Some Sociological Aspects to an Analysis of the Labour Market, Employment and Unemployment in Hungary 1989 - 1990

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I. The trends in employment and characteristics of the manpower market policy

The main outlines of economic policy in Hungary in the near future are now clear and a consensus has been reached on the more important issues among the future policy-makers, actors and interest groups in the economic system.

In keeping with economic logic and the declarations made by actors in political life, it is to be expected that the organizational forms at present prevailing in the economy and the system of guidance that is crippling the economy will be dismantled and a radical transformation will take place in the forms of organization and ownership in agriculture. The plans and ideas that have been put forward also involve the labour market and the state employment policy. In places the economic plans and political programs deal only incidentally, as an afterthought with the labour market and the new type of management of the system of human knowledge and skills. However, this is a key question for the change of system, in a two-fold sense.

On the one hand, without a new model for the utilisation of intellectual capital and skills there can be no new and operable society. On the other hand, if the system of employment policy instruments elaborated and applied by the old political power is maintained in unchanged form it could give rise to serious conflicts. It could easily happen that even the attempt to create a democracy is placed in jeopardy.

The economic changes fundamentally influence the scale of the manpower movements. According to some calculations (for example, in the estimation of the former trade union research institute) the restructuring will involve approx. 1,200,000 employees, while the state forecast gives a figure of 700,000. Naturally, this figure does not represent unemployed, but those affected by the economic restructuring. Despite the attraction of big numbers, it must be said that only one quarter of employees are involved; in other words, in view of the dead—end nature of the present employment structure, the figure is normal and realistic in the scientific sense.

Employment tensions have arisen in the following occupations and social groups:
- unskilled and semi—skilled labourers,
- skilled workers in certain trades,
- first—time job—seekers,
- women,
- those living in certain geographical regions,
- office and administrative workers.

The strata affected by manpower market conflicts are similar to the social groups recorded in Western Europe. However, this trend is no more than an interesting analogy since there
has been no significant change as yet in the trends in manpower utilisation in Hungary, that is, in the forty—year practice of the resource—limited shortage economy. Moreover, the characteristics of Hungarian society can also be found in the case of the "problem groups" indicated.

- The employment difficulties of unskilled and semi—skilled labourers are an indication of the beginnings of more rational manpower management in the enterprises. They also indicate the end of the practice of the industrial utilisation of manpower followed in the past forty years. The industrial structure following the Soviet model was based on simple, not too complicated, unskilled work, on (raw) manual labour that could be involved in work quickly and in large masses. This stratum has a low level of schooling and the majority were on the periphery of society and the work organization. With the loss of their jobs their integration in society is also threatened.

- The beginnings of economic restructuring is reflected in the situation of skilled workers. The sectors that up to now had been given priority by the ruling elite and into which they invested billions in physical and intellectual capital, are now being scaled down because of their inability to compete on the market. The skilled workers employed here are now in a critical situation since they have lost their special position that was maintained with "political preferences" and in many cases involved substantial privileges. Their knowledge, skills, occupational experiences and expertise have suddenly lost their value and their position will probably sink down to that of unskilled manpower. The rigidity of Hungarian vocational training and its structure aimed at excessive specialization is unable to halt this devaluation. The Kádár regime relied on this working class (too) to a considerable extent in its so-called "social consensus" and as a result this group could become a target for demagogic extreme left—wing (or right—wing??) political organization.

- The problems of first—time job—seekers are among the most difficult and serious problems of the Hungary of the future. Some observers consider that even if the demand for restructuring had not arisen or the economic crisis had not deepened, the employment problems of young people beginning their careers would have broken down the framework of the institutional systems of traditional employment policy. The so—called "demographic policy" decisions of the past decades are to be found in the background. The demographic law of the Stalinist period (the ban on abortion), followed by the introduction of the child—care aid system (under which mothers received a monthly fixed allowance from the state until their children reached the age of three years, so that they did not have to work during this period) resulted in very substantial demographic peaks which appear cyclically; in the first half of the nineties more than 200,000 new (young) job—seekers will enter the labour market.

