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VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN HUNGARY

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EXECUTIVE SUMMARY

The country monograph on vocational education and training and employment services provides a baseline for the assessment of progress in implementing the priorities identified in the Joint Assessment Paper on Employment Policy

(JAP) agreed between the government of Hungary and the European Commission. Current EU policies based on the Lisbon conclusions, such as the lifelong learning initiative, and the European Employment Policy set the framework for the analysis.

1. THE CONTEXT

1.1 ECONOMIC DEVELOPMENT

	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP index (1989=100)	82.4	81.9	84.3	85.5	86.6	90.6	95.1	99.3	104.6
Industrial output (%)	-9.7	4.0	9.6	4.6	3.4	11.1	12.5	10.7	18.0

Source: Central Statistical Office, Hungary

■ **The Hungarian economy is a functioning market economy.**

Between 1995 and 2000 GDP and economic output (productivity) increased faster in Hungary than the average growth rates of the member states of the European Union, but from a much lower base (€50.3 billion or €115.1 billion purchasing power standard (PPS) in 2000)¹. The relatively low growth rates in GDP recorded in 1995 and 1996 reflect the impact of the austerity measures introduced in early

1995. Labour productivity showed negative growth in 1997 and 1998 and low growth in 1999, but in other years during this period growth was strong.

- In 2000 GDP per capita in Hungary (11,500 PPS) was 52% of the EU average², but this figure disguises substantial regional disparities. In the South Great Plain and the North Great Plain GDP per capita was less than one third of the EU average in 1999³.
- Three quarters of Hungary's exports go to EU markets⁴.

1 Eurostat

2 ibid.

3 Central Statistical Office, Hungary

4 ibid.

	1995	1996	1997	1998	1999	2000
Unemployment rate (%) ⁵	10.2	9.9	8.7	7.8	6.9	6.6

1.2 KEY EMPLOYMENT AND LABOUR MARKET DEVELOPMENTS

- **The unemployment rate has decreased substantially since the mid 1990s and has been below the EU average for nearly all that period.**

The decrease in the unemployment rate since 1995 is greater than in any of the other Central and Eastern European acceding and candidate countries and in many EU member states during the same period. However, there remain regions (South Great Plain, North Great Plain and Northern Hungary) in which unemployment remains high, with black spots as high as 25%. These regions suffer from a lack of foreign direct investment, poor transport infrastructures and the out-migration of skilled workers to the more prosperous western regions.

- Unemployment data continue to demonstrate the vulnerability to unemployment of the poorly qualified. In 1998 unemployment rates amongst the population aged 25–64 varied between 1.4% for those with tertiary qualifications, 5.8% for those with upper secondary education and 11.1% for those with less than upper secondary education⁶.
- Activity rates remain low (59.9% overall; 67.6% male and 52.5 female)⁷, particularly amongst the female population and the 55–59 age cohort. These figures are below the EU average (69.0%) and below the rates for any of the other Central and Eastern European acceding and candidate countries. The 55–59 cohort are often low-skilled and unable to adapt to the changing demands of the labour market.

Only 11% of the 15–19 age cohort are economically active, but this may be explained by the extension of compulsory education to the age of 18 and consequent high participation rates in education.

1.3 DEMOGRAPHIC DEVELOPMENT

- **The Hungarian population is ageing.** In 1999 around 12% of the total population of 10.1 million was in the age group 5–14⁸ – the same percentage as in the Czech Republic and close to the OECD average of 13%, but somewhat less than in Poland (15%) and the Slovak Republic (15%). The youth population (15–19 year-olds) was 7% of the total (as in the Czech Republic and on average in OECD countries), a little less than in Poland (8%) and the Slovak Republic (9%). **Both age groups are projected to contract** in the period up to 2010, when the 5–14 age group will be only 79% of its current size, whilst the 15–19 age group will have contracted by about 8% (i.e. will be 92% of its current size)⁹. **The size of the young adult age group (20–29 years) is also projected to contract** over the next decade, and by a greater degree (22%)¹⁰ than the same age group in the Slovak Republic (6%); the same age group in Poland is projected to grow by 4%. The OECD average is a 7% contraction and the Czech Republic a 21% contraction¹¹.

2. FOUNDATIONS FOR LIFELONG LEARNING

- While the Adult Education Act (2001) provides the legal framework for the

⁵ Eurostat

⁶ OECD Employment Outlook, 2001

⁷ Eurostat

⁸ Central Statistical Office

⁹ *ibid.*

¹⁰ *ibid.*

¹¹ Education at a Glance, OECD, 2001

provision of lifelong learning opportunities, **the concept of lifelong learning is not well-embedded, particularly at county and municipality levels.** There is little understanding, at this level, of the implications of a lifelong learning perspective on training opportunities.

A holistic approach to promoting lifelong learning is being adopted insofar as initial and continuing vocational education are linked through a common qualification instrument, the National Vocational Qualification Register (NVQR). However, the links between the two sectors remain weak in implementation due to a lack of cooperation between the line ministries and, at county and municipality levels, their respective agencies and councils.

There have been three significant initiatives in Hungary that have the potential to promote lifelong learning.

- The nine Labour Market Development and Training Centres have the potential to become regional centres of excellence in the provision of lifelong learning opportunities. In some instances this potential has already been realised.
- The Development and Training Fund, financed by a specific contribution from enterprises, is a sub-fund of the Labour Market Fund and is used to finance the training of employed people.
- The NVQR provides a unified qualification system.

2.1 PARTICIPATION IN EDUCATION AND EDUCATIONAL ATTAINMENT

Educational attainment levels are relatively high. Two-thirds of the population aged 25–64 in 1999 had attained at least upper secondary education, with 40% of the age group gaining the *maturita* and 26% not. The Hungarian rates for upper secondary

education are above the EU average of 60% and above Poland at 54% but below the Czech Republic at 87% (Portugal 21%, Spain 35%, Italy 42%, Greece 50%, Ireland 51%)¹². In the 25–34 cohort 80% have at least upper secondary education (ISCED 3). Some 13.5% of the 25–64 cohort had attained a tertiary level qualification, which is close to the OECD average of 14%¹³, but somewhat below the EU average of 21%. These figures contrast with rather low results in the International Adult Literacy Survey, which indicated that only one third of the adult population had prose literacy scores at level 3 or above (OECD country mean 53%, Poland 24%, Czech Republic 58%)¹⁴. However, the more recent PISA study reports that 52% of 15 year-olds had reading skills at level 3 or above (OECD country mean 61%, Poland 53%, Czech Republic 58%). This suggests that the lower skilled are amongst the older age groups.

- Since 1990 there has been a substantial shift away from the vocational school programmes towards secondary general and secondary vocational programmes (leading to the *maturita*), which now cater for more than three-quarters of all secondary students. **This represents a major shift towards educational programmes leading to higher qualifications.**
- **Participation in and provision of vocational education and training (VET) is high in Hungary, although lower than in Poland.** In 1999/2000 475,000 students and trainees were trained in 1,521 institutions, of which 1,229 provided some vocational training programmes (81%)¹⁵.
- **The dropout rate** from VET has been reduced from 15.3% (1995) to 3.1% (1999) in secondary general and vocational schools. However, in vocational schools the figure remains high, although it is decreasing. In 1996/97 it was 23%, in 1999/2000 it is estimated to have dropped to

¹² Education at a Glance, OECD, 2001

¹³ *ibid.*

¹⁴ *ibid.*

¹⁵ Hungarian National Observatory

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14.1%¹⁶. With the introduction of more relevant curricula this figure is expected to drop still further. The government's target is to reduce the dropout rate by 50% by 2006 and to zero by 2010.

- **Enrolment in higher education** more than doubled between 1990 and 1997. The net entry rate in tertiary type A was 58% (1999). In the four years between 1995 and 1999 enrolment increased by 64%. Over the same period there was an 84% increase in Poland and a 37% increase in the Czech Republic. In 1999 the average number of years a young person in Hungary could expect to spend in tertiary education throughout one's lifetime was 1.8 years, compared with 1.4 years in the Czech Republic, 2.3 years in Poland and 2.5 years, on average, in OECD countries¹⁷. A gender imbalance in favour of women has increased over the past five years.

Participation rates in continuing vocational training (CVT) are low.

According to OECD figures (based on the International Adult Literacy Survey (IALS)), the participation rate of the 25–64 cohort, at 18%, is higher than those in Poland (14%) and Portugal (13%), but well below those of many other OECD countries¹⁸. However, the participation of adults in formal education as a part of CVT (266,000 in 2000) is increasing significantly.

- The Eurostat CVT2 Survey reports that 37% of enterprises in Hungary provided training for employees, a figure that does not compare well with other acceding and candidate countries. Only Bulgaria and Romania reported lower levels of provision. Participation rates in CVT courses provided by companies

are low (26% of employees) compared to rates in other acceding and candidate countries (Czech Republic 49%, Slovenia 46%)¹⁹. The same survey, in which nine acceding and candidate countries participated, reported an average of 38 hours in CVT courses per participant in Hungarian enterprises in 1999. This is a relatively high level compared to other acceding and candidate countries with only Romania (42) and Lithuania (41) reporting more hours per participant.

- **Only 10% of registered unemployed people follow training programmes funded through the PES**²⁰. The PES estimates that it provides services for between 60% and 70% of unemployed people, but such services include both passive and active measures. Greater flexibility in the provision of training for unemployed people and a more sensitive benefit system are required if there is to be a greater take-up of the active measures administered through the PES.

2.2 FINANCIAL RESOURCES

- **In 1998 5% of GDP was dedicated to education. This is slightly below the OECD average (5.5%), but compares well with other acceding and candidate countries.** Of this 5%, 0.8% was allocated to pre-primary education (ISCED 0), 1.9% to primary education (ISCED 1 and 2), 1.1% to secondary, 0.1% to post-secondary and 1% to tertiary²¹. The Hungarian National Observatory estimates that VET accounted for approximately 0.8% of GDP in 1995, 0.9% in 1996 and 1.0% in 2000.

Percentage distribution of expenditure on active and passive measures						
	1992	1996	1997	1998	1999	2000
Active	21	33	41	39	41	45
Passive	79	67	59	61	59	55

¹⁶ Hungarian National Observatory

¹⁷ Education at a Glance, OECD, 2001

¹⁸ *ibid.*

¹⁹ CVTS2

²⁰ Employment Office, Hungary

²¹ OECD/WEI

- Expenditure per student at upper secondary level was €2,600 PPS in 1998. The cost per student in higher education was €5,500 PPS. Both figures are considerably below the OECD average, (€6,500 and €9,900 respectively).
- Education is funded directly from the state budget and **vocational training is funded both through the budget and through the Development and Training sub-fund of the Labour Market Fund** created through a training tax of 1.5% of wages levied on employers. The sub-fund is used, in part, to reimburse the costs of practical in-company training for VET school students and to subsidise VET schools through the procurement of new training equipment. This contribution from enterprises represents approximately one-third of the budget for vocational training.
- **Hungarian companies invested 1.2% of labour costs in training** in 1998 (CVTS2); some of this investment can be reimbursed through the Development and Training sub-fund (see above). A maximum of 33% of the levy paid into the fund can be used for the training of the company's own employees. In-company training for staff **is offered by far fewer enterprises in the less developed regions.**
- **Public expenditure on Employment Policy amounted to 0.87% of GDP in 2000²²**, compared to 3.69% in Belgium and 3.12% in Germany (these countries having comparable unemployment rates).
- Active and passive employment measures are financed through the Employment sub-fund of the Labour Market Fund. The Employment fund is financed by a levy of 3% of labour costs on employers and 1.5% on employees.
- The government is placing greater emphasis on active measures rather than passive measures, particularly as unemployment is increasingly structural.

3. INITIAL VOCATIONAL EDUCATION AND TRAINING (IVET)

Since the early 1990s Hungary has deregulated its education system, giving significant autonomy to schools and municipalities and organising an in-depth decentralisation at county level as far as secondary and VET schools are concerned. Local and private initiatives have been encouraged in terms of the creation of new curricula and pathways, often with the support of different donors, among them the European Commission (through the Phare programme) and the World Bank, which have tried to develop curricula in accordance with the needs of the labour market. As a result, a real change has taken place, with many reforms benefiting from these initiatives. Nevertheless, the transparency of the outcomes of the different initiatives is now an issue.

	1992	1996	1997	1998	1999	2000
Unemployment rate in %	10.7	9.9	8.7	7.8	6.9	6.6
Total Expenditure on active and passive employment measures						
million EUR	810.9	405.0	433.3	421.7	435.5	433.8
% of GDP	2.81	1.13	1.07	1.01	0.96	0.87
Expenditure on active measures						
million EUR	174.3	133.4	179.2	163.1	180.7	196.1
% of GDP	0.61	0.37	0.44	0.39	0.4	0.39
Expenditure on training						
% of GDP	0.15	0.08	0.08	0.07	0.07	0.07

²² Employment Office

The provision of initial VET is now decentralised to the 19 counties and the Budapest administration. The legal framework makes provision for the full involvement of the social partners, but in reality there is little involvement of employers' and employees' associations at county and local levels, and there is a lack of cooperation between the VET schools and local employment services.

3.1 POLICY AND LEGAL FRAMEWORK

Since the early 1990s Hungary has developed a comprehensive legal structure for an education system designed to respond to the needs of a market economy. Each of the four major laws makes provision for the full participation of the social partners. The Vocational Education and Training Act, 1993, regulates the provision of initial and continuing VET in schools and public and private training centres; the Public Education Act, 1993, establishes the structure of the public education system; the Higher Education Act, 1993, establishes the structure and governance of higher education institutions, ensuring their autonomy and academic freedom; and the Adult Education Act, 2001, regulates the provision and financing of adult training services in the public and private sectors with the aim of promoting lifelong learning.

The county-level vocational education and training committees were replaced in 2001 by regional development and planning committees. This reflects government policy to establish structures for regional planning, but as the financing of education is channelled through the counties and municipalities, the authority of the regional planning committees is limited.

3.2 RESOURCES

Teachers

- Student/teacher ratios (10:3 in general secondary schools and 13:3 in vocational secondary schools²³) are low compared to other OECD countries (OECD country mean 14:6). Given the demographic decline reported above,

the number of teachers and trainers employed in the system would be expected to drop.

- Teachers have high qualifications, usually at the tertiary level, as required by their status as civil servants, **but they are an ageing cohort, some of whom have difficulty in adapting to new teaching situations.**
- Given the current poor salary structures for teachers, it is difficult to attract and retain new teachers and trainers into the system. The government is seeking to address this issue by planning to increase teachers' salaries from the current 100% to 125% of the national average by 2006.
- **Pre-service training is dislocated from the school system.** It is offered at 17 universities and colleges where the students graduate in their specific subject. However, the training institutions are not involved in the development of new curricula and there is no tradition of classroom-based research, bringing the training institution and the school together.
- The upgrading of teaching staff and, in particular, of the managerial staff in schools is crucial to the success in extending new curricula throughout the country. The implementation of new curricula requires a new management approach to the provision of training, a capacity which is lacking at regional and county levels.

Equipment

- **A dedicated education server, Sulinet, offers email, Internet and database services to more than 2,000 schools throughout the country²⁴.** There are an average of 30 computers per school, and OECD figures show that 41% of lower secondary schools in Hungary have access or intend to have access to email/the Internet for instructional purposes. This is the same figure as for Belgium, but Hungary is considerably below other OECD countries for which data are available. In 2000, 1,300 VET schools had Internet access.

²³ Hungarian National Observatory

²⁴ Ministry of Education

- Many school workshops are still equipped with obsolete training equipment inherited from the socialist period. However, one of the government's priorities is to re-equip schools through a number of programmes under the umbrella of 'the School for the 21st Century'.

3.3 STRUCTURE AND ORGANISATION

- **Reforms deriving from the Vocational Training Act (1993) have been on-going since 1998.** The act seeks to integrate initial and continuing VET and to provide a framework for the provision of VET in a market economy. The act established the NVQR, which is maintained by the National Institute for Vocational Education (NIVE). The NIVE is currently collaborating with the National Vocational Education Council in developing competency-based qualifications for new occupational profiles identified with the involvement of employers' associations and entrepreneurs at national level.
- **Compulsory education has been extended to age 18** and is free in public schools. School-life expectancy (16.0 years)²⁵ is the same as in Poland, greater than in the Czech Republic (15.1 years) but less than the OECD average (16.7).
- In 1998/99 114,000 pupils completed primary education and 108,800 (96%) continued their studies in secondary institutions²⁶, following one of three pathways:
 - secondary general schools (32%), leading to the *maturita* examination giving access to higher education;
 - secondary vocational schools (39%), leading to the *maturita* examination, giving access to vocational colleges and higher education;
 - vocational schools (25%), leading to entry to the labour market²⁷.

The preponderance of students following education paths leading to entrance to institutions of higher education supports

the government's policy of increasing the percentage of students passing the *maturita* examination to between 80% and 85% of the school population by 2006.

