

# Chapter Seven

## ►► HOUSEHOLDS, WORK AND FLEXIBILITY Critical Review of Literature

### HUNGARY

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[ Contents ]

|  |     |
|--|-----|
| INTRODUCTION .....   | 139 |
| 1. NON-STANDARD WORK FORMS UNDER SOCIALISM.....                            | 139 |
| 1.1. The “dual” economy.....   | 139 |
| 1.2. Worker motivation and work behaviour in the dual economy .....        | 140 |
| 1.3. Family strategies in the dual economy.....                            | 141 |
| 2. NON- STANDARD WORK AFTER TRANSITION.....                                | 142 |
| 2.1. Changing institutional contexts and worker strategies .....           | 142 |
| 2.2. Self-employment.....  | 143 |
| 2.3. Work in the informal sector.....                                      | 144 |
| 2.4. Flexibility of work time .....  | 145 |
| 2.5. Temporary employment .....  | 146 |
| 2.6. New technologies and new types of flexibility .....                   | 147 |
| 3. NON- STANDARD WORK AND EMPLOYMENT POLICY .....                          | 147 |
| 3.1. Existing programmes for the promotion of non- standard work .....     | 148 |
| 3.2. Directions for the future – The National Employment Action Plan ..... | 150 |
| CONCLUSION.....  | 150 |
| NOTES .....  | 152 |
| REFERENCES .....   | 153 |

[ List of tables and figures ]

|   |     |
|---|-----|
| Table 1. Active population with extra work according to type of work and sex..... | 142 |
| Table 2. Perception and importance of different job attributes . .....            | 151 |

## INTRODUCTION

In this paper we try to characterise the peculiarities of non-standard work forms in Hungary and their role in household strategies by reviewing the literature on the subject.<sup>1</sup> We have consciously adopted a very broad definition of non-standard, atypical employment as meaning any working arrangements different from full-time, permanent, wage and salary employment. Our aim is to show that this part of the labour market is very heterogeneous in itself and is also different from atypical or flexible forms of employment found in western Europe countries in the last decade. Atypical work in Hungary has its roots in pre-second world war peasant society and in the socialist “second economy”, although significantly new elements have been added to it during the transition to a market economy. In addition, new forms of flexible working arrangements have also

appeared recently, such as telework and home work.

The outline of the paper is the following. In the first section we briefly describe the dual economy under state socialism. In the socialist era, economic activity could be divided between the primary, state-sector, and the secondary private sector. In sections 1.2 and 1.3 we will describe the types of worker and family strategies that had developed under these conditions. Section 2 deals with atypical work after the transition from socialism. Next, we review how the changing institutional context has modified worker strategies, then we discuss the importance of different types of non-standard work in Hungary. Section 3 is devoted to employment policy regarding non-standard work.

## 1. NON-STANDARD WORK FORMS UNDER SOCIALISM

### 1.1. The “dual” economy

By the middle 1960s, as a consequence of political attacks against private forms of production during the previous decades, the socialist large-scale enterprises and co-operatives became the only organisations offering full time employment. The socialist economy has been described by János Kornai (1980) as an “economy of shortage”, characterised by chronic excess demand on both the commodity and the labour market. Socialist companies offered secure jobs inside the enterprise in order to cope with uncertainties resulting from delayed performance of suppliers, changing plan

objectives and regulations. Unemployment was non-existent. Paradoxically it is also in the late 1960s that the so-called “second economy” appeared. Legal barriers to workplace changes were removed just before the 1968 economic reforms and the reform brought about a certain liberalisation of the system of economic control. State paternalism decreased in scope, and the freedom of economic actors – including also labour market actors – increased (Gábor 1991). This reform helped to expand the role of the second economy. The second economy could be best defined as be-

ing a sector of the economy where the “individual ... employs himself (or herself) through their own wits and labour power...and sells only their own products and services” (Juhász quoted by Kertesi and Sziráczi 1984). The main fields of activity in the second economy were small-scale agricultural production, private construction activity, small-scale industry, retail trading and repair activities. This second economy was different from the first, socialist sector, because unlike the latter, it was directed by hard budget constraints and financial incentives. On the other hand the second econ-

omy in the socialist era was different from “hidden” or “informal” sector activities which are typical of market economies. The second economy was not brought about by attempts to escape state regulation or tax burdens, but rather by shortages in the supply of commodities on the one hand and by the need for extra income in households, on the other. This coexistence of a socialist sector and the second economy was characteristic of the type of state-socialism that was found in Hungary during that period.