- The situation of women employees in Hungary is serious. While the employment level for women is high, their incomes are low. Female labour is heavily represented in simple manual — mainly semi—skilled — occupations and in administrative and clerical occupations. The experiences of recent years show that women employees were affected to a higher than average extent in enterprises where dismissals were carried out.
The cause of the employment problems emerging in certain geographical regions is complex. They are caused on the one hand by the imbalanced structure of Hungarian industry, the territorial concentration of the gigantomanic investments of Stalinist industrial policy and on the other hand by the employment monopoly of big enterprises based on heavy industry weighing down on certain regions. At the same time there are areas with scarcely any job opportunities. For these reasons, the effect of the dismissals occurring as a consequence of the economic restructuring are also concentrated regionally and are creating "critical employment zones" in the country.

The situation has become critical and uncertain for administrative and office workers because the practice to date of economic and social management created a vast bureaucracy manned by an army of administrators and bureaucrats of all ranks (representing almost one quarter of all employees). The reduction of the central role played by the state and the rationalization of the state administration is affecting the labour force operating the machinery of bureaucracy (half of whom are women) on a mass scale.

These trends also mean that the employment tensions concentrated on the periphery of the labour force have lost their "peripheral" nature. The new employment groups being affected (skilled workers, administrative employees) clearly indicate the trends that can be expected in the nineties. The possible collapse of a few labour markets must be anticipated and together with this the failure of the instruments that were intended to eliminate the negative impact of manpower market movements (unemployment aid, retraining support).

In the nineties the systems of manpower market instruments that have become dysfunctional and/or are no longer operating must be replaced by institutions, manpower market networks and bargaining systems designed to guide and manage not only unemployment but also the processes of manpower movement that are part of a flexible labour market. It is of vital importance to create a new type of cooperation among the partners on the manpower market, decision-making and power situation, based on new rules, principles and values. There are two conditions for successfully achieving this. One arises from the functioning of the political system and the other is based on the economic upswing, the – promised and hoped for – development of entrepreneurial activity.

The radical change of the political system (a mere change of government is not enough for this since structural relations are involved) can provide the basis on which the collective interests of groups of employees can be formulated freely towards the given employer partner, on which public administration can function as such rather than ensuring substantial benefits for employers and owners as the instrument of different political and economic lobbies, and on which the political control over the manpower market can be dismantled.

Even at the end of the era of socialism, the state manpower market policy was not linked into a complex, fully elaborated and widely accepted (and legitimate) government strategy. The institutions and measures of this policy were an integral part of a "passive manpower market policy" and not of an "active manpower market policy".

The creation of the institutions of the manpower market has been started with rapid strides in the past one to two years. These institutions were born in the political logic of
the state manpower market policy that prevailed in the past forty years and for the most part were created in the panic of fear of unemployment and under the pressure of the tactics of political manoeuvres of the moment.

The main characteristic of the passive manpower market policy is that it concentrates on maintaining a given situation, financing this with the distribution of sources created in the course of power bargains, internal and secret agreements. In this policy, neither those directly concerned nor the organizations representing them play any role at all and this would also be in contradiction with the logic of the functioning of bureaucratic power. In this model, all the activity comes from the state bureaucracy which does not take into account the trends of the main interest systems in society.

The interpretation of the employment situation would be false if it failed to consider the institutions which managed the macro and micro processes of manpower utilisation. The most important of these is the institution of the manpower market. In Hungary — just as in the other countries of Eastern Europe following the Soviet "model of socialism" — the manpower market did not function or, if certain forms of it (regional, occupational) emerged, they were kept under continuous political control. The official ideology of the communist party denied the nature of labour as a commodity, and on the grounds of various socialist and humanist values failed to create the institutions of the manpower market. However, what was actually hidden behind the ideological arguments was the interest of the group exercising political power. Independently of the bargaining mechanisms of the manpower market, under the guise of ideology, the (communist) party and state bureaucracy concentrated in its own hands the setting of the wages and value of manpower.