- **The on-going reforms initiated in 1998**, which began the development of new curricula and introduced pre-vocational training in the secondary vocational schools, allow **for greater transparency and horizontal permeability in the structure of vocational training.** Pre-vocational training (up to the age of 18 in secondary vocational schools) prepares students with a wider, more adaptable range of vocational skills which can be applied to specific vocations in post-secondary training in vocational colleges or institutions of higher education.
- **The reformed NVQR**, which seeks to reduce the number of single-occupation qualifications and increase the number of more generally applicable qualifications, will be more transparent and will introduce modular curricula which **should contribute to the promotion of lifelong learning.** The new curricula are gradually being adopted by schools throughout the country with an associated trainer training programme, but in the less developed regions there is a lack of capacity to implement the reformed curricula.
- A new *maturita* examination, consistent with the competency-based curricula, will be introduced in 2005.
- **Hungary operates a modified dual system for secondary vocational school and vocational school students mediated through the chambers of commerce.** Students do not become the employees of the enterprises offering practical training, but work under a training contract. The quality of the practical training provision varies from region to region and from sector to sector. In the service sector 75% of practical training was provided by enterprises, while in the industrial sector the figure is only 55%²⁸.

²⁵ These figures pre-date the extension of the compulsory education to the age of 18.

²⁶ Hungarian National Observatory

²⁷ *ibid.*

²⁸ *ibid.*

3.4 DELIVERY

- While there is evidence of the active involvement of social partners in the development of policy and curricula at national level, this is less apparent at county and municipality levels.
- In addition to monitoring the training contracts (see above), the chambers of commerce provide trainer training for master craftsmen and certification for the training provided.

3.5 RESPONSIVENESS OF IVET TO THE NEEDS OF THE LABOUR MARKET AND THE INDIVIDUAL

- **Guidance and counselling** is provided in the primary schools and in the secondary vocational and vocational schools. Local labour offices also provide guidance and counselling services, but both suffer from a lack of adequate labour market intelligence and a tendency for student and parental preferences to over-ride market needs.
- **Vocational specialisation** is now deferred until the age of 18 for graduates of secondary vocational schools and the age of 16 in vocational schools. Prior to specialisation students follow general and pre-vocational training with the objective of providing them with a range of vocational skills which can be applied in a wider range of jobs.
- **The integration of Roma into mainstream education** (starting at pre-school age) **remains a problem**. Only 1.5%²⁹ of the school-age Roma community complete secondary education and a disproportionate number are consigned to schools for children with learning difficulties. However, the government recognises this issue and there are a number of initiatives at local and national level which are designed to facilitate the integration of Roma children into the mainstream.
- The Public Education Act (1993) provides for **equal opportunities in**

education and there is no legal gender discrimination in education. However, activity rates show a low level of activity amongst females between the ages of 20 and 24 (50%) and older women (21%)³⁰.

- All training at ISCED 5 level is required to include a module on **entrepreneurship** by the NVQR. At ISCED 3 level, enterprises offering practical training places are required to develop a component in entrepreneurship with the trainee's school.
- The developments in IVET during the 1990s, which were characterised by extension and diversification of education and training provision and an evolving private training market, **have at least partially contributed to making the system responsive**, to both the labour market and individual needs.

4. CONTINUING VOCATIONAL TRAINING (CVT)

While participation in CVT is increasing (266,000 in 2000)³¹, Hungary still compares poorly with other future member states.

4.1 POLICY AND LEGAL FRAMEWORK

- The recently adopted Adult Education Act regulates the provision of training in the public and private sectors. The objective of the act is to establish a framework in which lifelong learning, within the context of employment strategies, can develop. New competency-based profiles are being developed by bipartite committees (employers' associations and government representatives) within the structure of the National Vocational Qualification Register on the same basis as the profiles being developed for IVET, and trainers' skills are being upgraded to deliver the new materials. Further capacity building will be necessary to ensure the effectiveness of social partnerships.

²⁹ EU Barometer on Human and Trade Union Rights in the Education Sector, 2001

³⁰ Central Statistical Office

³¹ Hungarian National Observatory

- Through strengthening social partnerships at county and regional level, the government is seeking further to integrate labour market surveys and education and training, and to extend access to training for disadvantaged groups.

4.2 STRUCTURE AND ORGANISATION

- **Training for unemployed people** is funded through the Employment Fund. Labour offices at county level launch tenders for the provision of training. Both public and private training institutions, including VET schools, may submit bids for the tender. The main providers of training for the unemployed are the Regional Labour Development and Training Centres, which are under the authority of the Ministry of Education, but the private sector also makes a contribution. **There is little control of the quality of the provision of training**, as the funding channels, the county and local labour offices, do not have supervisory authority over the training providers, which are registered by the Ministry of Education. **The criterion for evaluation is attendance, not output.**
- **In 1999 83% of courses³² provided for employed people** were offered by private training providers recognised by the Ministry of Education as fulfilling the requirements of the NVQR.
- Businesses that are obliged to pay contributions to vocational education and training may spend 0.5% of their wage costs (33.3% of the contribution) on the training of their own employees. The total amount of such funds in the national economy was some HUF 10 billion (€40 million) in 1999³³. These funds will be supplemented by the tax benefit specified in the Adult Training Act to be provided for the individual (earning income and participating in training) to be introduced from 1 January 2003 at a rate still to be determined.
- The Public Employment Service is attempting to provide a service for the

economically inactive by working with NGOs and local Roma councils. Participation rates amongst disadvantaged groups remain, however, very low.

4.3 RESPONSIVENESS OF CVT TO THE NEEDS OF THE LABOUR MARKET AND THE INDIVIDUAL

- **Responsiveness of CVT** to individual needs depends on the capacity of training providers to analyse those needs and to be aware of the needs of the labour market. The regional Labour Development and Training Centres, generally, provide a well-focused service, but, in the case of courses for unemployed people there is less concern for the quality of training than there is in the attendance records of trainees, as training providers are paid on a per capita basis.
- The lack of adequate market intelligence at the county and municipality levels also lessens the impact of CVT.
- **There is a lack of policy addressing the needs of vulnerable groups.** Measures to promote access to CVT remain fragmented and often depend on the personal initiative of labour office directors or NGOs. Phare-funded programmes are currently being implemented by the Ministry of Social and Family Affairs to facilitate the integration or reintegration to the labour market of the Roma community and women returning from child rearing. Retraining courses organised by labour offices continue to be the main tool for counteracting social exclusion. These courses are available only for people who are registered as unemployed. As attendance on such courses precludes working in the grey economy, they remain unattractive to unemployed people trying to exist on very low amounts of benefits.
- **Guidance and counselling** for people who are registered unemployed is provided by the county and local labour offices. Their remit is also to deal with

³² Hungarian National Observatory

³³ *ibid.*

employed people, but their market share is small as those who are employed tend to prefer the services of the private employment agencies.

- **Participation of women** in retraining is high, despite inequalities in levels of pay in the labour market.

5. PUBLIC AND PRIVATE EMPLOYMENT SERVICES

5.1 POLICY AND LEGAL FRAMEWORK

The Public Employment Service is responsive to its perceived primary clients, those who are unemployed, but currently lacks the physical and human resources to provide an individualised service. Nor does it receive the full support of employers in reporting job vacancies. The Public Employment Service was established by the Employment Act (1991) and its work plan is determined by the annual employment policy guidelines. The last set of employment policy guidelines was published in 2000, and was, for the first time, prepared according to the four pillars of the European Employment Strategy. Thus a first National Employment Action Plan has been developed as part of Hungary's preparation for taking part in the implementation of the European Employment Strategy in the future. **However, as of 1 July 2001 the government resolution on the National Employment Action Plan was rendered ineffective (because it was withdrawn), without being replaced by a similar comprehensive and general policy framework for 2001.** As a consequence the Public Employment Services have had no clear guidance on their activities. Preparations are, however, underway to develop a National Employment Action Plan for 2002.

5.2 STRUCTURE AND ORGANISATION

- The PES comes under the authority of the Ministry of Economic Affairs and comprises the National Employment Office, the Budapest Labour Centre and 19 county-based centres with 176 local

labour offices. The PES administers part of the Labour Market Fund, which is divided into seven sub-funds. Of these, the Employment sub-fund finances active employment measures and the Operational sub-fund finances the PES itself. The administration of the Employment fund is largely decentralised: 90% of the fund is disbursed by County Labour Centres.

5.3 RESOURCES

- Staff numbers, which in the early 1990s reached 4,500, have been reduced to 3,180. There will be a further 2% reduction in 2002. Of the total number, 11% are in senior management positions, 2.5% are engaged in labour market planning, 33% deal directly with clients, 26% perform brokerage, 12.6% administer active measures, 7.9% are engaged in guidance and counselling, 3% deal with financial matters and 3% form the inspectorate. For each member of staff working directly with clients there are approximately 286 registered unemployed people, which is a very low ratio compared to EU standards, which generally range from 1:50 to 1:100³⁴.
- Both county and local labour offices are housed in well-maintained and well-furnished buildings. There are 3,600 computers within the system. An average employment centre has 180 computers. However, many are old and need replacing.
- It is estimated that the PES addresses between 60 and 70% of unemployed people, or, approximately 156 clients per employee working directly with clients. Nationally, between 20 and 30% of job vacancies are registered with the PES, although this disguises wide regional disparities. Only about 10% of vacancies are registered in Budapest, while in the regions, where there are fewer employers, the figure is closer to 100%.
- There are no national data on the market share of the private employment services (PRES), but surveys indicate that the number of agencies involved varies between regions and is

³⁴ Employment Office

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Administrative budget as a % of GDP ³⁵	0.15	0.15	0.15	0.13	0.11	0.13	0.12	0.11	0.11

concentrated in Budapest. The PRES operating in Budapest mediated in labour exchange in 12,600 cases in 2000. Approximately 6,000 of their clients were unemployed. Clients are for the most part graduates with high skills and employability. Low-skilled unemployed people do not use the PRES.

6. CONCLUSIONS

Hungary is probably one of the most advanced future member states in terms of modernisation of the VET system, and it has made some progress in the preparation for lifelong learning.

Substantial reforms have been introduced since the beginning of the 1990s, and implemented step by step. Many initiatives have already been taken which allow for the upgrading and widening of skills provided in secondary education, and there have been substantial developments in tertiary education. Measures to decrease the dropout rate have been partially successful. The establishment of a National Vocational Qualification Register in 1993 allowed for better links between initial and continuing training. Specific focus has been placed on a real involvement of social partners in VET reforms and management. A special levy has been put in place with a view to developing CVT at company level but also to involving companies in initial training. A modern dual system has started to develop. A comprehensive law concerning CVT has recently been adopted, which should promote development of provision and a striving for quality.

However, the legislation governing education in general, and initial and continuing education in particular, is over-regulatory and may provide some constraints on the development of lifelong

learning opportunities. For example, training providers seeking government subsidies for courses offered to the public can only offer courses leading to qualifications in the NVQR, thus excluding non-formal and informal learning from public recognition.

According to the Joint Assessment Paper (JAP) the government intends to promote job creation through:

- improving market intelligence and introducing individualised guidance and counselling and training for self-employment and to facilitate the integration and reintegration of disabled people and other disadvantaged groups;
- the continuous updating and transparency of qualifications in developing the National Register of Qualifications to improve the skills base of students graduating from post-secondary and tertiary training institutions and promote the concept of lifelong learning;
- improving links between the skill needs of the labour market and continuing vocational training policy and the need that such a policy be strengthened through the development of the system of social dialogue and partnership between vocational education and training schools and employers.

The achievement of these objectives should come from the continuation of efforts mentioned above, but account should also be taken of the following concerns.

- The collection and dissemination of labour market data remains weak at both the national and local levels.
- **The operational budget of the PES does not reflect the workload.** The decrease in expenditure on the administration of the PES reflects the

³⁵ Employment Office

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decline in the number of unemployed people, but fails to take into consideration the extra workload of the PES in terms of providing an individualised service for long-term unemployed people.

- Work has begun on the reform and updating of the NVQR, and new modular curricula are being adopted by VET schools throughout the country. On-going trainer training programmes need to be reinforced and capacity building for school principals increased. The restructuring of the management of VET schools into 200 management units will facilitate this.
- The involvement of social partners in developing CVT policy is well-established at national level, but needs to be further developed at the county and municipality levels.
- Innovations in curricula, the creation of new pathways and, more generally, the development of public and private provision in initial and continuing VET have benefited from the significant level of autonomy given to schools and from the decentralisation at county level.
- Funding is still an issue, as the rapid development of participation in upper secondary and tertiary education has taken place without additional

resources, which is now creating difficulties for the recruitment of teachers and the renewal of technical equipment in vocational schools in general.

- Referring to the Lisbon conclusions, some of the targets have already been incorporated in the National Employment Action Plan (to increase investment in human resource development, to raise the numbers of students continuing their studies at upper secondary and tertiary level, to improve access to the Internet, to develop new basic skills). However, the majority of the lifelong learning building blocks still need to be developed further and implemented. These include coordination between the Ministry of Education, the Ministry of Economic Affairs and the Ministry of Social and Family Affairs and involvement of social partners; better coordination and partnership between national, regional, county and local levels in order to address inequalities between regions and to promote better governance of the whole system; more investment in education and training; and improved access to learning, in particular for vulnerable and marginalised groups.

1. INTRODUCTION

1

Following the turbulent years between 1992 and 1996, during which the Hungarian economy went through a major restructuring process, with the loss of 1.1 million jobs (a fall of 21.4% in the employment rate), and an austerity programme introduced in 1995, a period of substantial growth began in 1997 and has been maintained since then. The increase in GDP rose from 1.3% in 1996 to 4.6% in 1997 and similar growth rates have been achieved in succeeding years (5.3% in 2000). In 2000 the economy was 4% larger than in 1989, having dropped to 19% below the 1989 figure in 1993.

Over the same period (1992–2000), unemployment rose to a high of 10.2% in 1995, since when it has been decreasing year by year to 6.4% in 2000, considerably below the average in the EU-15 in that year (8.1%). With this decrease, the characteristics of unemployment have changed from demand-deficient unemployment in the mid 1990s to structural long-term unemployment at the turn of the century. In response to this change in the structure of unemployment,

the public employment services are developing targeted active measures and individualised responses to the needs of long-term unemployed people.

Activity rates of 59.9% are well below the EU-15 average (69.0%) and lower than the rates in any of the other future member states in Central and Eastern Europe. Female participation in the labour force is particularly low (52.5%) and indicates that women are particularly vulnerable to social exclusion and economic inactivity. The Ministry of Social and Family Affairs, which has specific responsibility for the reintegration of women in the labour market, is promoting a number of programmes which address this issue, but social mores militate against their meeting their objectives.

Notwithstanding these structural weaknesses, with the privatisation and restructuring processes now substantially completed the economy can be described as an functioning market economy in which entrepreneurs and enterprises can operate in a stable and predictable environment.

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Foreign direct investment (FDI) has played a substantial role in the growth of GDP. Since 1995 foreign-owned enterprises have outperformed indigenous enterprises in terms of exports, productivity and profitability, and account for almost 80% of the domestic industrial output.

There remain substantial territorial differences between the various regions of Hungary in terms of economic productivity. In terms of GDP per capita the most advanced regions are more than twice as productive as the least advanced regions. Territorial inequalities were determined by market-based processes in the 1990s, resulting in a growth of the differences between regional development levels.

These imbalances in the labour market have resulted in significant out-migration amongst highly skilled workers from the three most depressed regions (North Hungary, North Great Plain and South Great Plain) to Budapest and, to a lesser extent, the western regions. As a result there is a growing skills shortage in the east and south east and persistently high unemployment rates (approximately 20%, although as high as 50% in some isolated areas), amongst low-skilled workers due to lack of investment.

The government is seeking to address these issues through the adoption and implementation of the Széchenyi Plan over the period 2000–06. The plan provides for public sector investment in motorway development to connect the less-developed regions to the European network, home construction, tourism, research and development, information technology and employment. The budgetary resources earmarked for this economic development programme are approximately 2% of GDP in 2001. The development of local infrastructures and their integration into the national infrastructure should result in a decrease in regional disparities and the inclusion of the eastern regions in the economic up-turn being experienced in the rest of the country.

As in other acceding and candidate countries, the birth rate in Hungary is negative (natural increase per 1,000 inhabitants is –3.8) and the population is ageing. Most significantly, the size of the young adult age group (20–29 years) is projected to contract over the next decade by 22%. This will impact substantially on the labour market, and underlines the need to invest in the retraining and upgrading of the current workforce and the long-term unemployed.

Key characteristics of regions

Region	GDP per capita (thousand HUF), 1998	Number of businesses in foreign ownership per 1,000 businesses	Foreign capital investment per capita (thousand HUF)
Central Hungary	1,474	47	596
Central Transdanubia	978	21	160
West Transdanubia	1,102	37	240
South Transdanubia	770	23	52
North Hungary	678	11	139
North Great Plain	675	12	76
South Great Plain	761	22	90
Country	997	31	256

Source: CSO, 1999

However, there is evidence that Hungary is under-performing in this area. Eurostat statistics show that the provision of training for employed people in the workforce is relatively low compared to other acceding and candidate countries and most of the member states. The provision of training for unemployed people is also low. In 2000 0.07% of GDP was devoted to this purpose, making provision for approximately 10% of those who are registered unemployed.

The government's priorities for the implementation of labour market measures are to continue the shift from passive to active measures and to target vulnerable groups in particular, including women, ethnic minorities, long-term unemployed people and unemployed young people. As mentioned above, the public employment services intend to introduce individualised services for long-term unemployed people. However, as resources are already thinly spread (the ratio of registered unemployed people to labour office officials working directly with clients is 286), further investment in the administration of employment services will be necessary in order to achieve this objective.

The development and implementation of labour market policies has been hindered by the lack of a national employment action plan for the year 2001. At local level, the collection and dissemination of labour market intelligence is not carried out consistently throughout the country and, consequently, vocational schools do not respond adequately to local market needs. Guidance and counselling services tend to be driven by consumer demand rather than the needs of the labour market.