## 1.2. Worker motivation and work behaviour in the dual economy

Kertesi and Sziráczi (1984, 1985) note that workers' choices were most often led by income maximisation motives, which they characterised as an ethos of “instrumental individualism”. This means that workers are mostly interested in the material rewards of work and instead of cooperating in the defence of their interests, they tried to profit on an individual level from their more or less favourable bargaining position. Kertesi and Sziráczi offer a typology of worker behaviour in the context of the dual economy. One typical strategy for workers to achieve high pay was to accumulate firm-specific skills in order to get promoted in the internal hierarchy of the firm. Élite workers occupied fairly strong positions in the wage-performance bargain, since their expertise was necessary to meet plan objectives.<sup>2</sup> The majority of workers, however, did not make it into elite positions; they were stuck in the middle or lower levels of the enterprise hierarchy. As a result, they often followed the “dual job strategy” which meant that they combined secure but poorly rewarded work at first job with risky but highly rewarded participation in the second economy. Full time, typical employment was appealing not only because it provided career opportunities on the internal labour market, but also because it offered possibilities for participation in the second economy: access to flexible working hours, skills, materials, clients and social networks (Kalleberg and Stark 1993). A third way for

workers to raise their wages was to profit from the competition for labour among enterprises. Hence, a typical strategy for workers on the lower levels of the within- firm hierarchy was to change jobs frequently. This was known as “fluctuation”. These -often young - workers, who had neither firm-specific skills nor earning possibilities outside the firm, had two possibilities for increasing their wages. Either they started to accumulate firm-specific capital and tried to profit from promotion possibilities on the internal labour market, or they moved to an employer who offered somewhat higher wages. In the long run, their interests would have been better served by the first option, but often they needed higher pay on the short term (to buy a flat or establish a family) so many of them opted for changing jobs. For those who were for some reason not mobile enough to profit from higher wages offered elsewhere, the only possibility for achieving higher pay in the short run was through self-exploitation by frequent overtime<sup>3</sup> work.

In the 1980s, small private businesses started to flourish as well. Within only two years, between 1981 and 1983, the number of people working in the legal private sector had grown by 20 per cent (Galasi and Sziráczi 1985). A series of liberalisation measures helped this process in the beginning of the 1980s: first, the liberalisation of licensing, second the leasing of retail and catering

units to private individuals and thirdly the creation of new economic units. The most popular form of these new economic units was called VGMK (Vállalati Gazdasági Munkaközösség), which stands for “enterprise business work partnerships”. These units were based on a contract between the enterprise and a group of its workers stating that they would produce certain quality and quantity of goods or services after their official working hours using the enterprise’s equipment. The participants in these kinds of agreements were at the same time both employees and subcontractors of the same enterprise. This form of co-operation was beneficial to the enterprise as well as the employee. The latter was very well remunerated for these extra hours, while the enterprise was able to counter wage-legislation and

provide sufficient financial incentives to retain their elite workers in the enterprise. In fact some authors (e.g. Timár 1988) do not even consider this as part of the second economy, since it is nothing other than a way of avoiding wage legislation in order to pay higher wages for overtime work. Overtime work increased steadily during the 1970s and 1980s. For example, in 1967 an employee worked on average 37 hours overtime annually, while in 1985 this amounted to 128 hours annual average (counting also hours worked in VGMK). Moreover the distribution of overtime hours was rather unequal among workers. Skilled male workers, especially in the metallurgy and energy industries and manual workers (mainly in mining) were over-represented.

### 1.3. Family strategies in the dual economy

Kertesi and Sziráczki (1984) also characterise some family features in the small farming activity in Hungarian second economy. They assert that technological innovation in small farms was more likely if the household head (the male wage-earner) had technical skills and if other household members were willing to supply the extra labour needed. The role of women seems rather important in this latter aspect. Hungary was characterised by high levels of female employment at that time and households with two wage earners were typical. This was a result of historical events such as the forced industrialisation and collectivisation of the 1950s, but also because of low wages of the 1960s. However, the authors suggest that a large number of working women were latecomers on the labour market, in the sense that they joined the workforce only during the third wave of industrialisation in the 1960s. They were mainly employed in sectors as trade, catering or agricultural co-operatives and were the first to leave the labour market and to move back to the second economy when this became possible. They be-

came family workers in small farms, which often brought about a change in the role of these farms from self-provisioning to market-oriented, entrepreneurial type activity. In this way, “male and female wage-earner behaviour has a particular asymmetrical connection: the male wage-earner regards his income from the enterprise as the family’s existential basis and income maximisation is based on the development of the small farm. On the other hand, however, the female wage-earner regards work in the small farm as her basic activity and the more or less regular employment in the socialist sector is only an additional source of income” (Kertesi and Szirácki 1984). Pulay (1989) also argues for the case of emerging “one and two half breadwinner” families consisting of the husband having a full-time job along with extra work and the wife having income approximately equal to the husbands extra work income (though from full-time employment in most cases). Below is a table from Pulay (1989) showing the active population with extra work.

