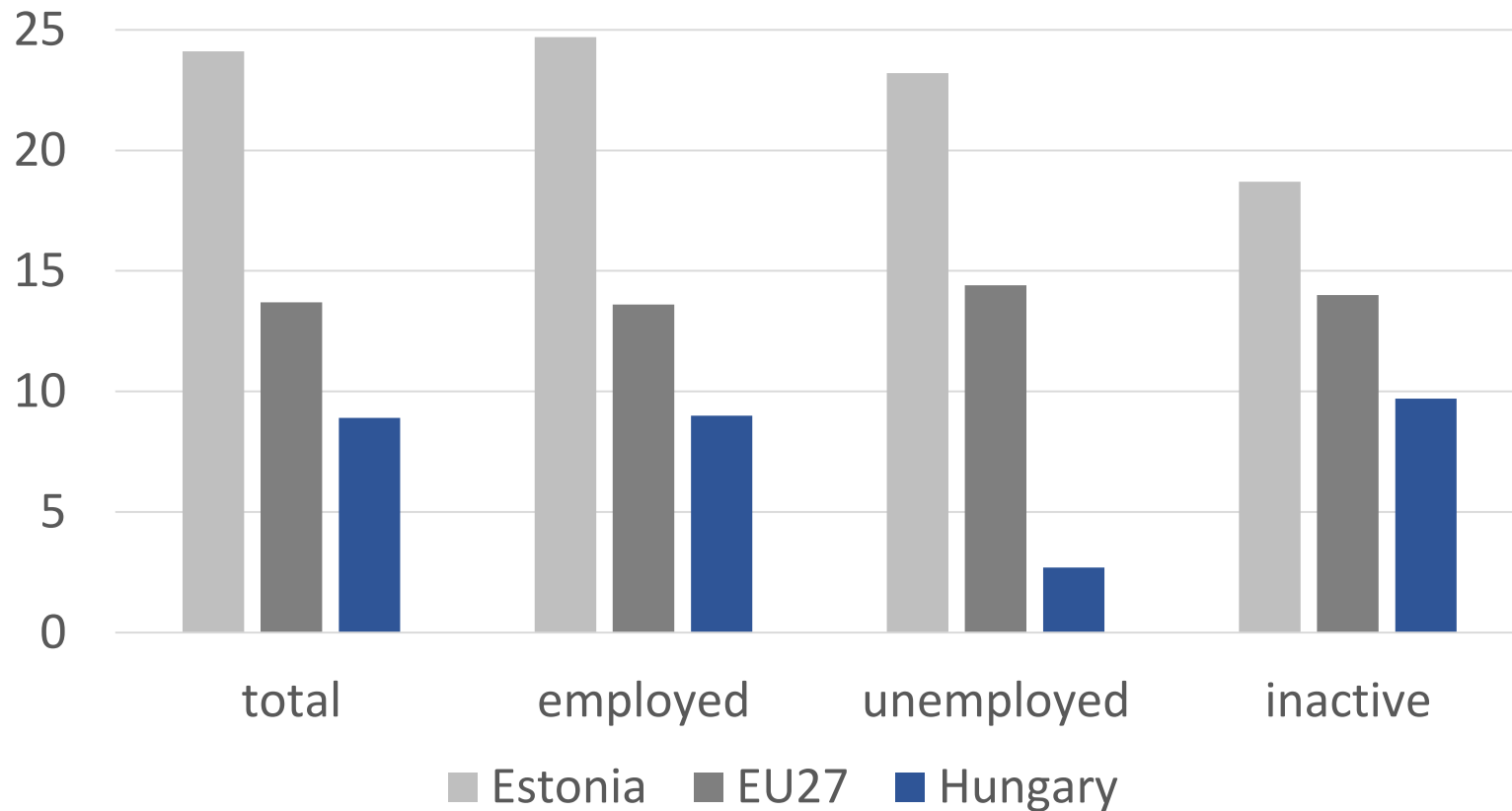
But did not halt development of public employment services (funded by EU pre-accession programme, focus mainly on recently unemployed)

2010-2014, 2015

- cut access to disability benefits and early pensions, abolished vocational early pensions
- reduced amount and duration of unemployment benefits and tightened behavioural conditions/ sanctions
- extended public works programme
- centralised PES and cut funding for all other ALMP, incl training
- employment rehabilitation moved from PES to separate central agency
(Scharle-Szikra 2015)