Reforms in the organisation and provision of initial and continuing vocational education and training, which have been

instigated on an evolutionary basis since 1993, have resulted in a well-structured and unitary framework provided by the National Vocational Qualification Register. The NVQR, which is updated (with the participation of the social partners) on a continuous basis, increasingly reflects the needs of the labour market; the modular curricula that have been developed to prepare students for the qualifications, are based on the World Bank model and are competency-based. In rolling out the new curricula and teaching methodology to all VET schools, attention has been given to the upgrading of teachers and trainers, but there remains a lack of capacity to implement the reformed curricula at local level.

The adoption of the Adult Education Act in 2001 provides a legal framework for the promotion of lifelong learning opportunities, but, with rare exceptions, the concept of lifelong learning is only well-established at national policy-making level. There is little evidence of a holistic approach to lifelong learning at regional or county levels.

In summary, while considerable progress has been made in the development of a VET system that has the potential to respond positively to the needs of a functioning market economy, skill mismatches remain, particularly in the less developed regions of the country and in areas in which the capacity to respond adequately to the labour market is lacking. This may arise because of inadequate involvement of the social partners at the regional and county levels, poor labour market intelligence, or poor facilities.

The following chapters provide a detailed discussion of the responsiveness of the VET and public employment systems to the needs of the labour market.

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

2

2.1 OVERVIEW OF THE INITIAL VOCATIONAL EDUCATION AND TRAINING SYSTEM

The education and training system described in this report is that which existed prior to the general election in Hungary in April 2002, which resulted in a change of government. Early indications suggest that the new government will re-establish a Ministry of Labour which will have overall responsibility for employment policy and vocational education and training. This will require amendments to the basic laws governing the education system, but there are no indications that the new government is planning to introduce substantial changes in policy direction.

National employment policy and the strategic issues of VET and lifelong learning are coordinated by the Ministry of Education, the Ministry of Economic Affairs

and the Ministry of Social Affairs through the **National Labour Council** at national level and by the **County Labour Councils** at county level. In the case of Budapest this is performed within the framework of the capital labour council.

Education policy is consistent with the objectives of the National Employment Action Plan (NEAP). The NEAP has amongst its objectives an increase in the skills base, and hence the employability of graduates of the education system, and a decrease in the gap between the operational skills of the existing labour force, particularly amongst disadvantaged groups, and the skills needed by the labour market. The education system has responded by increasing the percentage of students who complete compulsory education with the *maturita* examination (the general certificate of education) and by broadening the skills base of those entering the labour market or continuing

their education in the tertiary sector. The establishment of the National Vocational Qualification Register in 1993 (and its on-going updating in the light of the changing needs of the labour market) provides for a unitary and transparent qualifications system for initial and continuing VET, and has led to the development of curricula that better meet the needs of the labour market.

2.1.1 LEGAL FRAMEWORK AND INSTITUTIONAL SETTING

THE LEGAL FRAMEWORK

The Hungarian education and training system is mainly regulated by the following basic laws.

■ **The Act on Employment Assistance and Unemployment Benefits (No IV, 1991)**

This act has been modified several times, most recently in December 1998. It defines the conditions under which training courses for the unemployed may be supported, and the forms and amounts of support that can be granted (see Chapter 3 for details).

■ **The Vocational Education and Training Act (No LXXVI, 1993)**

This regulates the provision of initial and continuing VET in schools and public and private training centres.

■ **The Public Education Act (No LXXIX, 1993)**

This establishes the structure of the public education system and the rights and obligations of pupils, parents and those employed in the system.

■ **The Higher Education Act (No LXXX, 1993)**

This establishes the structure and governance of higher education institutions, ensuring their autonomy and academic freedom.

■ **The Act on the National Vocational Training Council (No LXXXIV, 1995)**

This modifies the Vocational Education and Training Act, specifying the tasks of the National Vocational Training Council.

■ **The Adult Training Act (No CI, 2001)**

This regulates the provision and

financing of adult training services in the public and private sectors, with the aim of promoting lifelong learning.

■ **The Act on the 'VET contribution' (No LI, 2001)**

This updates and modifies previous acts (No LXXXVI/1998, No LXXVII/1996, No XXIII/1988) concerning the Vocational Training Contribution and Development of Vocational Training through a levy on companies to contribute to the costs of initial and continuing VET.

The three laws adopted in 1993 replaced the legislation that was in effect before the transition to a market economy. They allow for extensive liberalisation of the system and the introduction of private and confessional sectors at both secondary and tertiary levels. In addition, a series of specific acts or decrees must be mentioned, among them:

- the LXXVII Act of 1993 on the rights of national and ethnic minorities;
- the XVI Act of 1994 concerning the operations of the chambers of commerce;
- the introduction of the ISCED levels in Hungary (Decree in 1996);
- the CXXIV Act of 1997 on the financial conditions of the religious and public service activities of churches;
- the XXVI Act of 1998 on the rights of people with disabilities and their guarantee of equal opportunities;
- the establishment of the conditions for commencing and conducting vocational training, setting out the specific facilities and staff resources that training institutions have to provide to be permitted to commence and conduct vocational training (Decree 45 in 1999);
- the definition of the framework of vocational examination fees and examiners' fees set out in Decree 2000 (VI.4).

Overall, Hungary has progressively set up a complex and comprehensive set of laws concerning education and training that makes provision for a decentralised system with involvement of the social partners in policy formation at national level and in the implementation of policy objectives at local level.

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

1) **The Vocational Education and Training Act** regulates the provision of:

- initial VET in the education system;
- continuing VET in public and private training centres, but not in higher education institutions;
- professional upgrading courses;
- training in entrepreneurial skills;
- training for disadvantaged groups, including those with reduced work capabilities.

The act seeks to integrate initial and continuing VET and to provide a framework for the provision of VET in a market economy. It devolves the administration of VET, the allocation of resources and the assessment of labour market information to the county level. Since 2001 some of these functions have been undertaken by Regional Development Agencies.

One of the most important decrees deriving from the act is No 7/1993, which establishes the **National Vocational Qualification Register**. The NVQR comprises all vocational qualifications recognised by the state and for which training programmes may be publicly funded³⁶. The qualifications recognised in the register have been, and continue to be, developed in collaboration with social partners at national level and reflect the needs of the labour market.

Government Resolution No 2211/1997 (VII.24.) facilitated the responsiveness of the vocational education and training system to the needs of a market economy through the introduction of new pre-vocational orientation programmes within a range of occupational groupings (i.e. the model developed in the World Bank project), **and the introduction of competence- and project-based syllabuses** which are based on the description of qualifications in the NVQR. The resolution also provided for substantial infrastructure development support.

2) **The Public Education Act** establishes:

- the management structure and operational framework of the public education system within the context of a functioning market economy and knowledge-based society;
- the right to freedom of teaching and learning;
- the rights and obligations of pupils, students, parents and those employed within the system;
- the right of national and ethnic minorities to be educated in their mother tongue;
- the principle of equal opportunities in education.

The objective of the law is to provide a framework for the provision of free and compulsory education for all Hungarian citizens between the ages of 6 and 16. **In 2001 compulsory education was extended to the age of 18 for all students who entered primary school from 1998 onwards.**

The 1999 amendment to this act had a major impact: it established the four (or three) years of education in the secondary vocational schools and vocational schools system; and it set up the requirement for teachers in vocational training schools to have a university or college qualification.

Decree No 28/2000, deriving from the act, impacts on VET and lifelong learning insofar as it governs the elaboration, introduction and application of **the framework curricula, i.e. the competency-based curricula that replaced the subject-oriented curricula previously in use.**

3) **The Higher Education Act** regulates the structure and operation of higher education institutions, ensuring their autonomy and defining the role played by the state in higher education. The act provides for the freedom of teaching, freedom of study and the freedom to cultivate the arts and sciences.

Decree No 85/1997, deriving from the Higher Education Act, regulates the

³⁶ See 2.1.3 below

recognition and registration of **post-secondary vocational training** conducted in universities (and in colleges and secondary vocational schools), and specifies the conditions and pre-requisites for offering such training. The decree also makes provision for the graduation examinations for post-secondary training and for the awarding of certificates.

4) **The Act on the National Vocational Training Council** specifies the tasks of this new council, which replaced the former National Training Council, and was formed to support the tasks involved in decisions relating to the Vocational Training Fund.

- 5) **The Adult Training Act** regulates:
- the registration and supervision of adult training centres in the public and private sectors that offer courses leading to both NVQR qualifications and non-NVQR qualifications;
 - the remit of the Regional Labour Development and Training Centres³⁷;
 - the accreditation of individual courses;
 - the funding of NVQR courses on a per capita basis;
 - the provision of subsidies for training programmes promoting employment and for the training of an employer's own employees;
 - the purchase of equipment and training facilities;
 - the personal income tax benefit to be granted to those intending to participate in training (this provision will come into effect on 1 January 2003 – the rate of the benefit has yet to be determined);
 - the registration of statistics relating to adult training.

The act places responsibility for overseeing the provision of adult education with the Ministry of Education. The act seeks to facilitate access to lifelong learning opportunities in the context of the labour market and to increase the employability of the workforce. It is too early to assess

whether the provisions of the act will succeed in achieving these objectives, but evidence suggests that considerable capacity building will be necessary at regional level for successful implementation of the act.

INSTITUTIONAL SETTING AT THE NATIONAL LEVEL

The following ministries are involved in the administration and funding of the education system at national level.

- The **Ministry of the Interior** allocates funds for public education from the state budget.
- The **Ministry of Education** is responsible for policy relating to primary education, general education, IVET and higher education. This covers, for example, strategic developments, target setting, curricula policy, dialogue with social partners, evaluation and monitoring. It also oversees the provision of CVT. The Public Education Act devolves the administration of the budget allocation for primary and general secondary education to municipality level, and for IVET and adult education to the counties, while personnel management and staffing is devolved to school principals, and schools are given latitude of up to 30% to introduce material into the curriculum to reflect local needs.
- The **Ministry of Economic Affairs** is responsible for employment policy in general. Through the National Labour Council, a tripartite body with representation from the Ministry of Education, the Ministry of Social and Family Affairs and social partners (see paragraph below), the Ministry of Economic Affairs administers the Employment Fund, a sub-fund of the Labour Market Fund which finances CVT for those who are registered unemployed. At the local level, the fund is channelled through the county labour offices, which have responsibility for contracting training providers to deliver training for registered unemployed clients.

³⁷ See the section on CVT below

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

- The **Ministry of Social and Family Affairs** is responsible for the promotion of IVET and CVT for women and people with disabilities, and for the disbursement at national level of the Rehabilitation sub-fund of the Labour Market Fund, which finances initiatives targeted at these groups. At local level the fund is administered through the county labour offices.
- The **Ministry of Agriculture** is responsible for IVET and CVT in the field of agriculture.
- The **Ministry of Health** is responsible for CVT in the field of medicine and nursing sciences.
- The **Ministry of Defence** is responsible for IVET and CVT in the field of defence.

In developing education policy and administering the education system, the relevant ministries are assisted and/or advised by **a number of technical institutions and consultative bodies** that operate at national level. All consultative bodies are based on the tripartite principle, and technical institutions have steering or advisory committees that also include state and social partners' representatives; therefore, in theory, social partners are able to influence policy development and implementation.

- a) The **National Institution of Vocational Education (NIVE or NSZI)**, established in 1990 by the Ministry of Education and the Ministry of Labour, has the remit to carry out research and development in VET and to provide support for VET institutions. Although it may be involved in the development of VET policy at national level through its research function, it is primarily focused towards VET schools, providing services in upgrading trainers and assisting in the implementation of the new curricula. It also **maintains the National Vocational Qualification Register (NVQR)**. It is staffed by 101 civil servants and between 70 and 80 contract employees. Smaller institutions are operated by the Ministry of Agriculture and Rural Development (**Agricultural Training Institute**) and the Ministry of Health (**Medical Extension Training Institute**).

- b) The **National Vocational Training Council (NVTC, or OSZT)** was established in 1995 by a specific act. It took over tasks previously undertaken by the National Training Council, which was set up in 1991. But instead of having a decision-making role, it became a consultative body, undertaking preparatory work for decisions taken at ministry level. It includes representatives of the major stakeholders in VET, namely
- employers,
 - employees,
 - chambers of commerce,
 - organisations in charge of the maintenance of schools (primarily municipalities),
 - ministries in charge of vocational qualifications.

It has two primary functions, the first advisory and the second developmental. **The Council advises the line ministries involved in VET in the development of VET policy.** It also scrutinises draft legislation, monitors vocational qualifications defined in the National Vocational Qualification Register and develops proposals concerning the introduction of new vocational qualifications.

In developing the vocations contained in the new National Vocational Qualification Register issued in 2001, the NVTC draws on the support of qualification sub-committees in 21 vocational groups. These sub-committees are made up of experts of the relevant stakeholders (enterprises and employers' associations) and allow them to influence the contents of vocational qualifications. The sub-committees are chaired by representatives of the ministries in charge of the various qualifications, for example, the Ministry of Agriculture chairs the sub-committee concerned with occupational profiles in the field of agriculture. The secretarial tasks of the committees, including assistance and methodology support for the performance of the tasks of the committees, are performed by the NIVE.

At the end of the process, new qualifications set up by the Council are submitted to the NIVE for approval.

The Council also oversees the development of vocational requirements, syllabuses, and teaching methodologies, and carries out evaluations of the effectiveness of vocational counselling and the application of syllabuses, and the technical/professional requirements of training centres.

The Vocational Education and Training Act requires the Council **to monitor the entry into the labour market of career starters who have acquired vocational qualifications**. Based on this information, the Council should formulate proposals to enable institutions providing vocational education and training to improve their response to market needs. However, this task has largely been ignored by the Council.

c) **The Development and Training Council (FKT)**

Prior to 2001 the NVTC was responsible for the disbursement of the Development and Training sub-fund of the Labour Market Fund for the partial financing of IVET and CVT. However, in 2001 the **Act on the 'VET Contribution'** (see above) **created the Development and Training Council as an independent body which took over responsibility for the disbursement of the fund**.

In the framework of the preparations for decision-making, the Development and Training Council makes proposals concerning the separation of the central and the decentralised fund, the distribution of the decentralised portion among regions, and the use of the central portion of the funding limit to be provided for vocational education, training and higher education; it also evaluates bids relating to central subsidies and makes proposals concerning subsidies attaching the relevant reasons.

The council operates as a nationwide body **in charge of the preparation of decisions, and commenting on and making proposals in respect of the VET contribution and the VET fund**.

The Development and Training Council has 29 members, who are invited to participate by the Minister of Education from among representatives of the ministries in charge of vocational qualifications and the organisational governance of the labour market, the national employer and employee federations represented in the National Labour Council, local governments in charge of the maintenance of schools participating in the work of the National Vocational Training Council, and the Higher Education and Scientific Council.

d) **The National Adult Training Council**

The National Adult Training Council was established in 2001 by an article in the Adult Education Act, and will begin operating on 1 July 2002. It will assist the Minister of Education in the **preparation and development of strategies promoting adult training**, the elaboration of the laws governing adult training and the rules on the **accreditation of institutions and programmes** as well as their technical/professional requirements. The National Adult Training Council should also **monitor the employment record of persons who have participated in adult training**, paying special attention to those in disadvantaged positions, and will make proposals concerning the improvement of the system where necessary.

The 13 members of the National Adult Training Council come from three representative groups:

- two representatives are from the Ministry of Education, and there is one representative from each of the following ministries: economic affairs, social and family policy and finance;
- four experts in the area of adult training;

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- one representative of each of the following stakeholders: employers' and employees' associations, chambers of commerce and institutions offering adult training.
- e) **The National Adult Training Institute** was established by the Adult Education Act in 2001 as a sub-division of the NIVE:
- to develop adult training methodologies;
 - to prepare the technical/professional documentation for adult training and monitor the on-going development of such documentation;
 - to coordinate research and the technical and professional services relating to adult training;
 - to strengthen the links between adult training and higher education as well as to liaise with international institutions, particularly those of the European Union;
 - to act as secretariat of the Adult Training Accreditation Body.
- f) **The Adult Training Accreditation Body** was established by the Adult Training Act in 2001 as the body responsible for the accreditation of adult training centres. It is an independent body of up to 20 members, representing the Ministries of Education, Economic Affairs and Social and Family Affairs, churches, local governments, training providers and experts in the area of adult training. The organisation works in close cooperation with, and takes account of the opinions and comments expressed by, the **Hungarian Accreditation Committee**, the body responsible for the accreditation of higher education programmes.
- g) **The National Labour Council**
- The National Labour Council is chaired by the Ministry of Economic Affairs and includes representatives of the Ministry of Social and Family Affairs, the Ministry of Education, and employers' and employees' associations. The Council coordinates the interests of employers, employees and training providers in the provision of initial and continuing VET in

the context of the labour market at national level, and advises on the disbursement of the **Labour Market Fund**. **The fund comprises seven sub-funds, two of which relate to IVET and CVT. The Development and Training sub-fund** partially funds IVET and provides some funding for upgrading the skills of employed people in the workforce. **The Employment sub-fund** finances the training of those who are registered unemployed through the Public Employment Services. For further details, see section 2.1.3 below.