**Table 1. Active population with extra work according to type of work and sex, 1984**

|                                    | Men       |        | Women     |        |
|------------------------------------|-----------|--------|-----------|--------|
|                                    |           | %      |           | %      |
| Active population                  | 2 745 700 | 100.00 | 2 172 900 | 100.00 |
| Active population with extra work  | 425 950   | 15.51  | 200 000   | 9.20   |
| Working in:                        |           |        |           |        |
| - Workshop associations            | 72 350    | 2.64   | 19 800    | 0.91   |
| - Working groups in cooperatives   | 4 850     | 0.18   | 2 500     | 0.12   |
| - Economic associations            | 10 700    | 0.39   | 2 050     | 0.09   |
| - Other working groups             | 4 150     | 0.15   | 1 300     | 0.06   |
| With a secondary or subsidiary job | 54 700    | 1.99   | 23 950    | 1.10   |
| Self-employed                      | 30 050    | 1.09   | 4 350     | 0.20   |
| Household plots in agriculture     | 234 050   | 8.52   | 138 600   | 6.38   |
| Other source of extra income       | 14 300    | 0.52   | 6 650     | 0.31   |

Source: Pulay (1989)

The second economy was growing throughout the 1970s. It produced almost one fifth of GNP and two fifths of agricultural production by this time, encompassing a major proportion of the production of basic comestibles such as milk, eggs and potatoes. Despite its important economic role however, the second economy remained mainly an additional income source for workers in the socialist sector: the number of those choosing this sector as a main job did not increase significantly.

The second economy rarely became entrepreneurial in nature and little significant investment took place. It did contribute however, to a strange behavioural pattern of Hungarian employees who became simultaneously self-preserving (in the socialist sector) and self-exploiting (in the second economy). Under socialism, work in the second economy, overtime work at the main place of employment, and having a second job were the main forms of non-standard work.

## 2. NON-STANDARD WORK AFTER TRANSITION

### 2.1. Changing institutional contexts and worker strategies

In Kornai's terminology, the first step in the transition to capitalism consisted in the hardening of budget constraints for enterprises (Kornai 1993). State funds going to enterprises diminished from 12,3 per cent of the GDP in 1987 to 2,3 per cent in 1991. In the same time the number of bankruptcy cases has grown by more than an order of ten between 1986 and 1992. The "shortage economy" soon disappeared and both the commodity and the labour market were characterised instead by excess supply. The first years of transition were characterised by a restructuring and decline of economic activity, which brought about a drastic fall in employment. Reductions in employment

exceeded even the rate of fall in GDP in the same period. The decrease in employment manifested itself partly in the increasing number of unemployed, but mostly in the increase in the percentage of the inactive population, which was the highest among all the transition countries. These changes also modified the institutional context of worker behaviour and resulted in changes in the typical strategies of workers.

It was clearly not possible any more to profit from competition between companies for scarce labour.<sup>4</sup> In fact Spéder (1997) states that the rapid and drastic fall in employment, along with high inflation, decreasing real incomes and widening

income differentials left many households in financial crisis. Among other ways of coping with financial difficulties (such as using up savings, holding back consumption, lowering aspiration or relying on the social safety net) he considers two strategies related to work: becoming self-employed as a small entrepreneur or agricultural self-provisioning, and taking on additional income earning activities, perhaps in the informal-sector.

The drastic fall in employment was accompanied by the dismantling of internal labour markets of socialist companies (Gábor 1997). Privatisation played a leading role in this process, which resulted in an increase in the number of small enterprises and a decrease in the number of large ones. This means that there has not only been a great loss in the number of jobs in the formal sector during the transition, but within the remaining jobs, a much higher percentage are now within small companies, that is in companies with less than 20 employees. This means that acquiring firm-specific skills and getting promoted in the internal hierarchy of a firm is possible strategy for fewer workers than during socialism. Employment in small enterprises is more likely to be flexible and less secure. For example, it is common among small enterprises to hire employees (partly or entirely) not with labour contracts but as subcontractors, in order to economise on social security contributions and other labour costs and because such workers can be more easily laid off. Many workers were thus forced to become self-employed or take out a small enterprise license in order to continue the same work that they did before as employees.

## 2.2. Self-employment

Self-employment is probably the least problematic form of atypical employment to measure. Entrepreneurs in person and members of enterprises with no legal person are annually registered in the Labour Force Survey. There is still a considerable number missing however, since those self-employed in agriculture who don't have an en-

Important changes have occurred also in work outside the formal sector. With the fall of socialism, the system-specific distinction between first and second economy can no longer be applied, and more neutral denominations such as „formal-informal” (Sik 1994), „organised-unorganised” economy (Vajda 1996) are used instead. These mean practically the same, namely that activities, transactions in the informal economy are not subject to state regulations, they are invisible from the point of view of tax or labour authorities and also in statistical records to a certain extent.<sup>5</sup> A major difference between informal economy and socialist second economy in Hungary is that while part-time involvement dominated in the socialist era, informal economy is characterised by full-time employment under capitalism (Sik 1994). Two factors lead to this change: first some people have lost employment in the formal sector and continued doing their part-time (often casual) work in the informal sector, secondly activities (sometimes illegal activities) in the informal economy offered high remuneration, but this required full-time involvement.

