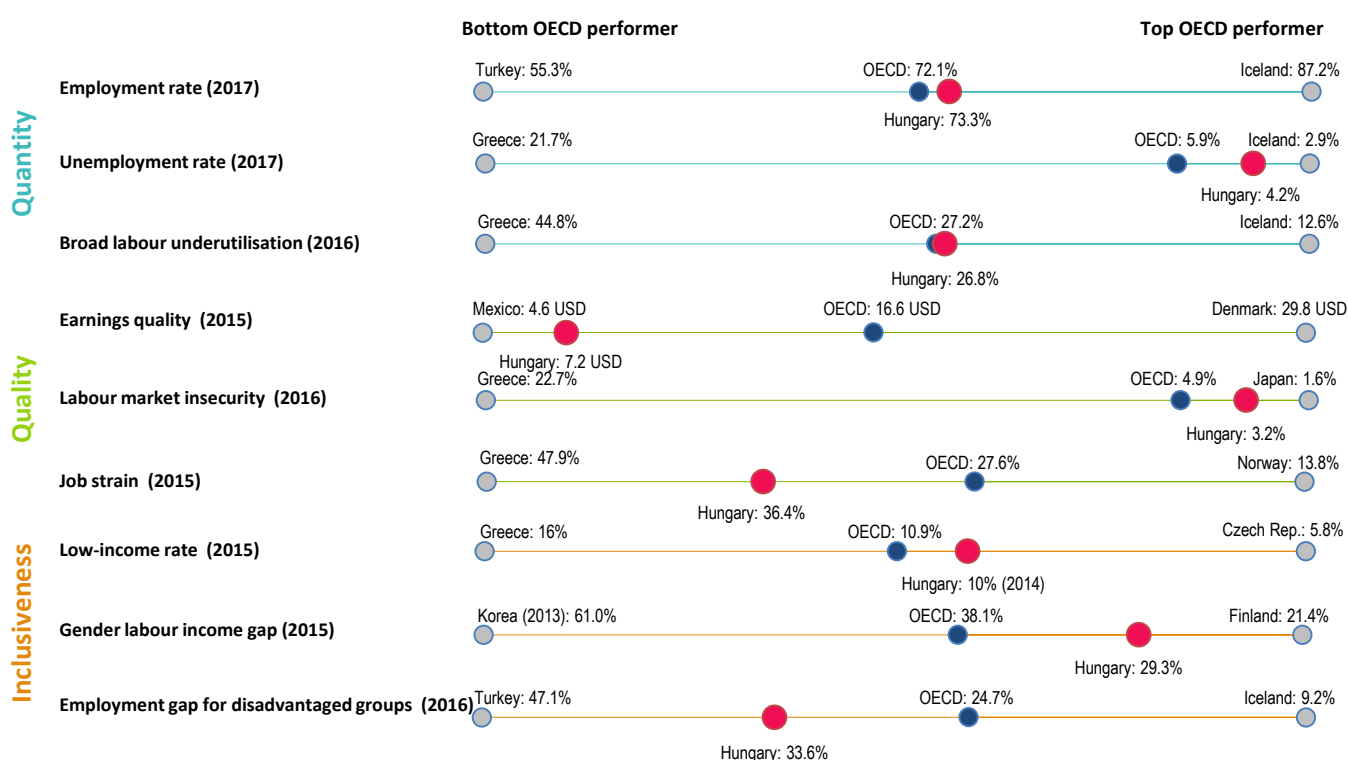


How does HUNGARY compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new *OECD Jobs Strategy* provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Hungary



Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all

indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Hungary scores above the OECD average on two indicators of job quantity, the employment and unemployment rates. Robust economic growth since 2016 has supported employment creation, attracting more people into the labour market. However, poorer and rural regions are benefiting less from the expansion. In those regions, employment rates have



been boosted by the extensive use of public-works schemes. Labour underutilisation is slightly above the OECD average. This reflects that almost 3% of the working-age population is enrolled in public works schemes, but this effect is somewhat offset by the fact that the employment rate of workers aged 55-64 is just 52.7%, below the OECD average of 60.8%.

- Labour market insecurity is comparatively low because of a relatively high replacement rate in unemployment benefits. On the other hand, the benefit period of three months, which is the shortest in the OECD, does not provide sufficient search time for new employment. However, job seekers may integrate public works schemes to continue to receive benefits. Job security is also supported by the fact that courts tend to favour employees in labour-market disputes related to lay-offs.

Earnings are among the lowest in the OECD, as Hungary's economy is still emerging from the crisis. Finally, Hungary has a relatively large share of workers experiencing job strain among OECD countries.

- Hungary scores well for the income-side of labour market inclusiveness, reflecting a fairly even income distribution and a comparatively small gender income gap. On the other hand, the employment gap for disadvantaged groups, such as mothers with children, youth, older workers, and persons with partial disabilities, remains higher than in most OECD countries. However, the employment gap has improved in recent years, partly thanks to strong economic growth and possibly also as a result of the 2013 Job Protection Act which provides tax incentives to employers who hire people with a weak connection to the labour market.

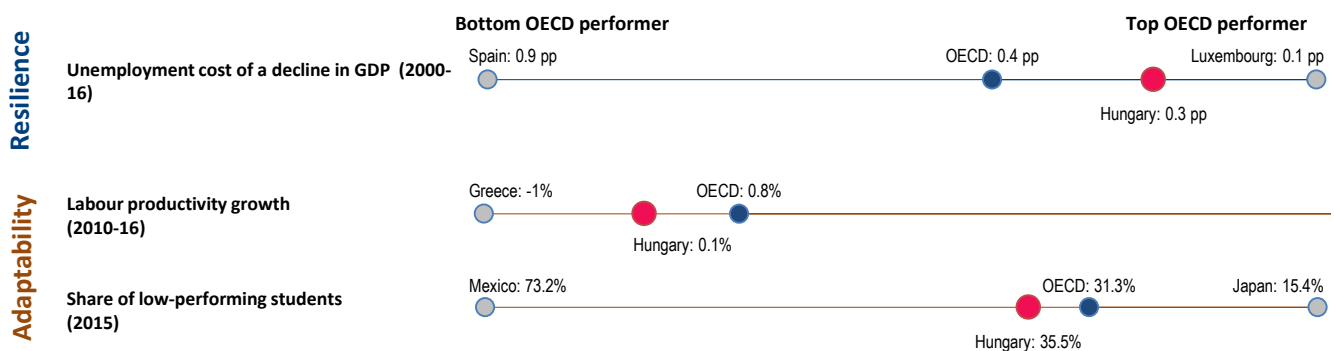
FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key precondition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Hungary performs slightly better than the OECD average in terms of labour market resilience, as a negative shock to GDP is only partially transmitted to higher unemployment. This partly reflects the existence of public work schemes which absorb a substantial share of the long-term unemployed.

- Labour productivity growth is low, reflecting a slow-down in business investment in the aftermath of the international financial crisis, regional disparities in the implantation of industries with links to international supply-chains, and slow uptake of new technologies, including digitalisation. Low productivity is further exacerbated by educational outcomes that are poorly matched to the labour market, and low labour mobility that reduces the efficiency of labour reallocation and leads to pockets of low-skilled, underemployed workers in remoter parts of Hungary.
- Student skills are below the OECD average, with the education system being characterised by high inequality, and strong selectivity early in the education system. This reinforces the effects of student's socio-economic background, leading to an excess of low-skilled workers with poor labour market prospects.

Framework conditions for Hungary



Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).