In summary, there are a number of institutions and bodies which contribute to the relevant ministries in the governance, development and implementation of VET activities, with specific responsibilities in each of the main fields. Nevertheless, there is a feeling that these institutions have developed **with insufficient coordination between them and in particular between initial and continuing VET**; it also seems that after the initial period of liberalisation and decentralisation, during which a range of responsibilities were given to many actors, including the decision-making process for the administration of the VET contribution, **there is now a new process that seeks to re-establish state control in VET developments**. There are also **some doubts concerning the ability of social partners to play their role effectively in all the consultative bodies in which they are called to take part**.

DISTRIBUTION OF RESPONSIBILITIES AT REGIONAL LEVEL AND BETWEEN NATIONAL AND REGIONAL BODIES

The administrative organisation of Hungary is decentralised and based on central government units and local authorities whose leaders are elected for four years at both county level (19 plus Budapest), and the level of towns and villages.

The municipalities are responsible for the provision of primary and general education, for the administration of the state budget allocation to schools and for the allocation

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of local taxes to schools. The counties are responsible for the provision and administration of the funding for IVET and CVT. Higher education institutions are autonomous, self-governing bodies.

At regional and local level, there are self-governmental and public administration units at NUTS III (Nomenclature des unités territoriales statistiques) and NUTS V levels. Following the Regional Development Act of 1996, seven NUTS II regions were established. These are planning and statistical regions led by Regional Development Councils and supported by the Regional Development Agencies. Amendments to the act in 1999 were intended to strengthen the Regional Development Councils, define their compulsory tasks, create a consistent operating environment and adequate working structures and define the regulatory framework. These amendments do not necessarily require the transformation of the planning and statistical regions into self-government- or public-administration-type regions, although Resolution No 1052/1999 envisages the creation of such regions. Members of the Regional Development Councils include the presidents of the County Development Councils, ministerial representatives (from the Ministries of Interior, Agriculture and Regional Development, Finance, Economic Affairs, Education, Health, Social and Family Affairs, Environment, Transport, Communication and Water Management, Sport and Youth), representatives of small regions and of cities, and the president of the Regional Tourism Board.

The regional structures are designed to facilitate the setting of priorities, promote consensus building in decision-making, and coordinate tasks of the line ministries, county development councils, municipalities and the social partners.

The Regional Development Councils, whose members are elected by an electoral college made up of directly elected county officers, are expected to play an increasingly important role in the

implementation of regional policies once the regional concept has become embedded in people's consciousness. While regional development plans have been drawn up for each region, with human resource chapters covering the themes of employment and vocational education and training, evidence from field visits indicates that the traditional power bases at county and municipality level remain the focus of attention; with this degree of decentralisation there is, inevitably, fragmentation within the system. This constraint is exacerbated by the lack of management capacity identified in the Eurydice report on the Hungarian education system³⁸. The report states:

'The educational system is a system of institutions linked closely to the state and public administration. The transformation of settlements into independent local governments has played a major part in the fragmentation of the educational system. The standards of the operation of the local authorities have a major impact on the quality of public education since they determine the conditions of the operation of nursery schools (óvoda), schools and halls of residence and the quality of educational services available to citizens. As a consequence, the quality of public educational administration at the local level is a matter of primary strategic importance in Hungarian educational policy. As a result of this unique situation, the regional level plays no significant role in regulation, but its participation is supposed to be strengthened by the budgetary policy supporting associations of local governments, designed to stimulate the concentrated utilisation of resources.

Due to the large number and often small size of local governments, the provision of professional expertise required for the fulfilment of the local administrative tasks in public education is a difficult matter. With the majority of local governments the notary, the person fulfilling legal and administrative responsibilities is often the only civil servant with a higher educational degree. Not all city councils and urban local governments have independent

³⁸ The Education System in Hungary 2000, Eurybase 2001

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

departments to deal with educational matters. A large number of decisions concerning education are made directly by the local bodies of elected deputies.'

A number of steps were taken in 2001 in the area of vocational education and training in respect of raising county-level planning and programming to a regional level (but see comments above on the effectiveness of regional planning.) **The former county-level vocational education and training committees have been replaced by regional development and planning committees** with responsibility for **identifying** initial and continuing VET needs. These committees participate in the announcement of tenders for training and related tasks and in the evaluation of bids submitted under the Development and Training sub-fund of the Labour Market Fund. The Committees include:

- representatives of the regional organisations of the same national employer and employee organisations who are represented on the National Labour Council (see above),
- local governments in charge of the maintenance of vocational schools,
- county chambers of commerce,
- the boards of trustees of public foundations established for the development and improvement of public education,
- the labour centres,
- higher education institutions,
- representatives of the National Educational Examination and Validation Centre.

The members of the committees are appointed by the Minister of Education after consultation with the organisations participating in the work of the committee. The committees have 27 members. The comprehensive inclusion of trade unions in the committees has led to some resentment among employer associations as they feel their influence is diminished in so large a body.

INVOLVEMENT OF THE SOCIAL PARTNERS

The principle of tripartism is enshrined in all the laws relating to the education system.

As noted above, a series of institutions were established in which an active role has been assigned to social partners. In particular, social partners have representatives at national level on the National Vocational Training Council, where they carry out tasks related to strategic development, and on the Development and Training Council, where they carry out tasks relating to the utilisation of funds; at regional level they participate in the work of the Regional Development and Training Committees. Furthermore, they participate in the work of bodies facilitating the supervision and direction of institutions.

More recently, after changes that occurred in 2001, social partners have also been invited to take part in the sectoral work of the 21 vocation group committees under the NVTC, and in the definition of vocational examination requirements. There is therefore a question of how effective a role they will be able to play in all these bodies. Beyond playing a satisfactory role at national level, evidence from field visits suggests that the tripartite principle exists more in theory than in substance at regional and county levels of administration.

2.1.2 POLICY FRAMEWORK

The links between the policy framework and the employment policy objectives are specified by Government Resolution No 1040/2000 defining the National Employment Action Plan developed by the Ministry of Economic Affairs in collaboration with the Ministry of Education, the Ministry of Social and Family Affairs and social partners. The planning period runs to 2006.

The key priorities of the government in the field of VET and lifelong learning are as follows.

1. Updating the NVQR

- **The number of vocational qualifications that are suitable only for narrowly specified occupations will be reduced** (there are currently more than 900 qualifications under the NVQR) and the number of training

programmes leading to more general skills which prepare graduates for a variety of jobs will be increased. This will impact on both IVET and CVT, providing:

- improved access for disadvantaged young people to training opportunities, thereby promoting equal opportunities;
- training for young people belonging to the Roma minority in trades required by the labour market;
- more appropriate retraining of those within the labour force.

2. Institutional development

- **The number of secondary VET schools will be rationalised and reduced.** There are currently 1,500 VET schools, which will be regrouped into 200 management units.
- The tasks of Labour Development and Training Centres will be redefined and account will be taken of their potential contribution to the provision of lifelong learning opportunities.

3. Reducing the number of dropouts from the school system

- The current dropout rate³⁹ should be reduced by 50% by 2006 and to zero by 2010.
- Special attention will be paid to pupils who are not capable of completing their studies in primary education by the age of 16 (this is normally completed by the age of 14).

4. Promoting the concept of lifelong learning by

- developing a training system that promotes:
 - modular syllabuses,
 - mutual recognition of qualifications at EU level,
 - vertical and horizontal movement;

- developing a public service lifelong career model.

5. Developing a uniform measurement and evaluation system

- Between 2002 and 2006 a new and comprehensive measuring and examination system will be developed⁴⁰.
- An evaluation system will be developed that:
 - is capable of measuring the added value of training, including institutions providing training for disadvantaged students;
 - facilitates local decision making by organisations in charge of the maintenance of training institutions.
- **It is planned to increase the proportion of those acquiring the *maturita* to 80–85% by 2006.**
- From 2005 a higher-level *maturita* examination will replace the entrance examinations organised by higher education institutions and will allow for automatic admission to higher education.

6. Teachers' wages

- The average earnings of teachers will be increased from the current 100% to 125% of the national average earnings by 2006.

7. Creating the school of the 21st century

- New, up-to-date school centres capable of providing competitive knowledge will be developed in regions facing capacity shortages.
- Neglected school buildings will be renovated.
- In allocating government school building subsidies, priority should be given to local governments that have organised effective tripartite advisory bodies.

³⁹ Of the 81,000 entrants to secondary grammar and secondary vocational schools in 1998, 4,400 (5%) failed to complete the secondary programme (Source: Ministry of Education).

⁴⁰ The results and experiences of projects on the recognition of knowledge and skills gained through non-formal learning conducted by the Hungarian Federation of Trade Unions, in cooperation with ISERES, the research institute of French trade unions, or in the framework of the Leonardo da Vinci programme, could be utilised in Hungary. These projects conducted by trade unions have identified significant steps to be made in the recognition of practical knowledge in vocational/professional training. The outdated view of higher education professionals concerning this subject and the attitude they take to protect their positions should be altered. (It is worthy of note that two-thirds of trade union activists would be willing to continue their studies in higher education provided that their practical knowledge and experience were recognised.)

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8. Talent-fostering and catch-up programmes, with particular focus on disadvantaged young people

- Priority education districts should be created for disadvantaged young people, characterised by the following:
 - smaller numbers of students per class,
 - employment of 'developing' teachers,
 - individual development programmes.

Local governments may be entitled to enhanced financial support, for instance on the basis of a high percentage of unemployed parents with few qualifications.

The proposed reforms are coherent, and consistent with the JAP and the NEAP; they should make a significant contribution to the implementation of government policy on education and employment throughout the country. The social partners have been involved in the reform process through their participation in the various bodies discussed above.

However, successful implementation of the reforms will require substantial upgrading of school facilities, including the provision of access for disabled students and the re-equipping of workshops (see *Creating the school of the 21st century*, above). It will also require further training for teachers and, crucially, school managers, many of whom currently lack the management capacity to implement the framework curricula and the NVQR profiles.

Awareness campaigns will also be required to promote the concept of lifelong learning, which is currently poorly understood in the regions.

2.1.3 RESOURCES

FINANCIAL RESOURCES

The sources of public and private expenditure on education and training are as follows:

- (a) **The state budget**, which finances general and vocational education and training

National statistics for 2000 suggest that public and private expenditure on education was 5.4% of GDP.

Assuming that the figure was reported on the same basis as OECD figures, this is an increase on the figure for 1998 (5.0% of GDP), which was slightly below the OECD average (5.5%), but a little better than the Czech Republic (4.7%). The increase reverses a downward trend (5.5% of GDP in 1995, 5.2% of GDP in 1997) and reflects the extra expenditure required to implement government policy in education. (In the EU-15, average public expenditure on education was 5.0% of GDP in 1998, while the figure for Hungary was 4.6%.) This also demonstrates **an important private contribution to education (0.4–0.5% of GDP**, about 6–8% of the public contribution), especially for initial VET, which partially compensates for the diminishing funding of the early 1990s, when the level of financing increased by 120–140 % between 1991 and 1995, while consumer prices grew by 240%⁴¹.

The Hungarian National Observatory estimates that expenditure on VET accounted for approximately 0.8% of GDP in 1995, 0.9% of GDP in 1996 and 1.0% of GDP in 2000. Meanwhile 0.06 % of GDP was allocated to adult education in 2000.

The cost per student at secondary level was €2,600 PPS (1998) and the cost per student in higher education was €5,500 PPS. Both figures are considerably below the OECD averages (6,500 and 9,900 respectively).

The Ministry of the Interior determines the contribution of the state budget to the provision of initial VET in the school system. The administration of the greater part of the budget allocation (€336 million in 2000) is devolved to local government at municipality level and is allocated to schools on a per capita basis. A small portion of the central budget is reserved for specific interventions in training determined at the national level.

(b) Local taxation

Municipalities may 'top-up' the contribution from the state budget for general education through local income tax.

41 Towards lifelong learning in Hungary, OECD proceedings, 1999

(c) The contribution of enterprises to VET and lifelong learning through the Vocational Training Contribution

Enterprises make a contribution to the funding of initial VET in the school system and to the provision of CVT for employees through a tax of 1.5% of wage costs. The tax levied on enterprises finances the **Development and Training Sub-fund** of the Labour Market Fund (see above); the tax is referred to as the '**Vocational Training Contribution**'.

Up to one-third of the tax (0.2% until 1999, 0.5% in 2002) **can be spent by companies on CVT for their own employees**, but only on training programmes included in the National Vocational Qualification Register. This condition is fulfilled through prior agreement given by the County Training Committee.

Up to 75% of the tax can be contributed directly to vocational schools for the organisation of practical training for students, or to cover the costs of training in money or in kind, or by directly providing financing.

Since 2001, direct support can also be given to higher education institutions. The remainder is paid into the **Vocational Training Fund**, which has a decentralised and a centralised component.

The decentralised component is devolved to the level of municipalities on a student per capita basis and may be used at the discretion of municipalities within a framework of eligible measures drawn up by the Minister of Education on the advice of the NVTC.

The centralised component of the Vocational Training Fund is used in a number of ways, on the authority of the Minister of Education following advice from the NVTC.

- It is used to pay for practical training places offered to initial VET students by enterprises and to support the chamber of commerce in its overview of the training. Funds are distributed on the

basis of applications by enterprises providing practical training for VET school students, verified by a direct contract with a vocational school or mediated through the chamber of commerce (for further details see 2.2.1 – Delivery).

- It is used for the procurement of expensive equipment requested by a vocational or secondary vocational school.
- It is used to contribute to the Leonardo da Vinci programme and other national and international VET programmes. Funding is allocated to such programmes during the relevant programming cycle.
- It is used to support the work of the NIVE.

The Vocational Training Contribution has increased considerably since the beginning of the 1990s, growing from HUF 9.4 billion in 1991 to 15 billion in 1995, 30.6 billion in 1998, 36 billion in 1999, 43.3 billion in 2000 and 47.6 billion in 2001. As part of this, the Vocational Training Fund increased from around 20% up to 1996, to a share of around 30% since 1997. The **direct subsidies to schools showed the largest increase**, from around 25% in 1991 to 40% in 1997 and more than 50% since 1998. **The contribution to 'corporate training' decreased drastically and consistently**, from more than 50% in 1991 to 39.3% in 1995, 29% in 1997, 18.6% in 1998, 16.1% in 1999 and 13.6% in 2000, while the threshold for this contribution to CVT had increased from 0.2 to 0.5% in 1999.

In 2000 the Vocational Training Contribution amounted to an estimated HUF 43.3 billion (€173 million). The contribution from the Development and Training Fund to initial VET was estimated to be approximately €150 million, or 0.3% of GDP, i.e. nearly one-third of the total estimated expenditure on initial VET. **Therefore, only €23 million was available for CVT for employees – 13.6% instead of the theoretical one-third.**

One reason for this could be the recent introduction of the reference to the NVQR as a condition for accepting the funding of

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training courses. Another factor is the tradition of Hungarian companies being involved in initial education and training (it should be noted that when the Vocational Training Fund was introduced before 1990, the purpose was to support schools, and not CVT). Finally, we must acknowledge that the great majority of Hungarian companies are small or very small (only 2% of the companies employ more than 300 people), and they therefore do not use this facility, as the money available could not cover their real training needs (see Sum, I. and Toth, A., 'Financing vocational training outside the school', Hungarian Ministry of Education, 1999). The amounts actually spent on their own employees by businesses from the Development and Training Fund in 2000 are presented in Annex 4 in a breakdown by regions.

(d) The additional contribution of enterprises to the provision of training for employees

According to Eurostat⁴², Hungarian companies invested 1.2% of labour costs in CVT courses for their own employees, which includes a portion (around 14%) of the contribution to the Development and Training Fund. This is low compared to the Czech Republic (1.9%) and Estonia (1.8%), but similar to Slovenia (1.3%), Latvia (1.1%) and Bulgaria (1.0%).

The volume of training offered to employees is relatively modest compared to other future member states (the participation rate of employees is 26% in Hungary, 49% in the Czech Republic, and 46% in Slovenia), although expressed

as a cost per employee (€305 PPS, of which €84 PPS is the contribution to the Fund), it is relatively expensive.

Other sources have estimated that the cost of in-company training varies between 0.5% and 6% (of wage costs), depending on sectors. According to a survey carried out by the National Observatory, the largest proportions were spent in the banking/insurance sector and electronics and engineering sectors (6%), while the smallest proportion (0.5%) was spent on training in agriculture.

(e) Course fees paid by individuals

While there are no data on the investment of individuals in CVT, participation is increasing. The cost of training will become tax-deductible from January 2003, providing a further incentive for increased participation.

(f) The Employment sub-fund of the Labour Market Fund

This is financed by a levy on employers of 3% of labour costs and on employees at the rate of 1.5% of gross salary.

Financial resources in the Employment sub-fund of the Labour Market Fund are available for the retraining of unemployed people; these funds are transferred to training providers, which may include VET schools, through County Labour Centres. In 2000 HUF 13.2 billion (€52.8 million), or 0.07% of GDP, was allocated for this purpose. This compares well with other future member states (0.02% of GDP in the

	Maximum % of fund	Billion HUF	Million EUR	% of total
Direct support to VET schools	75	24	97	56
Decentralised component of Vocational Training Fund		5	20	11
Centralised component of Vocational Training Fund		8	33	19
Training provided by companies for their own employees	33	6	24	14
Total		43	174	100

42 CVTS2 1999

Czech Republic, 0.01% of GDP in Poland), but is considerably less than expenditure in member states (0.29% of GDP in Spain, 0.31% of GDP in Sweden).