In the following sections we will discuss the importance of various types of atypical employment in post-transition Hungary.<sup>6</sup> We will begin with self-employment and informal work, which were two important ways of surviving during transformational recession as described above. There then follows a discussion of other issues respecting non-standard work, such as flexibility of working time, temporary employment and new types of flexible work arrangements made available by technological progress.

entrepreneurial licence are not recorded. The definition of self-employment used in the Labour Force Survey is somewhat different from that used by the ILO, since it does not include members of co-operatives and casual workers who are better described as having an employee-type relationship. Moreover the size and the legal status of the en-

terprise is not taken into account, but this should not cause any major problems, since the typical form for a self-employed enterprise is the small enterprise (Laky et al. 1997). The number of self-employed has increased rapidly in the beginning of the 1990s, but unfortunately the Labour Force Survey was initiated only in 1992. Since then, the proportion of male workers for whom self-employment (or "helping family member" status) was recorded as the main job shows a slight increase in the middle of the decade from 17per cent to 19per cent out of all employed men. The corresponding figure exhibits a decrease from around 13per cent to 11per cent for women (Scharle 2000). This means that the percentage of self-employed overall has stabilised at about 15per cent of the labour force. The percentage of self-employed in agriculture is surprisingly low in the Labour Force Survey. Their number in 1992 was 69,500 and 15per cent less (59,000) in 1996 (Laky et al. 1997). This is even more surprising if we consider that tax exemptions do not discourage the declaration of this activity. A great portion of small entrepreneurs work without employees, but some of them are helped by family members, who regularly participate in the activity of the enterprise. This is considered as a legal form of employment and is subject to usual social security contributions, which is probably why entrepreneurs are reluctant to declare their helping family members to the authorities. Their number also seems to be underestimated by the Labour Force Survey, which recorded 49,300 helping family members in

1992 (with some seasonal variation) and a figure that effectively oscillates around 40,000 since then.

A considerable number of self-employed are just continuing their second economy activities. Vajda (2000) reports a survey result according to which 20per cent of small entrepreneurs asserted that they are continuing in the same private activity as before 1990. It can be misleading however to see self-employment solely as an escape route for the newly unemployed. Diverging opinions can be found regarding the question of whether the rapid increase in the number of self-employed reflects the effect of suddenly widening entrepreneurial possibilities or is pushed up by shrinking employment opportunities. Laky (1995) and Gábor (1997) seem to be asserting that a high proportion of newly self-employed are choosing this way of working against their will. Scharle (2000), based on econometric analysis of the Labour Force Survey, concludes that threat of unemployment was probably not a general cause of people becoming self-employed, it only seems to influence individual decisions in some particular groups of the labour force – namely among women and entrepreneurs in agriculture. She also contends that small family enterprises are mainly profit-oriented (thus not just subsistence enterprises) but are more frequent in labour-intensive sectors that do not require high capital investment such as agriculture, commerce and catering. Family members are employed because they provide reliable, sometimes cheaper labour.

### 2.3. Work in the informal sector

Time budget surveys are probably the only means by which we can gather some information about the work of people in the informal sector.<sup>7</sup> Vajda (2000) considers four types of such kinds of activities: expenditure-minimising non-routine work around the household (dwelling construction and maintenance, agricultural work, repair); work in exchange for other households; income supplementary work; and volunteer work on the behalf of organisations. Comparing time budget surveys

of 1986 and 1993, Vajda asserts that contrary to expectations, time used for work in the informal sector decreased in parallel with time in the formal sector. This can be the consequence of the reason cited above, that some people were continuing their second economy activity in the formalised sector as self-employed with licence. The ratio of working time in the informal sector to that in the formal sector remained constant at around one third. Small agricultural production still



played the leading role in working time used in the informal sector, but its extent was decreasing together with construction and maintenance activities. Spéder (1997) provides a more detailed picture of agricultural production, stating that while production for self-provisioning increased, production for market purposes decreased between 1992 and 1994. The only type of informal work that increased was repair work. It seems that time-use decreased the most for those activities where the formal counterpart was also in crisis. This suggests that as former second economy activities were integrated into first economy activities, so the crisis in the latter also caused the former to lose ground. Participants in informal work are mainly older (with a high percentage of pensioners), low skilled males living in villages and other marginalized groups in the formal labour market. Some changes occurred in the com-

position of the labour force in the informal sector: namely there emerged a growing percentage of women and more skilled people.

A study based upon in-depth interviews with the unemployed suggested that work in the informal sector is one way of maintaining minimal living conditions (Simonyi 1995). Small-scale agricultural production, child-caring, baby-sitting, repair activities, sewing and cleaning are the kinds of activities that are widespread. Casual work in the construction industry, catering, commerce is also possible in many instances, but people in this situation can rarely manage without extensive help from the family. Those who have some resources and stable family help can end up as self-employed. For others, relying on Social Assistance or doing casual work possibly in the informal (illegal) sector remain as alternatives.