The elimination of the manpower market was one of the conditions enabling the ruling political elite to ensure for itself an ever growing share of the socially produced surplus value (as wealth and as "capital" to be invested). The manpower sold below its real value provided the economic basis for the ruling elite; it was the condition for the power that the elite exercised with its "vocation" of distributing the surplus value produced. In the absence of a free manpower market, employees' interest coalitions or organizations coordinating a collective stand by employees, or genuine interest representation organizations (trade unions), which could have formulated employees' strategies to oppose the goals and interests formulated by the political leadership, and thus could have influenced the distribution of social surplus value, or could have shaped another form of its utilisation, simply did not come into being. But the institutions "organically" created in the course of the (normal) operation of the manpower market cannot be incorporated into the mechanisms of the dictatorial political system either. One of the functions and purposes of this political system is precisely to exclude the employees' interests and to neglect the institutions representing employees' interests.

Among the manpower markets, "relative autonomy" was enjoyed by the "internal labour market" functioning within certain large producing organizations, principally as a consequence of the secial bargain between the political elite and the big enterprise management stratum. It emerged in those industries which occupied an outstanding position
in the economic conceptions of the ruling political elite and on which it relied in the exercise of its political rule (engineering industry, foundry industry, mining, energy). The collapse of this big enterprise and industrial structure under the impact of the current crisis has also meant the ruin of the internal manpower markets that had been functioning with relative autonomy. Employees who had played a central role—and thus had a good bargaining position—in the internal manpower markets due to their position in industry, can now easily find themselves without a job and forced to face the failure of their occupation and skills.

II. The possibility for a solution: an Active Manpower Market Policy

The attempt to create a manpower market will be a focal point of social conflicts in the nineties. Not only can resistance be expected from lobbies that had hitherto exercised power, but the efforts of the old-type trade union movement generating confrontations (in coalition with forces within the old big enterprises and machineries) must also be anticipated, together with the resistance of the new owners in the economy (there are already Western European companies operating in Hungary that deprive their workers of the right to form a trade union), and the workers’ demands for wage increases that will not tolerate the discipline of wage bargains based on solidarity.

Flexibility of the manpower market requires not only that the political—institutional—requirements be met, but also, on the one hand that there should be a propulsive industry within the economy or the demand for an activity that makes it unnecessary for the great majority of the labour force to ensure careers on hold, and on the other hand that the state (and other social partners) guarantee for the mobile manpower the stability conditions which enable and encourage manpower to enter the dynamic manpower market. In this connection, the trend of economic processes is particularly important since an economy which is stagnating or sliding downwards, drifting from crisis to crisis is unable to offer alternative employment models or to ensure the necessary resources for the functioning of the manpower market.

A multi-tiered program of action can ensure the successful solution of conflicts. The most important element in such a program is the creation of the institutions, values and structure of an Active Manpower Market Policy (AMMP). The term AMMP is used here for a manpower market policy that breaks radically in its operating principles from the employment policy pursued to date and which also builds up its system of employment policy instruments and institutions in a different way. It is used to mean a manpower market policy that is pursued at government level rather than simply dividing up the funds through official regulations and secret bargains in keeping with the bureaucratic interest of the different ministries and government organs. This manpower market policy is not state-centric, but on the basis of the autonomy of the different social actors, it defines and regulates the decision-making conditions for the different actors. Its programs reach the different groups affected while, at the same time, in the field of strengthening the economy it links the employment processes with the restructuring of industry and the economy. The
AMMP makes use of the instruments that ensure flexibility of the manpower market in a complex way, operating a varied system of part-time employment, unemployment insurance, loan constructions, etc.

The basic question of the AMMP is the problem of the problem of the partners in cooperation. The AMMP guarantees the network of different bargaining positions for the partner. In this system the social partners have at their disposal numerous possibilities for allocation, conciliation, decision-making and action in the course of which they form a non-hierarchical link with the state. The harmony and congruency of regulations and institutions a system of inter-linking and separate multi-tiered forms of legal, political and social regulation are all part of the AMMP.

In addition to the AMMP, welfare policy also establishes its own areas and programs and shapes its own profile. Only in this way is it possible to separate the tasks of manpower market policy and welfare policy.

Studies making an international comparison of AMMP show that a great number of different solutions, varied and differing forms have arisen. The countries successfully applying an AMMP relied to a great extent on their own national traditions, on the consensus achieved in the course of history and social practice that filled the framework of the democratic political and economic systems. The historical experiences were embodied in such concrete institutions and experiences as the behaviour of the trade unions in connection with the AMMP, or the norms and values of a labour market policy of solidarity.