HUMAN RESOURCES

■ General situation concerning teachers

Although the current poor situation of teachers is being addressed by the government, **the profession remains one of low status and low remuneration.**

Teachers' salaries are equivalent to the national average. In comparative terms, according to OECD surveys (Education at a Glance, 2001), a Hungarian teacher in upper secondary vocational education with 15 years' experience earns €11,600 PPS per year, which is the same as in the Czech Republic, but less than in Turkey (€12,700 PPS) and is considerably below the OECD average (€31,000 PPS). These salaries are equivalent to over 90% of GDP per capita, which is higher than in the Czech Republic (82%) but lower than the OECD average (138%).

The percentage of female teachers is also relatively high, females accounting for 68.3% of the teachers in general secondary education (just behind Slovakia, 71.5%, with the OECD average being 51.1%) and 54.2% of the teachers in vocational secondary education (Slovakia, 64.8%, the UK, 56%, OECD average, 45.8%). In addition, according to other OECD data quoted by the National Observatory (National Observatory report, 2000), the teaching population is very young, as the proportion of teachers below the age of 30 years was 127.7% of the 14 countries studied in 1996, and the proportion of teachers over the age of 50 years was 24.7% of the average. This can be explained by the fact that a **teaching career is not attractive enough to be more than a temporary engagement.** But the situation was different in vocational schools, where between 40% and 50% of teachers were over 50, and well below

10% were under 30, as these schools were unable to recruit new graduate teachers.

It is also interesting to note that despite the reductions in the total numbers of both teachers and students (National Observatory report, 2001), according to OECD, the **percentage of Hungary's total active population who were teachers at all levels of education** (including teachers researchers) **was the second highest of all OECD countries**, with a ratio of 4.9, behind Iceland at 6, with 3.5 the average. The figures were even more significant for non-teaching staff working in education, with a percentage of 1.4 (1.6 in Iceland and 0.6 the OECD average).

At the same time, Hungarian teachers had some of the lowest levels of teaching hours per year with 555 hours, compared to 692 as an average.

However, as noted above, the **government's policy is to increase teachers' salaries to 125% of the national average salary by 2006.** As a career in teaching and training becomes more attractive, the quality of new entrants to the profession and the retention of experienced teachers may be expected to improve.

Teachers employed in state schools are public employees (in both state and higher education). Non-teaching staff do not have the status of public employees, but their working conditions, due to central regulations and agreements between the government and the employers, do not differ significantly from those in state employment. The conditions of service depend partly on the specific agreements (guided by central provisions) made between the teachers and their employers, i.e. the school heads.

In 1999/2000 there were 32,317 teachers in secondary grammar and secondary vocational schools at ISCED 3 level. Student/teacher ratios (10.3:1 in general secondary schools, 13.3:1 in vocational secondary schools and 7.3:1 in tertiary education)⁴³ are high compared to those

⁴³ Eurydice: summary sheets on education systems in Europe

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in other OECD countries (the OECD country mean is 14.6:1 at secondary level). This may be explained by the demographic decline that Hungary is experiencing; as this decline accelerates, the number of teachers and trainers employed in the system would be expected to fall. However, the current high ratio, as well as other factors mentioned above, suggests that some cost inefficiencies exist at present.

■ Entry qualifications

The teacher qualification requirements for primary and secondary education are defined by a government decree of 1997. The required qualification is determined according to the specific branch of education.

In vocational training, university graduates are qualified to teach the theory of vocational subjects in secondary vocational or vocational schools, while college graduates are restricted to delivering practical training in secondary vocational schools. They may, however, teach the theory component in vocational schools.

Teachers are appointed by the principal of the school following an open competition of appropriately qualified candidates.

The terms of employment are regulated by the Act on Public Education, according to school types and levels of education.

PHYSICAL RESOURCES

Assessments of the real property and movable property portfolios of schools are difficult to review owing to the diversification of the ownership structure and the forms of subsidies. Schools are owned by the municipalities, communes and county authorities. The maintenance and operation of the buildings are usually the responsibility of local governments, while substantial amounts are provided from central and decentralised funds (in particular, the Vocational Training Contribution, either through its direct funding to schools from companies, or through the centralised or decentralised portion of the Vocational Training Fund,

plays a very important role in the development of workshops, at school or in companies; see above for a discussion of the possible use of the Vocational Training Contribution), in terms of both groups of vocations and types of school. Such funds are used to provide subsidies to institutions in the form of equipment and training facilities and various developments promoting education.

The 158 secondary vocational schools that participated in the World Bank and Phare VET reform programmes have benefited from the provision of new training equipment and facilities. As part of a progressive dissemination strategy, 135 new schools were included in the process in 1998, and others will follow later, with a view to having all schools involved by 2004. Similarly, the nine Labour Development and Training Centres, also developed with the support of the World Bank, are extremely well-equipped and housed in purpose-built premises that have access and facilities for physically disabled students.

In summary, **the situation in Higher Education is now very uneven**, with many schools, in particular vocational schools and apprenticeship schools, operating in buildings that require renovation and re-equipping in order to improve the delivery of courses and to become accessible to the general public as lifelong learning centres. Although a programme of upgrading school workshops has begun, school-based workshops are generally of poor quality, with obsolete equipment inherited from the socialist period. Under a current programme, HUF 16–17 million (€65.5–69.5 thousand) is available for purchasing training equipment for any school. Under the Secondary Vocational Orientation programme, 113 schools have received training equipment required for general education (HUF 7 million/€28.7 thousand per school), in the 1999 academic year. This primarily involved the supply of IT and multimedia equipment.

One positive development is the raising of strategic development to regional level and the provision of funds for this initiative. In the second half of 2001, regional development

and training councils were established, replacing the county vocational education and training councils. The regional development and training councils are authorised to distribute the decentralised part of the development and training fund.

2.1.4 REGIONAL DISPARITIES

Regional disparities are significant in terms of the responsiveness of vocational schools to local labour market needs. Evidence from field visits suggests that in the less developed regions there is an attitude of despondency in the face of apparently insurmountable problems. This attitude is exacerbated by the poor physical condition of many schools and the difficulty in attracting teachers to work in difficult environments. However, the government's policy of rationalisation of the VET schools' management structure will make it easier to identify and address regional disparities.

According to data from the National Observatory, in 1999/2000 475,000 students were trained in 1,521 different institutions at secondary level, 1,229 of which provided some vocational training courses. So the average number of students per school at secondary education level was about 312, which is rather low and reflects the **substantial number of very small-size schools** widely dispersed throughout the country. This is partly due to demographic factors and the decline in the number of students at school (517,816 in 1997/98 at upper secondary level, compared to 475,000 two years later).

Moreover, this phenomenon was more pronounced in grammar schools and secondary vocational schools: in 1997/98, 989 grammar schools received 160,800 students (average 163 students), 1,537 secondary vocational schools received 241,000 students (average 157), while 359 apprenticeship schools received 136,300 students (average 379 students) and 189

vocational schools and special vocational schools received 57,300 students (average 303 students). Of course the on-going shift of students from apprenticeship and vocational schools towards grammar and secondary vocational schools will lead to a better balance among these types of schools.

At this point it must be acknowledged that some schools combine grammar schools and secondary vocational schools, or sometimes secondary vocational schools and vocational schools, under the same umbrella. Nevertheless, despite the absence of detailed statistics, there is evidence that the average size of secondary schools remains very low compared to EU countries, and that there is a need for substantial optimisation.

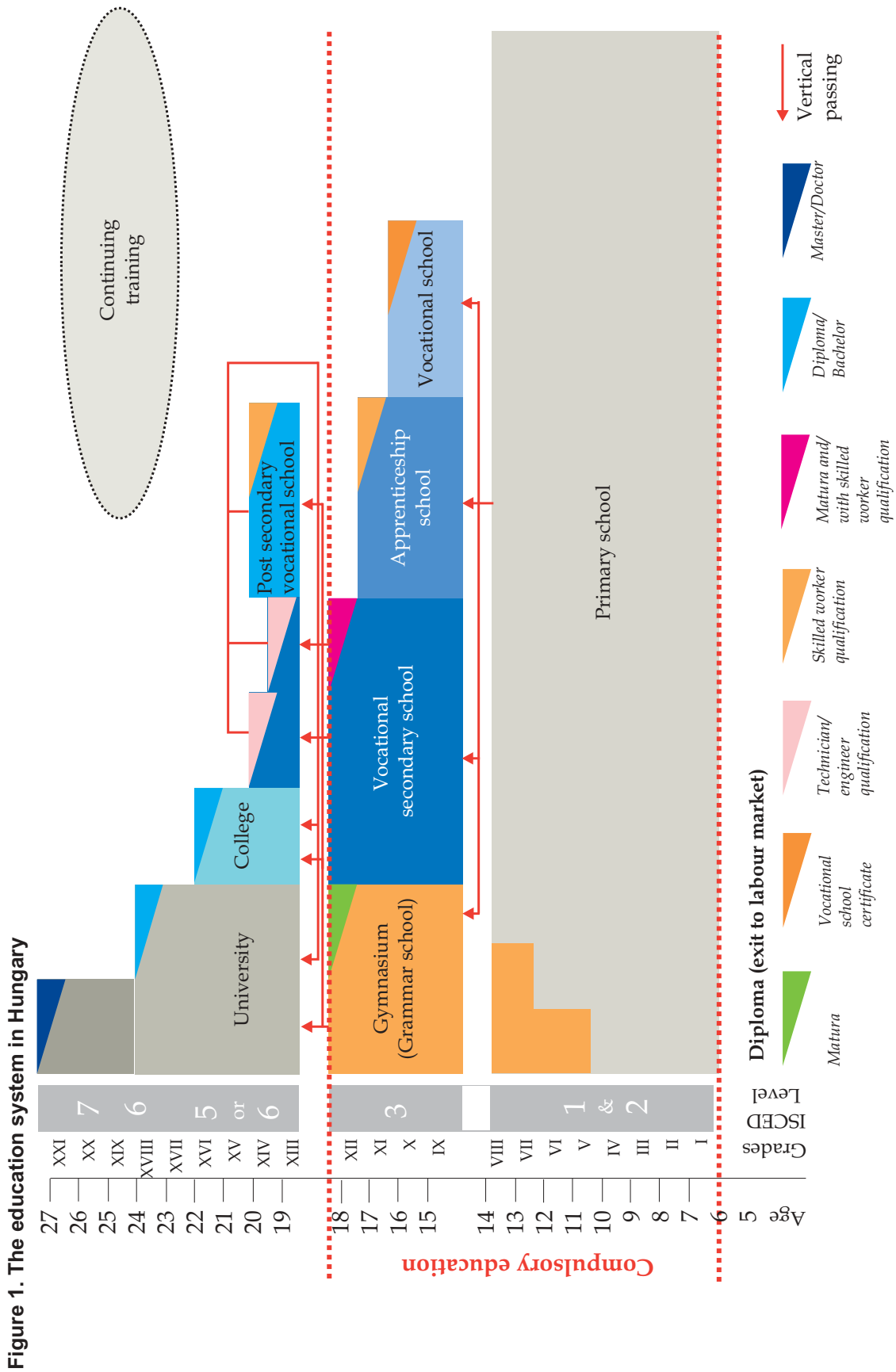
2.1.5 STRUCTURE AND ORGANISATION OF VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING

INITIAL VOCATIONAL EDUCATION AND TRAINING

Traditionally there were four main streams in the secondary school system: grammar schools, leading to the *maturita* and higher education; secondary vocational schools, leading to the *maturita* and tertiary-level vocational training; vocational schools (including special vocational schools for disadvantaged or disabled students) leading to a vocational certificate and entry into the labour market; and apprenticeship schools, leading to a craft certificate and entry into the labour market.

Reforms introduced into the vocational education and training system in 1993, 1998 and 2001 have resulted in a less rigid system which allows, in principle, for greater permeability between pathways and greater relevance and transparency of qualifications.

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The objectives of these reforms are as follows:

- the promotion of the overall transparency of the school system;
- increased mobility within the system;
- the recognition of previous vocational knowledge;
- comparability of competencies at the national level;
- an increase in individual career choices;
- an increase in the technical skills and knowledge of those leaving the school system.

In 1993 the NVQR profiles were introduced and schools were given a period of five years to adopt the curricula leading to them. Since 1998 all schools have been teaching to the NVQR curricula. The development of new occupational profiles is on-going in response to emerging market needs. More recently, in 2001 a reform of the occupational profiles within the NVQR and of the curricula leading to NVQR qualifications was introduced. The new modular curricula are competency-based.

In 1998 apprenticeship schools that prepared trainees for specific and narrow vocational fields and increasingly failed to respond to the needs of the labour market were transformed into four-year vocational schools in which entrance and specialisation in a particular vocational field is deferred until the age of 16. They are now considered as part of the vocational schools system.

In parallel, government policy was to **introduce a new apprenticeship system**, based on the German system, with strong involvement of chambers of commerce and industry. Developed on a voluntary basis, this 'dual system' is developing slowly (during the three years 1997, 1998, 1999, 4,795 study contracts had been issued through chambers, affecting 864 companies). As noted above, the Development and Training Fund can be used to finance such training, as well as all kind of practical training set up in companies for the benefit of other

vocational schools. But in practice this provision is limited and consequently most practical training is still provided in school workshops. (For further discussion on the provision of practical training see 2.2.1 – Delivery.)

In secondary vocational schools the objective of providing a more generalised education has been taken further. Since 1998 students have followed a four-year pre-vocational training programme in vocational secondary schools and only begin occupation-specific training in post-secondary education, i.e. from the age of 18.

In 2001 compulsory education was extended to the age of 18 for all those entering primary school from 1998 onwards.

The current *maturita* examination is a general certificate of education. It is necessary, but not sufficient, for entrance to an institute of higher education as these institutions have their own entrance examinations. A new *maturita* examination will be introduced at two levels (middle and higher) in 2005. From that date, school graduates with the higher *maturita* will gain automatic access to higher education without having to take a university entrance exam.

There are two main thresholds in the basic education system. The first is graduation from primary education at the age of 14⁴⁴ with the possibility of entering one of three streams: grammar school, secondary vocational school or vocational school. The choice is made by parents and students, with advice being available from the guidance and counselling service in the primary school. For students entering one of the two types of vocational streams (vocational school or secondary vocational school) the first years are devoted to choosing a vocation from 420 occupational profiles. This 'orientation' period lasts two years in the secondary vocational schools and one year in vocational schools, as the second year is devoted to pre-vocational training. During the orientation period

⁴⁴ Students opting for education in the private sector can enter the private eight- or six-year grammar schools at the age of 10 or 12 respectively.

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students follow courses in vocational guidance, career orientation and vocation group preparation. Following the completion of the first two years it is possible for a student to move to another pathway or to continue studying in another vocation group. There is, therefore, a potential for permeability within the system, but, in practice, there is little evidence of movement between educational pathways.

The second threshold appears at 16, when decision is made regarding which specific vocational field will be followed. In secondary vocational schools students in the 16–18 age group follow pre-vocational courses (see below), while in vocational schools students in the same age group follow one- or two-year vocational courses leading to an ISCED 2 or 3 qualification. They can also enter the former 'apprenticeship' pathways.

In the third and fourth grades of the secondary vocational school (16–18 age group), vocation group-based training that prepares students for the *maturita* examination is provided.

Students graduating from vocational schools with an ISCED 2 or 3 qualification enter the labour market.

Students graduating from secondary vocational schools with the *maturita* examination have three options. They may apply for entry to a university programme (ISCED 5a) or to a college programme (ISCED 5b). Students failing to gain entry to either programme may enter an accredited post-secondary programme prior to re-applying for university or college programmes. In fact, most students enter the labour market on completion of the accredited post-secondary programme.

Students graduating from secondary vocational schools **without taking the *maturita*** may enter a one- or two-year secondary vocational programme. On

completion of this programme they either enter the labour market or seek entry to college or university programmes after passing the *maturita*.

Students graduating from the eight-class, six-class or four-class grammar school programmes⁴⁵ with the *maturita* examination may apply for entry into university or college programmes. Students failing to gain entry to university or college programmes may enter the accredited post-secondary pathway described above.

A catch-up programme is available for those who have not completed primary school by the age of 16. On graduation from this programme students can re-enter the mainstream or enter the labour market.

Schooling by type of school

From among those concluding primary education in 1998/99 (113,800 pupils), 97% (108,800) continued their studies in secondary institutions; 33% (36,000) continued their studies in secondary grammar schools; 39% (44,500) continued in secondary vocational schools; and 25% (28,000) continued in vocational schools (including special vocational schools for disabled or disadvantaged students). These students and trainees were trained in 1,521 institutions in 1999/2000, 1,229 of which provided some vocational training programmes (81%).

Private schools and church-funded schools have a very limited market share, particularly in terms of the vocational branches of the system. In the 1999 academic year, 6% of vocational school students were educated in non-state-sector schools while the figure for those following secondary vocational programmes was 7%. However, 15% of students following secondary grammar programmes in that year were educated in the non-state sector⁴⁶.

⁴⁵ Schools within the public education system operate on the basis of eight years' primary education and four years' secondary. The eight-class and six-class grammar schools are private or church-funded schools and cater for a small percentage of the school-age population in grammar schools (11% in 1995/96). However, they offer some students the possibility to enter secondary education with the certainty that they will continue in grammar schools, and escape any orientation towards vocational education.