#### 2.4. Flexibility of work time

Part-time employment is far less significant in Hungary than in most countries of the EU (Laky et al. 1997, Frey 2000, Labour Research Institute 2000). This also has some historical roots: in the socialist economy part-time work was only possible for working pensioners, and when at the beginning of the 1990s this group lost its position on the labour market, so did part-time employment. In 1995 the Labour Force Survey reports only a 5,4per cent of employees who regularly work less than 35 hours a week.<sup>8</sup> The percentage of part-time workers was higher among women (8,3per cent) and only 3,1per cent among men. Part-timers are also more frequent among jobs requiring a university diploma and in the poorest qualified jobs. The percentage of part-time workers has somewhat increased since then. In 1999 the percentage of those employees who regularly worked less than 35 hours was around 5,9per cent. (Frey 2000). Another 10per cent of the employed had very variable working times, but these might also be casual workers rather than part-timers (Labour Research Institute 2000). Part-time employment is not popular in Hungary

mainly because social security contributions and taxes are so high that it does not pay off for firms to hire part-timers. Also, the lower pay associated with part-time work might simply not be enough for job-seekers to leave unemployment benefits or to make it worth working once travel costs have been deducted (Labour Research Institute 2000).

Another popular form of flexible working time is overtime work. According to the Labour Force Survey data, 21per cent of employees reported working regularly more than 40 hours a week. The main reason for this is overtime work (Frey 2000). Employees can also extend working hours by having a second job. The percentage of those having a second job is surprisingly low: in 1999 only 1,8per cent of the employees had a second job. Work time flexibility also results from the tendency of companies to extend activity over nights and weekends, in order to ensure the efficient utilisation of machinery, for example. According to the Labour Force Survey results, 17per cent of employees work regularly during the evening, and 9per cent during the night. Some 16per cent of employees go to work on Saturdays and

9per cent had to work also regularly on Sunday. These jobs are mainly concentrated in mining, the food industry, transportation, commerce, health care and social services. One fifth of all employees

work in double shifts. In 1998, 7per cent of employees report working flexible hours and 6per cent said that they were free to determine their working hours (Frey 2000).

## 2.5. Temporary employment

Temporary employment can also be discussed under the heading of the flexibility of working time, but it is obviously a rather different type of flexibility than that discussed so far. In Hungary, employment based on fixed term contracts is most popular in sectors which have seasonal fluctuations in work tasks, such as agriculture, tourism, the food industry, the production of preserves and the retail trade (Labour Research Institute 2000). According to the Labour Force Survey, in 1999 the yearly percentage of employees on fixed-term contracts was 6per cent, and the 90per cent of these had a contract that was less than one year. A large number of these workers said that they had no other choice than to accept a fixed-term contract. Since the labour-hoarding practices of socialist enterprises could not be continued after transition, the fluctuations in orders created some demand for temporary workers. An efficient solution in order to decrease the time needed for searching and hiring temporary workers is to hire manpower from specialised agencies (Laky et al. 1997). As multinationals entered the scene, the need for temporary qualified workers also increased. In fact, workers from a variety of occupations are available as temporary workers from the circa 500 companies which specialise in hiring out labour, ranging from unskilled workers to managerial assistants. This is profitable for the hiring enterprise because it is freed from all the administrative and financial consequences of employing new workers, so we might expect some increase in this kind of employment (as there has been in the rest of Europe).

Marginalized members of the Hungarian workforce, such as low-skilled young and close-

to-retirement age workers, often have access only to casual work. Casual work is needed during the high seasons of the agricultural and construction industries, but also repairs work, child-care for households, or occasional work in family enterprises are offered in this way. In the latter case, activity is nearly never registered, since households, small entrepreneurs and casual workers can perfectly well manage these kinds of transactions among themselves, avoiding the costly interference of authorities. Since such activity is most frequently unrecorded, the figures found in the Labour Force Survey can be assumed to significantly underestimate this type of employment. Annual averages of the survey estimates show an increasing number of casual workers during the 1990s. In 1992, only 8563 casual workers were recorded, while in 1998, 28524 were found. This is a substantial growth of nearly 300per cent, but clearly the true number of casual workers should be much higher in Hungary. In most of large towns there are well-known markets for casual workers as research among local government officers has demonstrated (Sik 2000). One such market, located in one of the most important public transport centres of Budapest is described in Sik (1999). Studies among people who are seasonally employed in an area of tourism around the lake Balaton, found that people with a "new work habitus" (that is, taking risks, considering higher pay and qualified work being more important than secure employment) have a much higher chance of escaping from this situation by starting small business or finding full-time jobs (Farkas and Nemes 1997).

## 2.6. New technologies and new types of flexibility

Technological progress, automation and the relocation of mass production to developing countries have changed and – according to some theorists (see Rimmler 1999) – will continue to change the meaning of work in developed societies. It is claimed that these processes will enable a larger part of the workforce to do much more creative work, requiring complex cognitive skills. In this way, it is argued, work will again resemble that of a craftsman who is not simply carrying out routine tasks but follows the entire production process through. Creativity requires flexible work arrangements and individual contracts that will bring about locational and organisational decentralisation and flexible working time as well as increased independence and more personal responsibility for workers. Creative work could be greatly enhanced by global communication networks, such as the internet.