The unique and varied practices within the different countries have shaped a many-sided, complex and rich, but at the same time interlinked division of labour between the government (at national, provincial and local levels), the trade unions (and their federations), the employers (and the bodies representing their interests) and the groups of employees. Institutions, instruments, services, programs and goal systems intended to influence the labour market processes, all of which have a special character but are intertwined, operate at the different levels of society and in different action systems.

Following this model-type description of experiences drawn from a social environment differing from that in Hungary, the question must be raised of how much of this can be adapted to Hungarian society.

The ruling stratum of the Stalinist period — and its successors — were unable either to formulate or to elaborate an Active Manpower Market Policy, since the indispensable basis of an active manpower market policy, the creation and operation of a democratic state-political structure representing social partnership, was entirely lacking from the activity and viewpoint of those exercising government power.

An Active Manpower Market Policy is especially important at a time when economic stagnation appears together with employment problems. For this reason, a program of economic stimulation must form part of the employment programs. But the congruency of government institutions and measures is also important at a time when financial restriction (a system of taxation and income levies) is preventing the unfolding of private undertakings and thus dashing all hopes attached to the creation of jobs by private businesses. Only an
Active Manpower Market Policy can produce results in what can be anticipated as the areas of increasing tension in employment.

An Active Manpower Market Policy is needed because of the economic and political restructuring, in view of the large numbers involved as already mentioned. A state strategy that simply follows the employment processes and accepts the situation of the unemployed is not sufficient for the guidance of these large movements and the management of the accumulating human and family problems.

One of the prior conditions for the creation of an AMMP is radical political and economic restructuring. While logically it would appear that the market economy does not require an employment policy based on state activity, in practice there can be no market efficiency without an AMMP.

In the following a number of systems of conditions for the creation of an AMMP are considered.

A. The state:

Numerous prior conditions of state government have already been mentioned, as negative criteria, in the criticism of the present labour market policy. Without danger of repetition, these can be supplemented with the following:

- The creation of harmony in the system of state organizations (government machinery).
  If the interest of the different government bureaucracies continues to prevail, there is no possible chance of achieving an AMMP.

- A change in the role played by the state, as an important and indispensable requirement. What is meant by change of role is that the state must approach the manpower market tensions not in keeping with the demands of power and operating its instruments for the exercise of power, but rather it must play a role of providing service, concentrating on problem-solving.

- The social partners are as yet scarcely visible. However, an AMMP is not possible without partners. Indeed, it is precisely the many-sided and varied partner relations that form the essence of the AMMP. It is probable that the actors embodying the most important group interests will remain in embryonic form for a long while to come in Hungary. And the established, existing and institutionalized groups embodying interests do not have the possibilities for action in all cases to which they would otherwise be legally entitled.

- In the light of all this, there is a need to review the so-called "employment policy" instruments that have been developed and are operated according to the principle of bureaucracy. As a consequence of this re-examination, the bureaucratic methods that are based on the exercise of power must be eliminated and reshaped to meet the requirements outlined above.

- One of the most important requirements is the creation of employment guarantees. These guarantees, that would represent security in the case of loss of employment, can create the conditions for flexibility. There can be no flexibility without stability.
One of the most important tasks in the creation of the AMMP is to achieve harmony between the system of financing, welfare policy and employment policy. It is therefore necessary to carefully consider, create and give freedom of action to the insurance system non-profit undertakings and profit-oriented undertakings. If the government will for this does not exist and the interests of the different ministries predominate, this requirement will remain a mere illusion.

On the input side of the manpower market the AMMP finds itself faced with one of the questions that are the most difficult to manage in Hungary: the problems of vocational training. A system of training and retraining, providing training in modern, economically dynamic occupations is an essential element of the AMMP. But even the outline of these can as yet barely be seen. In their place, there are "propulsive trades" determined by administrative methods, training forms created by official decision, vocational training based on state action and big enterprise organizations. The current retraining practice is nothing but a supplementary source of funds for the perpetuation of a bad, uneconomic system of vocational training that has been unsuccessful for decades.