⁴⁶ Ministry of Education

Figure 2. Continuing education in secondary education institutions

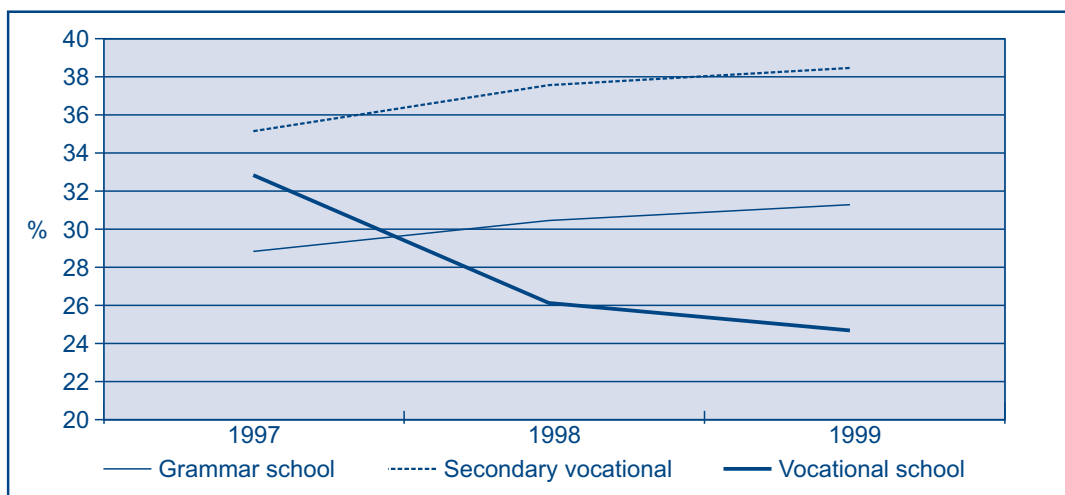


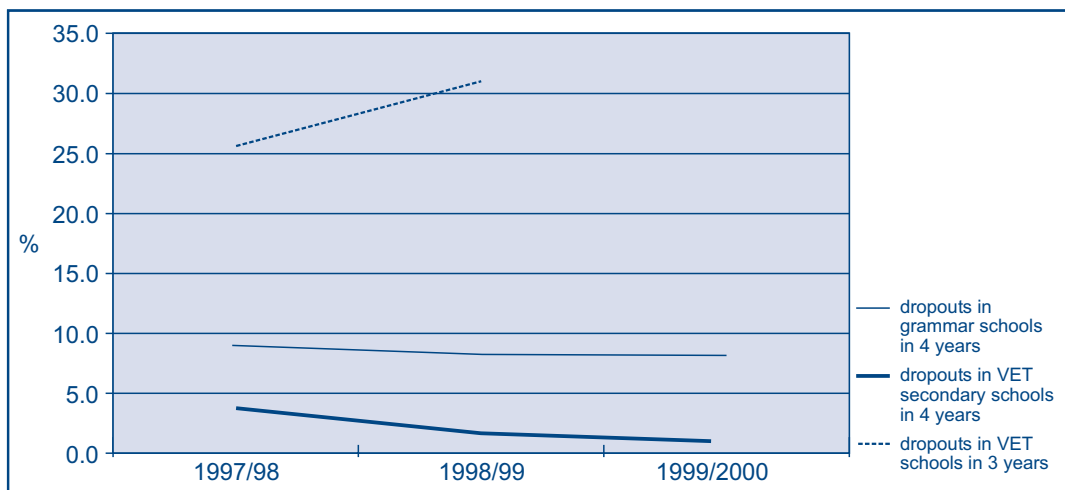
Figure 2 presents the number of those continuing studies in secondary education institutions in 1997–99. In the grammar schools and vocational secondary schools the number of participants has increased substantially over the past 10 years (from 57% of one cohort in 1990 to 77% in 2000). This is in contrast to a decrease in the number of participants in vocational schools, including apprenticeship schools before 1998 (from 43% in 1990 to 23% in 2000).

The number of students holding vocational qualifications from among those leaving the school system has increased substantially over the past 10 years (from 61.2% in the early 1990s to 78.6% in 2000).

The dropout rate in secondary vocational schools has decreased substantially, from 9% in 1996/97 to 1% in 1999/2000 (preliminary figures). A contributory factor may have been the introduction of the new competency-based curricula. The decrease was also evident in the case of students in vocational schools, although the rate in these schools remains high. In 1996/97 it was 23%. In 1999/2000 it is estimated to have dropped to 14%, according to preliminary data. Meanwhile, the dropout rate in grammar schools has decreased only very slowly: it was still close to 8% in 1999/2000. To further reduce dropout rates, especially in vocational schools (and particularly the former apprenticeship schools), special programmes have been

DROPOUTS

Figure 3. Dropout rates during training



2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

launched with increased subsidies in the normal vocational training section and also for those who have not completed the eighth grade of primary school.

Guidance and counselling, involving both parents and pupils, is provided by designated teachers in primary schools and secondary vocational and vocational schools. In primary schools advice is given on which pathway a pupil should follow in secondary education, and in secondary schools guidance is given on which vocational pathway a pupil should follow. Evidence from field visits suggests that parental wishes are given greater consideration than labour market needs, and hence there is an over-subscription on favoured courses, such as hairdressing, relative to market demands.

Post-secondary education and training

With the support of Phare and also bilateral cooperation with some EU member states, Hungary made great efforts in the 1990s to develop a diversified post-secondary education and training system in both school and university systems. As a result, according to OECD data (Education at a Glance, 2001), **Hungary ranks second of the OECD countries (after Canada) for the percentage of students having an ISCED 4 diploma.**

Post-secondary programmes of two years' duration leading to an ISCED 4 qualification are offered to students who have performed the *maturita* exam, these being provided by Higher Educational Accredited Vocational Schools (AIFSZ) established under the 45/1997 act. While post-secondary vocational education and training courses may be implemented in higher education institutions, the majority are offered by secondary vocational schools. Annex 8 shows that in 2001 98 secondary vocational schools offered post-secondary courses, while 31 universities were involved in the programme, in cooperation with colleges or universities, facilitating closer cooperation between the two institutions. Annex 7 presents the number of the AIFSZ qualifications by vocational area. Annex 8 shows the rapid increase during recent years in the number of institutions that

have launched post-secondary training programmes, from 24 in 1998 to 129 in 2001.

Nevertheless, the quality and relevance of the provision varies considerably between institutions and professional fields. The majority of participants enter the labour market on completion of training. However, the number of post-secondary courses offered is growing rapidly (see Annex 7).

HIGHER EDUCATION

This is a sector to which **Hungary gave high priority in the 1990s** by developing and improving the provision in the universities and other relevant institutions and by facilitating access for students having completed secondary education.

Higher education courses are offered at three- or four-year colleges or at universities. Three-year college programmes lead to ISCED 5b qualifications and the four-year programmes and university programmes lead to ISCED 5a qualifications.

In 1998 the 30 independent universities and 59 colleges were reorganised into 12 integrated universities. A course credit system was introduced that greatly increased both student choice and the responsiveness of institutions of higher education to the needs of the labour market.

At the same time the previously lecture-based teaching methodology was replaced by more student-centred programmes that encourage students to take responsibility for their own learning.

Enrolment in higher education more than doubled between 1990 and 1997. The net entry rate in tertiary type A was 58% (1999). In the four years between 1995 and 1999 enrolment increased by 64%. Over the same period there was an 84% increase in Poland and a 37% increase in the Czech Republic. In 1999 the average number of years a young person in Hungary could expect to spend in tertiary education throughout his/her lifetime was 1.8, compared to 1.4 years in the Czech Republic, 2.3 years in Poland and 2.5 years, on average, in OECD countries.

VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN HUNGARY

A key point noted from the OECD proceedings 'Towards Lifelong Learning in Hungary (1999)' was that 'the improved access to higher education had to be accompanied by reforms of both structure and contents. The lack of pathways between the different parts of the system was a source of serious concern, as well as the continuing presence of institutional rigidities that clearly serve as barriers to lifelong learning'.

CONTINUING VOCATIONAL TRAINING

CVT is provided by four categories of training provider for customers, as set out in the table below.

CVT in the formal system

There is the opportunity to re-enter the education system at any time of life through the **evening adult education system**, which offers grammar school programmes (ISCED 3), for which primary school graduation is a pre-requisite, higher education programmes, for which the *maturita* examination is a pre-requisite, VET programmes leading to an ISCED 5 qualification (again, the *maturita* is a pre-requisite), and programmes leading to an ISCED 2 or 3 qualification. Training is provided free of charge, but the training facilities and methodologies are the same as the ones in initial education, with little consideration of the specificity of adult learning.

In this category we can consider part-time courses and distance education courses organised by universities. Attendance on part-time courses is rather stable and amounts to about 6,000 students a year; participation in distance education courses developed rapidly from about 20,000 in 1992/93 to 51,000 in 1996/97.

CVT in the non-formal system

The non-formal sector, which in Hungary is usually termed '**vocational training outside the school system**', has over the past 10 years been the most dynamic area in education (Sum, I. and Toth, A., 'Vocational training – Source of financing', Ministry of Education, 1999). Nevertheless, OECD analysis (Education at a Glance, 2001, report data from IALS survey 1998) showed that 17% of Hungary's 25–64-year-old population were involved in continuing training outside the formal system, which was higher than the proportions in Poland (13%) and Portugal (12%), but lower than the proportion in the Czech Republic (25%) and the OECD average (31%). Other sources were more pessimistic; the OECD proceedings on lifelong learning in Hungary (1999) evaluated participation in adult education at about 5–10% of the labour force (compared to between 27 and 46% in other developed countries).

According to data provided in the framework of the National Programme for Data Collection (OSAP), with which each training provider has to be registered, in 1999 this system involved about 300,000 people in vocational training activities, to which we have to add about 100,000 people who benefited from labour market measures. This training was delivered through four main types of providers:

- schools and colleges,
- private providers,
- non-profit institutions,
- county or regional labour market training centres.

Training Provider	Individual Initiative	Employer Initiative	Employment Service Initiative
Schools, colleges and universities	X	X	X
Private training centres and other companies	X	X	X
Non-profit organisations	X	X	X

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

Mainly because of the **large-scale liberalisation that had taken place in the institutions providing training, 1,461 institutions were registered at the end of 1998, and the number of private and non-profit providers was still growing fast.** In 1999, 83% of the courses provided were offered through the National Vocational Qualification Register.

If we consider activities outside the labour market measures, a total of 13,075 training courses were organised in 1999, representing 266,162 students: 19.6% of them (52,157 individuals) participated in technical vocational training, 18.2% in economic or financial fields, and 16% in the trade or catering fields. A substantial number (132,731 individuals, or 47% of those following CVT programmes) took part in ISCED 3 training leading to the *maturita* examination. A total of 121,141 individuals, 45.5%, took part in ISCED-5-accredited training, typically in order to gain new vocational skills. A total of 5,964 individuals, 2.2%, took part in ISCED 2 training, and only 3,300, 1.2% attended ISCED 5 training (higher education).

However, it should be noted that the Adult Education Act (2002) introduces a constraint, as it requires all training providers to be accredited and **all courses provided to be recognised by the NVQR if they are to receive publicly-funded subsidies through the Development and Training Fund.**

In parallel, it has to be noted that the rate of participation of adults with low levels of qualification has declined dramatically since the beginning of the 1990s ('Towards Lifelong Learning in Hungary', OECD proceedings, 1999), which could be seen as a signal that the CVT system does not properly address the most vulnerable people in the labour market.

1) Schools and colleges

In 1998 schools and colleges still catered for around 22% of the total number of participants. Their share of the market is declining somewhat. Schools do not consider training outside the school system

as a basic activity; nevertheless, it provides a fixed income, albeit quite small in some cases (Sum, I. and Toth, A., *Funding vocational training outside the school*, Ministry of Education, 1999). Training methodologies still tend to be trainer-centred and classes tend to be large because the schools receive only limited financial support. Consequently there is a strong tendency to move from school-based training to training provided by private training providers, particularly in urban areas, where supply is greater.

2) Private training providers

In 1998 private training providers catered for around 55% of the total number of participants; they therefore represent the majority of training providers. This rate of provision is 2–2.5 times higher in terms of both classes and attendance compared to the provision of adult training in the school system. These providers work under market forces and conduct their business independently. There are currently more than 2,000 such organisations, of which 800 actively and regularly provide adult training courses. In accordance with Decree No 45/1999 issued by the Minister of Education, private training providers have to be registered at the county or city employment office as a pre-requisite for conducting vocational education and training. Registered providers must submit reports to the Ministry of Education on the courses they wish to offer. These must be consistent with their core business.

3) Non-profit institutions

A variety of non-profit institutions are involved in adult education in Hungary. Based on the tradition of 'people's academies', and with the support of international donors, a range of 'cultural centres' have been set up by municipalities, working under the coordination of the Hungarian Institute of Education. Associations, local clubs and foundations also play a role in organising education for adults in different ways. To be noted in particular are two main foundations: the National Employment Foundation and the Open Vocational Training Public Foundation, who play an

ever-increasing role in financing vocational training outside the school system ('Vocational Training – Source of financing', Ministry of Education, 1999).

4) Labour market training

In line with the government's policy of reducing regional disparities and tackling unemployment, in addition to existing county training centres and other private training providers, in 1991 nine **Labour Development and Training Centres** were established under the Ministry of Education and with the support of the World Bank. These had the following remit:

- the organisation and provision of vocational education and training for unemployed and disadvantaged clients;
- the provision of training for entrepreneurs and business advisory services;
- participation in the extension training of trainers;
- the provision of practical training in the school system based on agreements concluded with vocational schools;
- operating as methodology and examination centres;
- the provision of labour market and pedagogical services.

Tripartite bodies, led by the Ministry of Education, act as supervisory councils for the Labour Development and Training Centres, monitoring their performance and ensuring that the training provided meets the needs of the local labour market. The supervisory councils also monitor the financial management of the centres.

The **Labour Development and Training Centres**, and private institutions, provide training for unemployed clients following the publication of tenders by the county and local labour offices (see Chapter 3). With a capacity of 3,500 people annually for each centre (about 30,000 in total), the Labour Development and Training Centres have a 17% share of this market (evaluated at 88,000 benefiting from the labour fund in 2000, indicating a regular increase from 72,000 in 1996 and around 80,000 in 1998). The labour offices monitor

attendance, but not the quality of training provided. Neither the training providers nor the labour offices track the employment record of graduates from training programmes for those who are unemployed, other than in a negative way, i.e. by recording graduates of one course for unemployed people returning for a second course. Previous learning experiences are not taken into account and the training providers can offer little flexibility in their provision of training to suit the needs of unemployed clients. This point is dealt with in greater detail in Chapter 3.

The Labour Development and Training Centres generally make a positive impact, but the quality of services offered varies according to the management capacity available and the commitment to the concept of service to the local community. Those that show this commitment have already established outreach programmes to schools within their region (such as teacher upgrading courses) that could contribute to the upgrading of the provision of initial VET and address the problem of regional disparities. They also provide targeted services⁴⁷ to unemployed clients and other disadvantaged groups, including disabled people. With this sense of service, they could play an important role in implementing the government's policies for lifelong learning in the regions. Those centres in which the commitment to service is less evident will need further capacity building before they reach their true potential.

CVT initiated by companies: results of the last Eurostat survey

As part of this chapter, it is important to consider the **training activities initiated by companies for their own employees**. This issue was already touched upon in the section on VET financing (2.1.3). It was demonstrated that Hungarian companies devote a substantial amount of resources to training, in particular through the mechanisms introduced in the Vocational Training Contribution, but their participation in training their own employees is rather limited compared to that of companies in other future member states.

⁴⁷ These might include such assistance as developing CVs and interview practice.

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

According to a **survey conducted by Eurostat in 1999, Hungary identifies only 37% of its companies as training companies** (compared with 69% in the Czech Republic, 63% in Estonia and 39% in Poland) . This proportion reaches 79% of companies with more than 250 employees, but is only 32% for companies having between 10 and 49 employees. The ratio is also higher in the financial sector (79%), but lower in manufacturing industries (34%). Training is organised through courses for 24%, but also through other methods such as on-the-job training (30%). In the majority of cases courses are external; the average duration is 38 hours per year, which is higher than in the Czech Republic (25 hours) and Poland (28 hours).

Overall, continuing vocational training courses account for 1.2% of the total labour costs in Hungary (compared with 1.9% in the Czech Republic , 1.8% in Estonia and 0.8% in Poland), and the cost per employee for such courses is the highest of all the future member states at €305 PPS, which comprises a contribution of €84 PPS relating to the contribution to the Vocational Training Fund.

Hungary, together with Romania, is also the country in which the highest number of 'non-training companies' give the answer 'initial training is enough' when asked why they do not organise any training. This has to be put in the context of the large (and increasing) amount of money given by companies to initial VET through the different facilities offered by the Vocational Training Contribution.

Trainers in CVT

A total of 97% of trainers in adult education are part-time employees who work on a contractual basis. More than half have a university degree and 37% have a college degree, while 11% have a secondary

school education only. One-third of them are women. Nationally, 50% of the full-time and 30% of the part-time trainers are qualified teachers.

As the majority of trainers are employed on a part-time basis, employers feel no commitment to upgrading their skills. As a consequence, the private training sector does not make a significant contribution to the development of training methodologies and practices, unlike its counterparts in member states.