One form of work where employee and employer communication is mainly executed via

Internet is called telework. In 1997 a public company “Telework” was founded with the participation of the Hungarian Development Bank and the Labour Ministry to promote telework and to help establish contact between potential employers and employees. The target groups were the handicapped and single mothers. This has not been a complete success story. Although potential teleworkers did appear, and their numbers were only around 15, 000 in 1998, employers were not particularly attracted by the possibility of employing teleworkers. In 1999 the company went bankrupt and was acquired by MATAV the national telephone company which continued the activity with more or less unchanged objectives. Potential teleworkers were mostly inactive members of the labour market (students, pensioners) and those seeking additional income sources or a second job (Labour Research Institute 2000). According to certain estimates some 25, 000 persons are now working in this way.

## 3. NON- STANDARD WORK AND EMPLOYMENT POLICY

The massive decrease in employment was not continuous in the 1990s; three phases can be distinguished during the decade. Between 1990 and 1994 there was a radical decrease in the number of employed, while between 1994 and 1996 the process began to slow down somewhat and in the final part of the decade, employment began to recover. Those making employment policy faced some difficult decisions during this period of transition. In the first phase, policy had to concentrate on how to handle unemployment. This was mainly achieved by decreasing labour supply (through early retirement, maternity leave etc.) and the introduction of unemployment benefit and unemployment assistance.

According to some analysts, the massive fall in employment in this first phase of transition could have been tempered by the increase of part-time employment, especially since part-time work

was very rare before transition (only working pensioners were allowed to have part-time work). A 1993 survey demonstrated (Frey- Gere, 1994) that 20per cent of full time female employees and 8per cent of full time male employees were willing to accept part-time employment, even if this meant a proportional reduction in their salaries. This percentage would have been even higher in case of a partial compensation of income losses. In particular, the more vulnerable groups of workers, such as young mothers and older employees, manifested an interest in part-time work. However, employers were not interested in this form of employment because of the relatively high labour costs, which was due to the fact that there was a substantial fixed element in employer contributions in the form of a health care tax payment (Laky, 2000). Another factor which counteracted part-time employment was family policy, which

encouraged women to quit the labour market by offering universal maternity benefits (Tímár, 1998).

Employment policy in first phase of transition, which encouraged people to leave the labour market, had the effect of also substantially increasing public spending. In the middle of the decade and especially after the 1995, the priorities of the stabilization package of employment policies had to be change. These changes were aimed at limiting public overspending by more severe entitlement criteria, by increasing the importance of active labor market intervention and by focus-

ing upon an improvement in the matching of training and employment (Pulay, 1996, Frey-Demkó, 2000). In the following section we discuss the few policy initiatives which aimed to promote non- standard work. First, two active labour market programmes will be discussed: subsidies for the unemployed who wished to begin a small enterprise, and the reduced work time programme. We also discuss the attempt to lower the labour costs of casual work. Then we go on to review how different forms of non-standard work appear in the government's employment strategy.

### 3.1. Existing programmes for the promotion of non- standard work

There are only a few active labour market programmes and programmes of the National Employment Fund promoting various forms of non-standard work. Active labour market programmes were initiated by the 1991 Act No. IV. "On the promotion of employment and assistance to the unemployed". Below we describe the programmes which concern non-standard work.

#### Subsidies for becoming self-employed

According to the 1991 Act No.IV. those registered unemployed who wish to become self-employed are entitled to a subsidy (Ministry of Economic Affairs 1999). The unemployed can choose among the following forms of assistance:

- financial aid equal to the amount of the unemployment benefit
- reimbursement of up to 50per cent of consulting expenses
- reimbursement of up to 50per cent of training expenses
- if they took out a loan applicants were offered financing for a maximum of 50per cent of insurance fees, for a maximum of one year

In 1997 only 1-2 per cent of the unemployed who were eligible, participated in this programme (Frey 1995, 1998). Participants tend to be from the

„elite“ unemployed – that is, they are middle-age men with skills or a high-school diploma. They are from families who are able to support the risks associated with entrepreneurial activity and they live in neighbourhoods, which offer good conditions for small enterprise. Small enterprises created by the unemployed are found mainly in the service sector and in trade. These two sectors make up 60 per cent of these enterprises. Two thirds of these new entrepreneurs say that they opted for this possibility because they did not have any other chance to find work. Evidence on the effectiveness of this programme is mixed. Nine months after their creation, 75-80 per cent of the enterprises were still functioning. On the other hand, studies show that the programme has increased employment by 14 per cent with respect to a control group of unemployed. There is also some evidence of the fact that a significant fraction of the participants of the programme would probably have found a job even without the programme. It is also true however that 18 per cent of these new entrepreneurs hired one or more employees, half of whom were unemployed themselves.