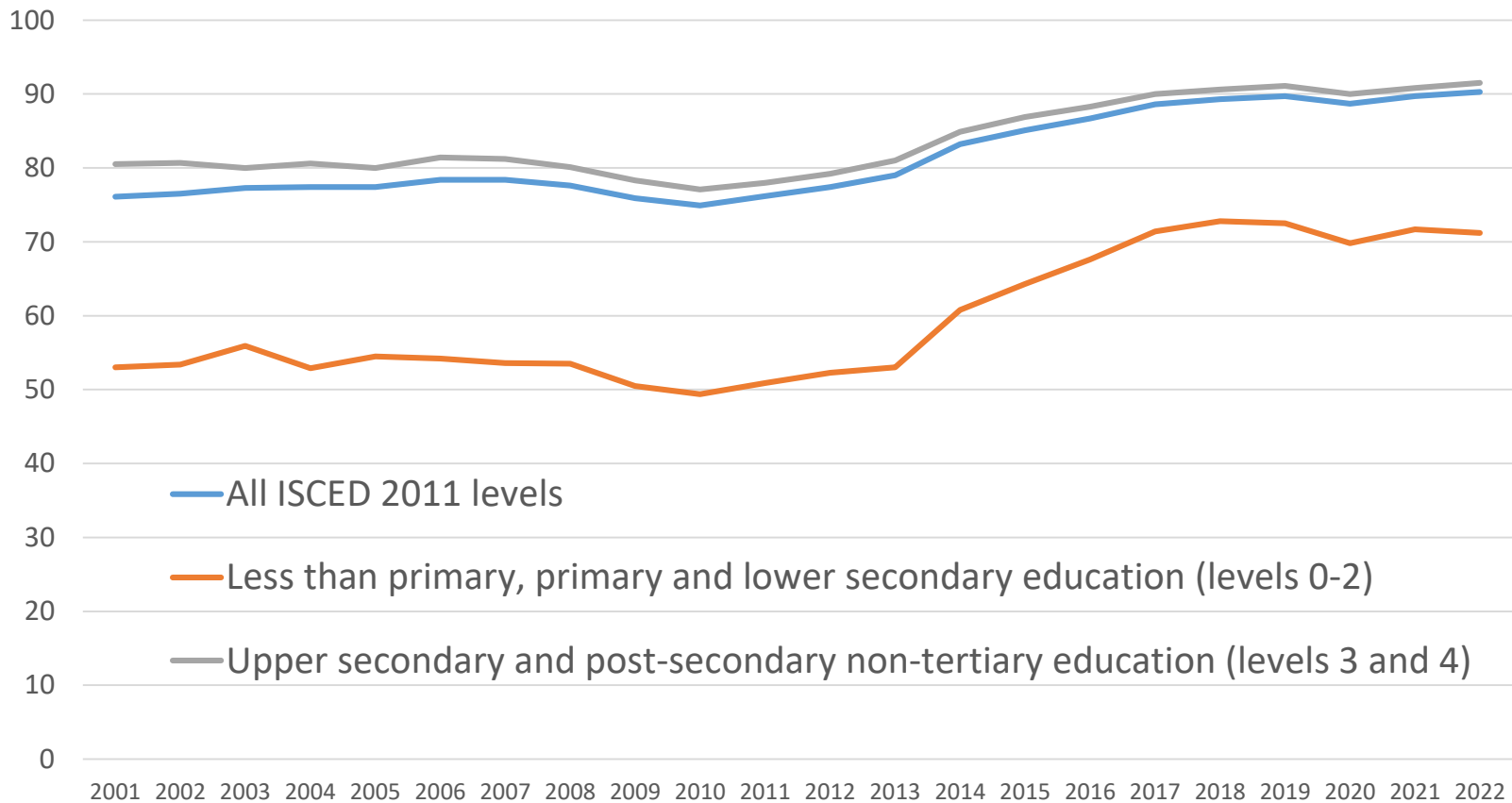
ADULT EDUCATION AND TRAINING

Participation in training in 2022 (LFS), age 25-54, %



OVERALL IMPACT ON EMPLOYMENT RATE

Male employment rate by level of education, age 25-59, %



EVIDENCE ON EMPLOYMENT EFFECTS (1)

(1) Stricter rules of eligibility, reassessment of disability benefit recipients in 2012

(Bíró, Krekó et al 2023)

- aged under 57 years, health impairment below 80%
- ~18 thousand (9% of those reassessed): benefit loss
~12 thousand (6% of those reassessed): benefit reduced
- Comparing beneficiaries just below and just above the age cut-off:
prob of DI receipt decreased by 1.5 %points
- of those who left disability insurance
57 % were employed in the primary labor market and
38 % had no wage or benefit income in the post-reform period
- share of those not working after exiting disability pension:
62 % among those without pre-reform employment
14 % among those who worked during the year preceding the reform

EVIDENCE ON EMPLOYMENT EFFECTS (2)

Cut in duration of insured unemployment benefit to 3 months

Sept 2011, Jan 2012

(Csillag, Munkácsy and Scharle 2023)

- Reemployment rate higher in 2012 vs 2011
by 10 %points (6months) and 4 %points (12 months)
- treated group worked 18-19 days more
- but hired by employers that pay less by about 2 % on average
-> possible long-term impact on wages

EMPLOYABILITY

Share of those lacking general skills, %

	Group size in PIAAC (thnds)	Low literacy	Low numeracy	Low digital (pstre)	Cannot use a computer	Low language skills
Low-educated NEET excl mothers	21	49.3	54.8	66.1	25.5	90.8
Working age Roma	195	51.9	55.4	64.1	35.9	69.5
Persons with disabilities	180	46.9	43.6	76.6	54.2	88.5
Registered long-term unemployed (excl PW)	28	28.1	26.5	64.2	23.7	78.3
Low-educated workers of SMEs age<50	285	32.0	32.9	66.7	25.7	87.3
Family caregiver	156	23.5	26.6	69.2	15.5	76.8
Mothers with small children	248	11.0	14.1	52.6	5.8	66.8
All employees of SMEs (below 50 employees)	3 182	9.5	9.7	57.8	12.4	68.6

Based on PIAAC 2017-2018, Csillag, Munkácsy and Scharle 2021

WHY NO INVESTMENT INTO EMPLOYABILITY?

If society is to be „work-based”, why so little investment into employability?

- Prejudices or preconceptions: lazy, hopeless
- Ideology: premature welfare state, must cut welfare spending (spending vs investment), favour the middle/upper classes
- Political gains (Szalai 2007, Szombati 2018, Gáspár, Gyöngyössi és Reizer 2021)
- Employers' interests in short-term solutions and vocational training, discrimination
- Lack of expert capacities / effective methods in adult education and rehabilitation
- Corruption risk and scandals -> planning and implementation failures
low quality services, adverse selection of decision makers,
risk avoidance by responsible planners
- Centralisation inefficient: volatile LM, regional var, need cross-sector cooperation
bureaucratic management: rigid, generates weak or perverse incentives



Thank you

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