2.2 RESPONSIVENESS OF THE INITIAL VOCATIONAL EDUCATION AND TRAINING SYSTEM TO THE NEEDS OF THE LABOUR MARKET AND THE INDIVIDUAL

Basic indicators:

Unemployment rate of graduates

Number of registered unemployed school leavers:	31,247 (9.05% of the total number of people registered unemployed)
Number of registered unemployed:	344,965 (as of August 2001)

Source: Ministry of Economic Affairs

Much has been done in Hungary to make the VET system more responsive to the needs of the labour market: the process of decentralising curricula design; the introduction of the National Vocational Qualification Register in 1993, with further adaptations; the successive reforms of the Vocational Training Fund aimed at developing businesses' contribution to initial VET and also to CVT. The definition of responsibilities within many tripartite councils shows that the social partners are given an important role in the different components of the system. Nevertheless, there are still difficulties in several fields.

2.2.1 APPROPRIATENESS OF THE EDUCATION AND TRAINING SYSTEM

PLANNING AND PROGRAMMING

There remains a **mismatch between the output from the vocational training system and the needs of the labour market**. This arises from a number of factors: poor labour market intelligence at county and municipality level; a guidance and counselling system that is driven by student demand rather than labour market needs; and trainers and training materials that do not respond to changing market needs. At the county and local levels the collection and processing of labour market intelligence is sporadic and consequently inadequate for effective planning and programming.

At national level the curricula reforms and related in-service trainer training currently being developed by the NVTC are informed of the relevant occupational profiles through the involvement of employers' associations and enterprises.

Consequently the new profiles contained in the NVQR should better reflect the needs of the labour market as perceived at the national level, but until labour market intelligence is improved at local level it will remain difficult to implement the revised profiles effectively.

THE NVQR AND THE FRAMEWORK CURRICULUM

The key pillar is the National Vocational Qualification Register established by Decree No 7/1993, issued by the Minister of Education. The first version of the register was compiled in 1993 through a tripartite interest-reconciliation process in professional committees comprised of employers, employees and government representatives. Maintenance of the register is performed by the Qualification Subcommittees of the NVTC (see above).

The NVQR organises state-recognised vocational qualifications, specifying their key characteristics. Vocations are classified along the Uniform Classification System of Occupations (FEOR) published

by the Central Statistics Office. The NVQR includes information on:

- the level of vocational qualification (in line with the ISCED system since 1996);
- the organisation of training;
- the duration of training;
- the relative proportions of theoretical and practical training;
- the required pre-qualification.

An updated version of the register is issued every year. In 2000 it comprised 932 vocational qualifications (compared with 955 in the first list in 1993, 973 in 1997, and 951 in 1999). But according to the key policy priorities established by the government, a decision has now been made to reduce this number drastically (see 2.1.2) in order to provide broader qualifications.

Based on the NVQR, the line ministries in charge of vocational training issued the technical/professional examination requirements for vocational qualifications. This was followed by the elaboration of the standard curriculum for each vocational qualification in the schooling system. Since 1998, training may be introduced within the schooling system (at upper secondary and at post-secondary level) only for the purpose of acquiring qualifications listed in the NVQR.

Meanwhile, many reforms had been undertaken in the field of curricula design. First of all, **decentralised curricula were introduced at the beginning of the 1990s to replace the central curricula that were prevalent in the 1980s**. A reform based upon wide international support coming in particular from the World Bank and the Phare programme was then developed with the aim of answering the needs of a modern market economy and a democratic society. It can therefore be said that curriculum design became a two-pole system combining a central outline or framework curriculum and a locally developed full curriculum.

Closely linked to the NVQR, the **'framework curriculum'** (or 'national core curriculum' or 'outline curriculum', according to the different literature) has

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been recently introduced (the decision was made in 1995 and implementation began in 1998) **with the aim of preserving the autonomy of educational institutions**, and also of providing the level of regulation necessary to **ensure transferability and to implement fully the NVQR requirements**.

Therefore, training programmes offered in the school system (in secondary grammar and secondary vocational schools and vocational schools) are determined by the NVQR and the framework curricula, the former of these having been modified in summer 2001, resulting in substantial structural changes, specifying 21 groups of vocations along with the assignment of all vocational qualifications to such groups.

In the vocational streams, the teaching of general subjects and vocational orientation is provided in the first and second years, while in the third and fourth years basic vocational training is provided in the vocational schools and pre-vocational training in the secondary vocational schools.

The framework curricula contain the knowledge and skills to which every student must be given access. Up to 30% of the curricula may be supplemented according to local needs. In theory, the choice of teaching methodology is discussed by the teachers, parents and other stakeholders of each educational institution. In practice, decisions of this nature are made by the school principals and teachers. The choice of textbooks is the responsibility of teachers' working groups. Choices are made from a list of eligible textbooks approved by the Ministry of Education.

TEACHER TRAINING AND UPGRADING

Teachers are qualified as required by the decree of 1997, but as a consequence of the ageing of the profession (as far as VET teachers are concerned) and the lack of contact with enterprises, teaching

methodology remains essentially trainer-centred. However, this situation is being addressed: the World Bank vocational education reform programme included a teacher-retraining component that has been adopted by the NIVE and included in the reform of the NVQR and the development of new competency-based curricula. Teachers and trainers are being progressively retrained to work with the new curricula, and teaching facilities are being upgraded to facilitate participatory, project-based training.

Pre-service training is offered at 17 universities and colleges, either as a full-time course parallel with technical studies or combined with a distance-learning course lasting two semesters. Training may also be provided by a distance-learning course offered over four semesters.

While institutions providing teacher training have not been directly involved in the reform of curricula, pre-service training is progressively incorporating the objectives of educational policy in training methodology, addressing issues such as quality assurance, development of competencies and learning processes, organisational activities, active learning and project work. However, the autonomy of pre-service training institutions and the lack of contact with schools and the world of work continue to provide a constraint on the adequate preparation of teachers and trainers for the school system.

As noted above, the provision of in-service training goes some way to redress the inadequacies of pre-service training. The NIVE oversees an on-going retraining programme in accredited training institutions, and teachers under the age of 50 are required to complete 120 credits every seven years. Schools must now spend 3% of their budget on in-service training. Teachers themselves are expected to pay 20% of the costs.

DELIVERY

Basic Indicators:	
Number of enterprises providing CVT in 2000	2,139 Access to computers: an average of 30 computers per school <i>Source: NIVE – full survey being prepared by Ministry of Education</i>
Number of vocational schools with Internet access	1,300 <i>Source: SULINET – full survey being prepared by Ministry of Education</i>

Enterprises are not involved sufficiently in the provision of vocational training in schools, nor in the provision of practical training in companies. In some cases, chambers of commerce and/or local enterprises are represented on school boards, but in practice they contribute little to the provision or development of VET programmes within these schools.

Practical training provided for VET school students by companies

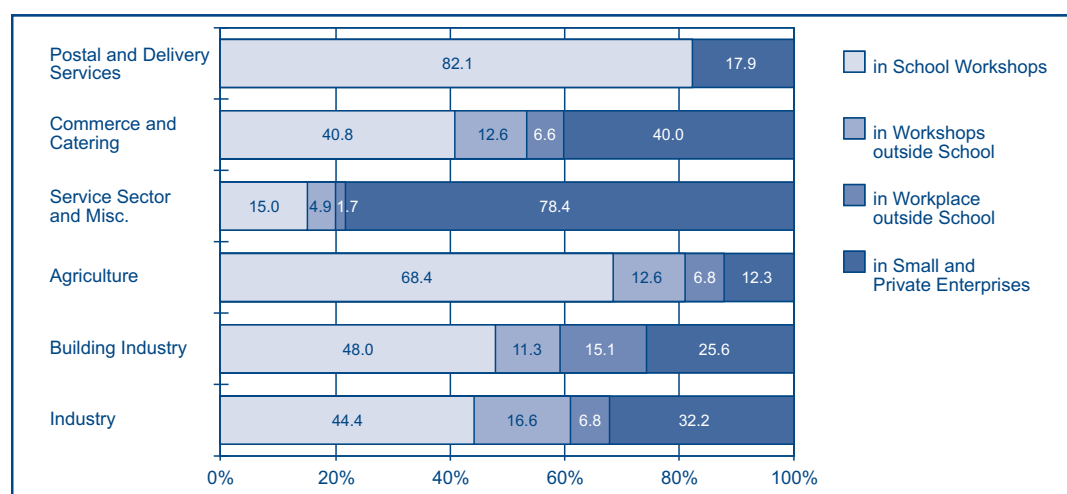
As a consequence of the economic transformation and privatisation (including the closing of many state enterprises), practical training has changed radically since the beginning of the 1990s. **Between 1990 and 1998 the number of training workshops in companies fell by around 50%.** This necessitated the establishment of **new training workshops in schools;**

during the same period, their number increased by around 100%. This establishment of practical workshops **was supported by the Vocational Training Contribution** and its different modalities (see the above description of the different mechanisms).

In the period 1997–99 75% of practical training was provided by enterprises in the service sector. In the industrial sector, in which the largest number of individuals participated, only 55% of students were trained by businesses. The proportions are even worse in agriculture: two-thirds of the students and trainees studying in this field acquired their practical skills in school workshops. The situation in the 1999/2000 academic year is shown in the table below.

In the framework of the ‘new’ **apprenticeship system** (see 2.1.5), for the as yet limited number of schools which have implemented it, the **chamber of commerce takes an active role in improving the quality of the training provision** in its role as mediator between the schools and enterprises offering training; it accomplished this through checking legal regulations, but also through producing promotional materials to enhance the training environment, and a ‘Training ABC’, which is distributed to training providers. The chamber actively monitors the quality of training and trainers, and offers upgrading courses for craft masters. It also provides certification for training provided by enterprises.

Figure 4. Breakdown of the number of vocational school students by place of training and sector of the economy for 1999/2000



2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

Some 80% of the enterprises offering training are micro-enterprises with fewer than 10 employees. However, this accounts for only 20% of the students receiving practical training in companies; the remaining 80% undertake in larger companies. The length and organisation of practical training attachments vary, depending on the vocational profile.

Enterprises offering training places can be reimbursed from the Vocational Training Fund for the purchase of training equipment. Workshops therefore tend to be well-equipped, while school-based workshops are relatively poorly equipped, although this situation is improving.

The impact of the chambers of commerce on the effectiveness of practical training provided by enterprises varies between and within regions. In most instances they see their responsibility in terms of the training providers rather than as active intermediaries between the training providers and the schools.

ACCESS TO COMPUTERS AND THE INTERNET

There are an average of 30 computers per school; OECD figures show that 41% of lower secondary school students in Hungary use email and the Internet for instructional purposes. This is the same as in Belgium, though considerably below the figures for OECD countries that have developed information societies. In 2000, 1,300 VET schools had Internet access. A dedicated education server, Sulinet, offers email, Internet and database services to more than 2,000 schools throughout the country.

2.2.2 RESPONSIVENESS

The reform of the curricula registered in the NVQR, the associated programmes of trainer training and the upgrading of training equipment should contribute to an improvement in the responsiveness of IVET and CVT to labour market needs. However, as noted above, labour market information at local level is inadequate and there is insufficient liaison between the supply and demand sides of the training process. This will clearly lessen the impact of the new curricula.

The local labour offices (see Chapter 3) are planning to introduce a personalised service for long-term unemployed people, but the lack of liaison between the labour offices and the local education authorities means that individualised training programmes have not been developed, despite the introduction of the new modularised programmes developed under the NVQR.

Amongst the future member states, Hungary performs badly in terms of both provision of CVT in companies and participation rates. Flexible contracts allowing workers to take up training opportunities have not yet been established. While the government is committed to promoting lifelong learning opportunities, the concept is not well embedded at local level, and training providers are not responding to an as yet ill-defined need.

In general it can be said that many building blocks that could contribute to the development of a real and responsive lifelong learning system are already in place. The issue is probably the lack of a real, integrated strategy based on clear priorities, established in close partnership with all main stakeholders and the basis of a good level of coordination between all administrative levels.

2.3 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING SOCIAL AND LABOUR MARKET INCLUSION

Basic indicators:	
Activation rate	
Number of registered unemployed in 2000:	344,965
Registered unemployed persons as a proportion of the economically active population:	8,7%
<i>Source: National Labour Centre</i>	
Rate of return to employment after participation in a measure	
Number of people taking part in training in 2000:	88,173
Rate of return to employment after participation in training in the first half of 2000:	50,1%
<i>Source: National Labour Centre</i>	

Access and inclusion of Roma people

It is estimated that the number of Roma people living in economically disadvantaged areas is around 500,000 (150,000 according to official sources, but 800,000 according to other sources). However, only 1.5% of the school-age Roma community complete secondary school (EU Barometer on Human and Trade Union Rights in the Education Sector, 2001), and **the ratio of children accepted in secondary schools is declining** (National Observatory report 1999), **while the number of Roma dropouts from vocational schools is increasing**. Increasing school attendance and appropriate measures to tackle social exclusion and dropout rates are therefore priorities, requiring specific funding for the provision of training.

While government policy is to increase the participation rates of Roma children in secondary education, the issue is not being addressed adequately at national level. The number of Roma pupils in schools for

children with learning difficulties is disproportionately high, and few have the opportunity to enter continuing education at the secondary level.

At the county and municipality levels there have been significant interventions by national and international NGOs involved in education. One such is the Ghandi High School opened in Pecs in 1994. It is a private secondary school that receives some state funding and integrates Roma students with the general population, but focuses on Roma culture and traditions. Six other schools modelled on the Ghandi High School have subsequently been opened.

Other programmes initiated by NGOs have addressed teacher-training issues and promoted the inclusion of Roma children in mainstream education. However, local administrations continue to administer discriminatory policies that exclude Roma children.

Training disabled and disadvantaged students

People with disabilities are taught in integrated and segregated institutions, depending on the degree of their disability. However, the majority are taught in segregated institutions. In the past three to four years the NVQR has made a separate designation for institutions and training courses offered to this group. Such courses receive special resources and teaching aids such as multimedia tools (including CDs and videos).

The curriculum introduced for disadvantaged groups makes it possible to identify the problems of members of these groups at an early stage and lead individuals through a supportive programme, with a resultant decrease in school failures. Integration and cooperation between institutions to allow for horizontal mobility is, however, still a challenge. In support of this, the student hostel programme has run for the past three years; it aims to support disadvantaged students with state funds to enable them to study in other communities.

2.4 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING ENTREPRENEURSHIP

Design of entrepreneurial skills

While entrepreneurial skills are given equal importance in the IVET and CVET systems, they are treated differently at different levels of training.

At ISCED 5 level

All fifth-level vocational training accredited by the National Vocational Qualification Register must have a separate module covering entrepreneurial knowledge. One project of the National Institute of Vocational Education is worthy of note: as well as the general curriculum, an entrepreneurial skills module manual was also developed. These modules are now used by several different technical groups within the institution. Subjects covering entrepreneurial skills go beyond just entrepreneurial knowledge, especially in fields such as economics, trade and catering, where more than just a theoretical knowledge of the topic is required: the student takes part in practical experience in the field of management.

At ISCED 3 level

Entrepreneurial skills are also taught in third-level vocational training, though there are large differences between the various groups. In this case the curriculum is developed through coordination between the school and the companies in which the students will gain their practical experience. This may take place in the shop or work area of the company, which helps to support the students' studies financially.

2.5 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING EQUAL OPPORTUNITIES BETWEEN MALES AND FEMALES

Combating gender stereotypes and inequalities

The gender question is not perceived as an issue at either national or local levels in Hungary. The law on Public Education makes provision for equal opportunities in education, and participation rates indicate that there is no discrimination against either gender in primary or secondary education. Participation in higher education shows a slight and growing preponderance of female students.

Participation rates for women in CVT are high and assistance is given to women wishing to re-enter the labour market. The Ministry of Social and Family Affairs is implementing a Phare-funded project designed to promote the reintegration of women into the workforce.

However, school-based guidance and counselling services do not perceive a need to reduce occupational stereotyping and, consequently, no effort is made to increase the participation of girls in training for occupations traditionally performed by males, and vice versa.

2.6 CONCLUSIONS

Hungary is probably one of the most advanced of the future member states in terms of modernisation of the VET system, and has made some progress in the preparation for lifelong learning.

Substantial reforms have been introduced since the beginning of the 1990s, and are on-going.

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- Many initiatives have already been put in place that allow for the upgrading and widening of skills provided in secondary education, and there have been substantial developments in tertiary education that have contributed to the sector's responsiveness to labour market needs.
- The dropout rate in secondary grammar and secondary vocational schools has decreased dramatically over the past 10 years, but remains a problem in vocational schools, especially for Roma students.
- The establishment of the National Vocational Qualification Register in 1993 has facilitated better links between initial and continuing training.
- Legal provision has been made for the involvement of social partners in VET reforms and management.
- A special levy has been put in place with a view to developing CVT at company level but also in order to involve companies in initial training. A modern dual system has started to develop. A comprehensive law on CVT, which should enable provision to be developed and quality to be achieved, has recently been adopted.

However, the legislation governing education in general, and initial and continuing education in particular, is over-regulatory and may provide some constraints on the development of lifelong learning opportunities. For example, training providers seeking government subsidies for courses offered to the public can only offer courses leading to qualifications in the NVQR, thus largely excluding non-formal and informal learning from public recognition.

State funding for VET and lifelong learning has decreased over the past 10 years; this decrease has only been partially offset by the development of the Vocational Training Contribution, which is particularly active for the initial training system.

The introduction of the law covering adult education and its amendments will have a significant impact on vocational education outside the school system, though challenges remain if the provisions of the

act are to be fully implemented. Furthermore, there is a risk that the system established will be over-regulated.