Stronger decentralization is needed in the utilisation and distribution of resources. Naturally, autonomy of the local levels can only be ensured with the full and radical reform of public administration and the political system, but there are already bodies and institutions in existence which, if given access to appropriate resources, are capable of casting aside the centralized approach and thinking.

One of the most difficult tasks in the creation of the AMMP in Hungary is creating the conditions of "awareness" — expressed in values and norms — which are needed for both the acceptance and functioning of the AMMP.

B. The private economy:

Many researchers who have studied our economy consider that the only dynamic, job-creating system in the economy is the small and medium-sized undertakings. As we have already noted, the figures, statistical series and facts confirm this view. It would appear that the dynamic economic actor needed for the AMMP has emerged and will strengthen in time. However, if it is to play a stronger role than it has so far, certain — not insignificant — operating conditions must definitely be changed.

There is a need to normalize the legal status of workers in the private sector — and in general the regulations influencing the employment fate of those working here; for example, whether a person working in this sector is to receive severance pay (and from whom) if an undertaking is liquidated, who is to sign the collective agreement in this zone where there are no trade unions, and how collective workers' rights will be regulated.

Small businesses and private undertakings must be ensured equal standing with the state enterprises, for example, in the case of retraining supports or training programs. In general, training and retraining programs must be transferred to this sphere, for if a dynamic economy is to be created in Hungary it will almost certainly emerge from small
businesses and the private sector. It is highly unlikely that any other sector is capable of formulating the criteria of modernity in shaping the system of vocational training and skills.

C. The trade unions:

The trade unions too bear great responsibility in the solution of the employment problems and in the creation of a new manpower market system. There is a demand and possibility for trade union employment agency services and for the creation of a trade union system of training and retraining. It is also up to the trade unions to create and operate a system of forums for the representation of interests and bargaining (interest coordination), and to play a role as partners. All this cannot be achieved overnight since a new type of awareness is needed for these new tasks.

The trade unions need to act and take a stand on their own on the different manpower markets. The tasks include creation of the institutions and information systems needed for the flexible operation of the white-collar manpower market, and the creation of alternative employment services and alternative employment where intellectual capital can be utilised efficiently and in a manner guaranteeing a livelihood. On the internal manpower markets a strong bargaining position should be created and strong influence achieved in the employment processes (both horizontal and vertical) through the strengthening and reorganization of positions. On the macro level manpower markets, relying on the autonomy of the trade unions, there is a need to create independent employment instruments (foundations, non-profit undertakings, regional employment agencies, etc.), mechanisms and institutions to give flexibility to the input and output sides of the manpower market.

The most important of the tasks is to ensure the management of unemployment and for this it is not sufficient merely to struggle against dismissals. It must also be taken into account that the institutional system of the manpower market itself needs manpower and represents a demand opening up new employment opportunities fundamentally based on the new type of skills (e.g. white-collar skills). Consideration must be given to the forms in which intellectual capital can be operated most efficiently and every effort must be made to set up these forms.

The trade unions must set up a system of guidance to manage their own employment policy and operate their organizations at the level of a professional service. The tasks that have to be carried out will exist over a longer period, probably for decades.

III. The chance of the DUAL SOCIETY

There seems to be very little possibility of an economic upswing in the first half of the nineties: there is only a chance for this after a very far-reaching and radical restructuring of the economy and society. For this reason, the first half of the nineties are regarded as the "black years" of employment policy. It may be possible to launch a complex new course for the utilisation of manpower affecting the whole of the employment system in the
second half of the decade. Possible innovation in employment policy and the new, already emerging processes in manpower utilisation are unable to neutralize this trend since the time required for an economic breakthrough coincides with the period of change in manpower market policies.

The large-scale manpower movement of the nineties finds itself faced with the ruins of an ill-conceived and dysfunctionally created employment policy. Progress from this stage is only possible by the middle of the decade, and even then only if the institutions and socio-economic processes that form the enviroument of the manpower market are switched to a fundamentally different course. Until then, employment policy remains a short-term instrument for placing large masses of manpower on hold, withdrawing labour from the manpower market, slowing down entry into or accelerating departure from the manpower market.