#### Casual work

The 1997 Act No. LXXIV introduced new regulations for casual work (Ministry of Economic Affairs 1999, Laky 2000). The main objective of this

legislation was to enable the recipients of unemployment assistance to become eligible again by working for some time. The law also made it considerably easier for employers to hire casual workers. According to the legislation casual workers could take out an annual "Casual Employee Book" free of charge. The employer pays all employment charges by putting a stamp of appropriate value (500-1500 HUF in 1997- according to the daily wage rate) in this booklet. In 1997, 6405 of such "Casual Employee Books" were taken out, while a year later the same number was 21084. This was a considerable increase, but the figures were still quite low. The largest group of casual workers were the unemployed who needed to testify a certain number of days worked in order to continue to receive unemployment assistance. This programme was not a huge success, despite the fact that employers were entitled to subsidies in terms of a reduction in social security contributions if they hired one of the long-term unemployed.

#### **Part-time work**

The 1991 Act No.IV. promised subsidies to companies who were willing to resolve their transitory difficulties by offering part-time employment to their employees rather than by downsizing (Frey 1998). If the reduction in working time attained one third of the original working time, the employer was allowed to apply for a reimbursement of up to 50 per cent of the salary of his or her employees. In 1991 this programme proved to be the most popular active labour market programme with more than 30 000 participants, which was equal to 36.7per cent of the participants in all active labour market programmes. However, the programme rapidly lost its popularity: by 1996 the number of participants was one sixth of what it had been in 1991 and the percentage in participants overall was reduced to 1.9 per cent. In 1996 the modification of the 1991 Act No. IV. abolished the part-time work programme in its original form. From 1997, a new programme was initiated, one which offered subsidies to em-

ployers with transitory liquidity problems and who had part-time employees belonging to the following groups:

- employees with small children (the youngest child under 10)
- employees a maximum 5 years before their retirement age
- employees with a 40per cent reduction in their working capacity

As we have seen, this programme was not a very successful attempt to fight increasing inactivity. Trade unions and employer organizations were both hostile to the plan and the government also preferred solutions that encouraged people to leave the labour market. Eventually, this programme was abolished.

Other active labour market programmes may also be seen as concerning atypical work. For example, the programme on public work promotes in a large number of cases fixed-term employment.

#### **Programmes of the National Employment Fund**

The National Employment Fund is a public fund of the Hungarian government, with the double aim of financing employment-enhancing projects and developing new active employment policy programmes (Ministry of Economic Affairs 1999). Among the programmes financed under this fund were projects in which the employer promised to create new part-time jobs or to hire unemployed persons returning to the labour market from maternity leave or from other inactive periods (e.g. illness). If their projects were accepted, employers were exempted from health contributions and from the travel and meal allowances they paid for these employees. It was also possible to get reimbursed one half of the training expenses of these new employees. The fund also initiated a programme to help small enterprises.

### 3.2. Directions for the future – The National Employment Action Plan

The National Employment Action Plan is a middle-term strategy for employment policy by the Hungarian government, which has been elaborated according to European Union employment policy objectives (Ministry of Economic Affairs 2000). The principal objectives of labour market policy are, in accordance with the European Employment Strategy, to achieve full employment and fight against unemployment. The objectives are to reverse the tendency towards increasing inactivity and to change the character of unemployment from long-term to short-term. Additional objectives are to help increase the competitiveness and the capacity of enterprises to adapt and to decrease labour market discrimination. Following European Union standards the programme consists of four main chapters, which focus on the question of employability, strengthening of entrepreneurial tendencies, improving the adaptability of firms and their employees, and finally the equalization of opportunities. Two of these main chapters refer directly to atypical employment. The second chapter considers ways to reduce administrative obligations and costs associated with small enterprises and self-employment. Some important improvements have already been accomplished as a result. For example, there is a special fund to finance the investments of small entrepreneurs and tax-administration has become easier. These im-

provements are to be continued in the future. The programme plans to decrease the costs associated with employment (by cutting social security contributions and taxes), to contribute to the financing of export-orientated enterprises, to promote local services and to provide a simple and efficient legal environment. Helping unemployed people to become self-employed remains a priority.

The third chapter encourages the modification of collective contracts in order to incorporate rules governing new flexible types of employment, such as part-time work. The chapter also stresses the importance of legal modifications in order to regulate atypical work forms. The programme puts special emphasis on the role of social dialogue mechanisms in this process. While this chapter seems to consider atypical employment and flexibility as an important source of employment creation, it assigns the state a passive role in the promotion of such work arrangements. The fourth chapter focusing on non-discrimination issues underlines the importance of reducing gender discrimination on the labor market. In order to achieve this goal, the programme emphasizes the importance of the access to part-time and flexible employment as well as low-cost and high-quality child-care services.