A manpower market based on the requirements of the economy (and there is no other possibility, no other path) could split the societies of the manpower markets. The groups of employees will become more strongly differentiated in the future, and if new institutions of the employment system in keeping with the modern societies are not set up, the so-called "DUAL SOCIETY" could easily come into being in Hungary.

Peripheralization is a phenomenon found practically throughout the course of Hungarian history since the unsuccessful attempts at modernization accumulated this tendency. The breakaway from Europe (from the centre) strengthened from 1945, since this break appeared not only in the structure of society but in every aspect of its institutional system too. The dual peripheralization became so obvious in the eighties that the demand to catch up and become part of the European centre figured prominently in the programs of the political parties.

The unemployment that is appearing cannot be interpreted merely on the basis of (economic) theories and descriptions that follow the movement on the manpower market. The key to answering the questions is the sociological concept of "structural unemployment". According to this, the social group of unemployed is produced by the permanent and complex crisis of the institutionalized mechanisms of society, the power structure, the economic institutions, the way of life and values. By applying the concept of structural unemployment, other contradictions that can be observed in the employment structure of Hungarian society today can also be resolved; for example, the loss of status is the consequence of the overspecialized training among other things, and the slowness in the movement of manpower is (also) the result of the effect of the political rule that punishes all flexibility. The groups affected by structural unemployment come from among the poor, and the society of those affected by unemployment as a permanent way of life comes into being from those who have drifted to the periphery.

The social group of the structurally unemployed is recruited from among those manpower market and social groups whose situation within the work organization carries no weight, whose bargaining ability is low, whose mobility/ fluctuation has been very high up to now too, and who have been unable to maintain their position within the integration network of society because of their lack of training, low social and organizational
adaptation. It can be expected that this group will fall even further behind in the nineties, experiencing even greater social and economic exclusion, since even the expanding, dynamic economy (or precisely for this reason) will not provide them the possibility to find a place in the new structure of social activities. Whole generations will live at this level of existence since the dysfunction in the social integration of these groups is reproduced and accumulates for generations.

The other group of structurally unemployed comes from those groups of employees whose loss of status began with the collapse of the "internal" manpower markets of the Hungarian economy.

It is well known from research that unemployment means not only material, existential and professional handicaps and problems, but also a loss of values, human, moral, psychological and health problems that cannot be overcome without outside help. This is especially the case in Hungarian society where, for forty years, the official propaganda and ideology drummed into people the values of full employment and loyalty to the workplace. And the attempt at ideological indoctrination was not an isolated phenomenon: the manpower utilisation practice was backed by numerous regulations and provisions. The dismantling and restructuring of all those not only brings with it the possibility of a loss of values, but also a great number of problems of human existence.

Foremost among the human and social problems is that unemployment will become a lasting way of life within certain social strata. Those manpower groups which have been socialized so far to the post—Stalinist economic and social structure and whose manpower market situation can be described with the characteristics of immobility, face a particularly harsh test. The system of knowledge and skills characteristic of the manpower group and the human, psychological (and moral) values had meaning for them only within a given system of relations — and one that was doomed to obsolescence, — and their capability to function was demonstrated only within this system too. At the same time, this system of values and knowledge which was capable of functioning, also contained numerous elements of a handicapped social position and lagging behind even in the post—Stalinist social structure. The handicaps continue to exist and are being reorganized and, within the framework of economic inadaptability are assigning these groups a position on the periphery of society (and together with it, a state of lasting unemployment).

It the history of Hungarian society, this is the condition — and it will almost certainly be a condition of unemployment — of the social group which, in its existence, movement and social path, suffers and tolerates the tragic and heart—wrenching fate of lagging behind society and being forced to the periphery. The programs to combat unemployment do not offer them a chance either of entering employment or of social advancement. The programs against unemployment could easily perpetuate their situation since the social quality of their skills falls outside the manpower requirement of the modern economy.

Unemployment will be the vehicle of the appearance and emergence of the "dual society". At the same time, the illusion is already being formed that it is sufficient to take a stand against unemployment, sufficient to restructure the employment policy to improve the position of these social groups. What can help is complex and well—designed pro—
grams, carefully considered and consciously pursued employment strategies and a refined welfare policy.

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