### CONCLUSION

Under socialism the main forms of non-standard work were work in the second economy, overtime work at the first job, and having a second job. Since the transition, the main form of non-standard work became self-employment, while the importance of having a second job has decreased substantially. Part-time work, which is of high importance in Western European countries was very rare before transition and did not really gain importance during the transition to capital-

ism. There is also a small part of the working population which is employed on a fixed-term contract basis or as casual workers. Based on statistical data, the total percentage of self-employed, part-time workers and temporary workers in the Hungarian workforce is around 25per cent, a level that is much lower than recorded in EU countries (Laky 2000). We have seen however, that there are problems of statistical measurement, especially in dealing with small-scale agricultural production

and casual workers. As we stated above, atypical forms of employment concern possibly many more people than are found in the statistics. In this case, policy makers' concern is for the creation of "typical" jobs. This is one reason why employment policy initiatives to promote some forms of non-standard work were modest. Employment policy was somewhat active in subsidizing self-employment by the unemployed, but it is fair to say that the promotion of part-time employment has not become a cornerstone of the fight against increasing inactivity. The largest policy effect on part-time employment (at least of the statistically measurable type) occurred as a side effect of the increase in the minimum wage at the beginning of 2001. As a reaction to the considerable increase in the minimum wage, some employers evaded rising labour costs by declaring employees as part-time employees or even changing existing labour contracts. There has been no systematic analysis of this problem but HCSO Labor Force Survey data show that in the first six months of 2001 the number of part-time employees increased by 21 per cent with respect to the

same period a year before (Labor report, January-June 2001).

Along with the employers' lack of interest due to substantial fixed costs, another reason for atypical employment not having a larger share is that Hungarians still have a rather instrumental way of thinking about work. Hungarians are not wealthy enough to be concerned with having more leisure or more creative work. The following table shows answers by employees to questions about the importance of work attributes. High pay and job security is the most important for employees while autonomy and flexible work hours have lesser and even decreasing importance. However, we can assume that despite low levels of interest in voluntary part-time work, the demand for flexible working arrangements will increase because enterprises are facing global competition and wage differences between EU and Hungarian companies will presumably decrease with accession to the European Union. As a consequence, employers are expected to adopt all measures possible to make economies in labour costs.

**Table 2. Perception and importance of different job attributes in 1989 and 1997.**

|                         | True of existing job |       | Perception as important |       |
|-------------------------|----------------------|-------|-------------------------|-------|
|                         | 1989                 | 1997  | 1989                    | 1997  |
| Job security            | 72.2%                | 47.4% | 95.5%                   | 96.5% |
| High pay                | 9.7%                 | 8.4%  | 92.9%                   | 95.4% |
| Work useful for society | 85.5%                | 78.9% | 89.3%                   | 80.3% |
| Interesting work        | 65.9%                | 63.4% | 85.0%                   | 87.0% |
| Work helps others       | 77.8%                | 73.6% | 77.8%                   | 74.0% |
| Autonomy at work        | 74.8%                | 70.1% | 77.3%                   | 77.7% |
| Flexible work hours     | -                    | -     | 70.9%                   | 49.5% |
| Promotion opportunities | 9.1%                 | 13.9% | 66.8%                   | 73.1% |

Note: N=601(1989), 626(1997)

Source: Róbert and Medgyesi (1999). Data from ISSP Work Module.

The question about the evaluation of job with respect to flexibility of work hours has been asked differently, and this is why responses are not comparable with responses regarding other job

attributes. Responses were coded on a five-point scale. Here only the upper two categories (absolutely true, true and very important, important) are reported.

## NOTES

- 1 The author is grateful to Endre Sik for very helpful comments. He has also benefited from help of Teréz Laky, Mária Frey, Ágnes Simonyi, János Kutas, János Tímár and Veres Lászlóné during the preparation of this paper. They aren't, of course in any way responsible for remaining errors.
- 2 Hungarian firms were characterised by selective wage bargaining in which informal groups, formed by workers with the most firm-specific skills and the best relations were in the best positions (Stark 1986, Kalleberg and Stark 1993). Time spent at the enterprise, age and skills did influence the possibility of individuals to become members of informal groups with stronger bargaining capabilities but not on the basis of formalised mechanisms, as in Western firms. This is a crucial difference between Western-type internal labour markets and those in socialist companies.
- 3 These strategies are well described in the the functioning of a textile manufacturing plant by Köllő (1982).
- 4 Because of increasing unemployment, fluctuation, that is frequent job changes are no longer a strategy for achieving higher pay. Excess supply on the labour market, especially concerning occupations for which fluctuation was a fruitful alternative before, constrains the possibility of job changes.
- 5 This of course does not mean that transactions in the informal economy are all illegal, although some of them are.
- 6 There are severe problems in the measurement of the extent of atypical employment in Hungary. There are two main factors at the origin of this problem: one is that legislation and consequently statistical measurement is still mainly suitable for the "typical" job. Definitions were not adapted to fit these new types of employment. The second difficulty stems from the fact that many activities which take the form of atypical work arrangements do not appear in statistical figures, simply because they are part of the "informal" or "un-organized" part of the economy. Casual work is a paradigmatic case for this kind of problem.
- 7 These data however are not suitable for discussing illegal or black employment.
- 8 There is some measurement error in these figures as well. Only an estimated 45per cent of those who declare less then 35 working hours are effectively workers whose total employment time fell into this category. Others work less then 40 hours because of other reasons.



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