One important question is to what extent the institutions and accredited programmes will support the quality and transparency of education. Another issue is how the favourable tendency that started in the field of company training courses will spread to the small and medium-sized companies.

The success of the new system is influenced to a great extent by the efficiency of the National Adult Training Institute. Employment policy and adult educational strategy and programming should be strengthened both nationally and locally. One very considerable challenge is the current lack of coordination between the training sectors at county level.

In the past 10 years the emphasis has been shifted to continuous training within the context of lifelong learning. Further capacity building and awareness campaigns will be necessary to ensure the firm establishment of the concept of lifelong learning in the regions. In particular, greater attention will need to be placed on less skilled adults and the Roma population as a whole.

Greater collaboration is needed between schools and enterprises in providing theoretical and practical training respectively. This should facilitate the efficient integration of the school system and the economy.

According to the Joint Assessment Paper (JAP), the government intends to promote job creation through:

- improving market intelligence and introducing individualised guidance, counselling and training for self-employment and to facilitate the integration and reintegration of disabled people and other disadvantaged groups;
- the continuous updating and transparency of qualifications in developing the National Register of Qualifications to improve the skills base of students graduating from

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

post-secondary and tertiary training institutions and promote the concept of lifelong learning;

- improving links between the skill needs of the labour market and continuing vocational training policy, and the recognition that such policy must be strengthened through the development of the system of social dialogue and partnership between vocational education training schools and employers.

The achievement of these objectives should come from the continuation of efforts mentioned above, although account should be taken of the following concerns.

- The collection and dissemination of labour market data remains weak at both the national and local levels.
- Work has begun on the reform and updating of the NVQR, and new modular curricula are being adopted by VET schools throughout the country. On-going trainer-training programmes need to be reinforced and capacity building for school principals increased. The restructuring of the management of VET schools into 200 management units will facilitate this.
- The involvement of social partners in developing CVT policy is well-established at national level, but needs to be developed further at the county and municipality levels.
- Innovations in curricula, the creation of new pathways and, more generally, the

development of public and private provision in initial and continuing VET have benefited from the significant level of autonomy given to schools, and from the decentralisation at county level.

- Funding is still an issue, as the rapid development of participation in upper secondary and tertiary education has taken place without additional resources; this is now creating difficulties for the recruitment of teachers and the renewal of technical equipment in VET schools in general.
- Referring to the Lisbon conclusions, some of the targets have already been incorporated in the National Employment Action Plan (to increase investment in HRD, to raise the numbers of students continuing their studies at upper secondary and tertiary level, to improve access to the Internet, to develop new basic skills). However, the majority of the lifelong learning building blocks still need to be developed further and implemented. These include coordination between the Ministry of Education, the Ministry of Economic Affairs and the Ministry of Social and Family Affairs and involvement of social partners; better coordination and partnership between national, regional, county and local levels in order to address inequalities between regions and to promote better governance of the whole system; more investment in education and training; and improved access to learning, in particular for vulnerable and marginalised groups.

3. CAPACITY OF PUBLIC AND PRIVATE EMPLOYMENT SERVICES TO SUPPORT THE AIMS OF THE NATIONAL EMPLOYMENT POLICIES

3

3.1 ORGANISATIONAL STRUCTURE

The **Public Employment Services (PES)** established in 1991 by the Employment Act⁴⁸ are composed of the following organisations in Hungary:

- Employment Office (EO)
- County (capital) Labour Centres (CLCs)⁴⁹
- Labour Development and Training Centres (LDTC).

The analysis in this chapter concentrates on the two employment-related institutions of the PES, the Employment Office and the County (capital) Labour Centres, as LDTCs are discussed in Chapter 2 in the context of training and lifelong learning.

During its decade-long history the PES has functioned under different line ministries and in different institutional structures in terms of the roles and powers at various levels. (For a brief historical account see Annex 10) Currently, the situation is as follows.

- **The Ministry of Economic Affairs** (MoEA) is responsible for employment policy (with effect from January 2001) and the PES.
- The MoEA established the **Employment Office** (EO; in Hungarian, Foglalkoztatási Hivatal) on 1 July 2001 as a national centre of PES and the legal successor to OMKMK (Országos Munkaügyi Kutató és Módszertani Központ – National Labour Research and Methodology Centre).

⁴⁸ Act IV of 1991 on the promotion of employment and providing care for the unemployed (or in brief, the Employment Act), Article 47

⁴⁹ There are 19 county labour centres plus the Budapest (Capital) Labour Centre.

- The PES now comprises the **(National) Employment Office, the Budapest Labour Centre and 19 County Labour Centres, as well as 176 local labour offices (LLOs)**.

The relationship between the MoEA, the Employment Office and the County Labour Centres is best described as triangular rather than a line hierarchy. The MoEA directly supervises both the EO and the CLCs, while the EO provides technical support to the CLCs. Management powers (employer's rights over county centre directors; the budget and finances; the power of supervision over counties) are predominantly with the MoEA. In administrative terms, the EO is not superior but adjacent to CLCs. The EO is given the task of professional assistance and guidance (as detailed below), though without a management function. The MoEA is the key decision maker⁵⁰.

The **responsibilities and functions of the PES** are defined by the Act IV of 1991 on the promotion of employment and providing care for the unemployed (the Employment Act, hereinafter Flt., the Hungarian abbreviation). (For the full text of the relevant provisions, see Annex 11.)

The PES is a national state organisation, established:

- to provide labour market measures in order to tackle, solve and eliminate employment-related crisis situations;
- to prevent and reduce unemployment, as well as to mitigate its detrimental implications.

The legislation aims primarily to coordinate demand and supply on the labour market.

Thus, the PES implements labour market policy rather than contributing to the development of employment policy.

Chapter VII of the Flt. sets out the specific duties of the various organs of PES: the Employment Office (article 48), County Labour Centres (Articles 49 and 50) and local labour offices (Article 50/A).

The **Employment Office's** most important function is to provide professional assistance and guidance to the County (capital) Labour Centres. Its tasks are closely related to the daily operation of the PES as well as their professional development.

County Labour Centres and their **local labour offices** perform three basic types of activity:

- the provision of services⁵¹ (such as labour exchange and selection, counselling on job-seeking, vocational guidance and occupational rehabilitation)⁵², primarily for registered unemployed clients;
- the provision of support in the form of active measures⁵³;
- performing statutory activities (such as determining benefits and allowances, maintaining various registers, issuing occasional employee cards, and alternative military service).

LLOs operate as 'one-stop shop' service centres handling all active and passive measures.

CLCs and their LLOs have, however, also taken part in activities that go beyond their roles and responsibilities as explicitly specified in the Flt.; examples are given in the following list.

⁵⁰ It is interesting to note that since the establishment of PES in 1991, none of the supervisory ministries have actually let it develop into a 'mature', somewhat separate institution that has a clear functional autonomy and full responsibility accordingly, within the set framework. Neither has the actual central institution (now the Employment Office) become a genuine headquarters for the PES, to which the county labour centres could have been subordinated.

⁵¹ The term 'services' is interpreted in the Hungarian legislation in a rather narrow way in relation to the activities of PES. Active measures are not included in the services of PES.

⁵² Services provided by PES are detailed and their provision is regulated by the Decree of the Minister of Economic Affairs No 30/2000. (IX. 15.) GM on labour market services and the subsidies that may be provided in connection with them.

⁵³ Active measures managed by PES and their provision is regulated by the Decree of the Minister of Labour No 6/1996. (VII.16.) MüM on measures promoting employment and the subsidies that may be provided for managing employment crisis situations financed from the Labour Market Fund.

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- They have assumed an important role in the development, implementation and financing of project, including those aimed at social and human resource development, improving employment and regional development.
- They have taken part in attracting foreign direct investment through providing information, and subsequently by finding, selecting and training workers (for example, through specific training courses tailored to the needs of foreign enterprises).

Nevertheless, the PES has always assumed more of a contributory role than being a driving force of regional development. So far the cooperation between the PES and the various regional actors (Regional Development Councils, Regional Development Agencies) has been sporadic. In some regions a close cooperation has developed, while in others, CLCs have not been involved at all. In the future, however, CLCs could play a key role in regional human resource development, as it is foreseen in the National Development Plan. The concrete role of the PES in implementing economic

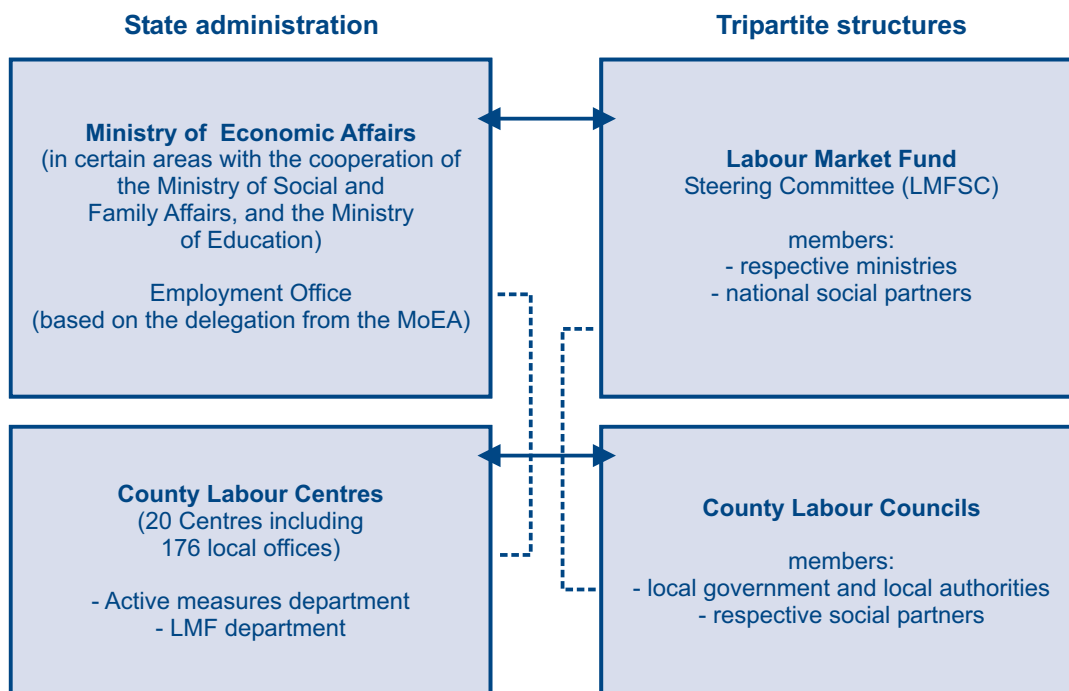
development tasks (such as enhancing tourism, promoting SMEs and boosting housing) is to be clarified in more detail in the on-going programming process.

Social partners in Hungary have a decisive role in the field of employment and labour market policies and their implementation. Their involvement stems from the administration of the Labour Market Fund (LMF), which is the financial instrument for all employment and labour market-related activities (details are given in Annex 12). It is financed through the contribution of employers and employees (currently 3 and 1.5% levied on wages, respectively). Social partners can thus reasonably claim to have a significant say in how the fund is spent.

The management of the LMF is based on two strongly linked tracks:

- state administration, including central and county structures;
- tripartite structures at national and decentralised levels (see illustration below).

Organisational structure of LMF



Responsibility for the disbursement of the LMF is formally granted to the MoEA, but according to the law⁵⁴, the minister exercises this right jointly through the **Labour Market Fund Steering Committee (LMFSC)**, a tripartite body comprising 18 members nominated by the respective organs and appointed by the MoEA for a period of four years. In the tripartite body all ministries concerned are represented, namely the Ministry of Economic Affairs, the Ministry of Education (two seats each), the Ministry of Social and Family Affairs, and the Ministry of Finance. National employer organisations and trade unions have six seats each, and thus the three sides have an equal number of votes and hence, equal powers.

The LMFSC has extensive powers in the administration of the LMF⁵⁵, including:

- approving the three-year strategic programme of the LMF;
- deciding on the allocation among the sub-funds of the LMF⁵⁶ (see Annex 12);
- deciding on the cofinancing of the national programmes for economic and regional development;
- proposing the LMF's annual budget;
- evaluating the expenditure at least every quarter.

The LMFSC is also active in policy formulation. It is the specialised body which discusses employment policy and the related draft legislation on, for example, unemployment provisions, employment promotion measures and the operational rules of LMF. The Steering Committee regularly evaluates the government policy achievements as well as the utilisation of the LMF.

The LMFSC, however, is not the only tripartite body that has a stake in the employment policy field. The **National Labour Council**, the central tripartite body, scrutinises all draft laws relating to

employment. The LMFSC submits its annual report to the National Labour Council.

At the decentralised level, the **County Labour Centres** and the **County Labour Councils** bear the same joint responsibility over the decentralised sub-funds as the national bodies. The extent of decentralisation varies. In the case of the Employment sub-fund it is almost 90% of the total, reflecting the view that local actors can best respond to local needs and thus can utilise the allocated sources most efficiently.

The County (capital) Labour Councils are tripartite bodies composed of representatives of employers, employees and local governments. The three sides of the Councils have equal powers. The mission of the County Labour Councils is to reconcile the interests regarding employment issues, labour market training and the support provided for the rehabilitation of people with a reduced working capacity.

The County Labour Councils have far-reaching powers⁵⁷, including the following:

- deciding on the allocation of the Employment sub-fund of the Labour Market Fund to the counties, and on the share of active employment measures;
- monitoring the appropriation of decentralised parts of the Labour Market Fund in the county;
- giving an opinion on the tenders announced for financing from the Rehabilitation sub-fund of the Labour Market Fund allocated to the county;
- initiating and assessing the short- and long-term employment programmes in the county, and monitoring the implementation of such programmes;
- evaluating the operation of the county's organs of the PES;

⁵⁴ Act IV of 1991 on Promotion of employment and provisions for the unemployed; which has been amended several times since 1991. The relevant provision is article 39/A.

⁵⁵ See Act IV of 1991, Article 39/A.

⁵⁶ Of the seven sub-funds of the LMF the most important are the Employment fund, which finances active employment measures, and the Development and Training Fund, which partially finances initial vocational training and fully finances CVT.

⁵⁷ See Act IV of 1991, Article 13.

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- exercising its right for preliminary consultation on the appointment of the director of the County Labour Centre.

The organisational structure of the LMF fits well into the current structure of state administration and with the principle of tripartism. While this principle is well-established in law, there must be some doubt as to its effectiveness, particularly at the regional and county levels.

3.2 RESOURCE ALLOCATION TO THE PUBLIC EMPLOYMENT SERVICES

The PES is financed exclusively from the National Labour Market Fund⁵⁸. The table below shows the expenditure on passive and active measures, including the administrative costs of PES, for 1992–2000.

Since 1992 the budget allocated to PES has decreased in line with the decline in the number of unemployed people. From 1995, however, neither the financial resources nor the staff level (see later) have kept pace with the growing number of tasks of increasing complexity assigned to PES.

The budget for PES for selected years is summarised in Table 2 and Table 3.

Table 1. Expenditure on active and passive employment measures, 1992–2000
(billion HUF, million ECU/EUR and % GDP)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total expenditure									
Billion HUF	82.8	99	79.9	74	77.4	91.4	101.6	110.1	112.8
Million ECU/EUR	810.9	920.9	640.7	455.1	405	433.3	421.7	435.5	433.8
% GDP	2.81	2.79	1.83	1.33	1.13	1.07	1.01	0.96	0.86
Unemployment rate					10	9	8.9	6.9	6.6
Passive measures									
Billion HUF	65	75.6	53.1	50.4	51.8	53.6	62.4	64.5	61.7
Million ECU/EUR	636.6	703.2	425.8	309.9	271	254.1	259	255.1	237.2
% GDP	2.21	2.13	1.22	0.92	0.76	0.63	0.62	0.56	0.47
Of which:									
Unemployment compensation	2.15	2.02	1.07	0.72	0.60	0.46	0.45	0.47	0.44
Early retirement	0.05	0.11	0.15	0.19	0.16	0.17	0.16	0.09	0.04
Active measures									
Billion HUF	17.8	23.4	26.8	23.7	25.5	37.8	39.3	45.7	51.0
Million ECU/EUR	174.3	217.6	214.9	145.7	133.4	179.2	163.1	180.7	196.1
% GDP	0.61	0.66	0.61	0.43	0.37	0.44	0.39	0.40	0.39
Of which:									
PES and administration	0.15	0.15	0.15	0.13	0.11	0.13	0.12	0.11	0.11
Training	0.15	0.23	0.19	0.13	0.08	0.08	0.07	0.07	0.07
Subsidised employment	0.31	0.28	0.27	0.17	0.18	0.23	0.20	0.22	0.22

Source: JAP

⁵⁸ The LMF is financed through a levy of 3% of employment costs on employers and 1.5% on employees. A further levy of 1.5% of wages is raised from employers.

Table 2. Budget of PES, 1991–1999, selected years (billion HUF)

	1991	1994	1997	1998	1999
Operational expenditure		6,000	7,904	9,510	10,620
Accumulation			370	388	400
Reserve for operational expenditure			136	150	170
Institutional development (building, IT investment)		400	2,307	1,300	1,201
Total	1,790	6,400	10,717	11,348	12,391

Source: Lázár György – Dr. Sziklai Éva – Dr. Varga Ildikó: *Áttérés a passzív munkaerőpiaci eszközökről az aktív munkaerőpiaci politikára*. In: Frey Mária (szerk.): *EU-konform foglalkoztatáspolitiká, Budapest, 2001*

Table 3. Budget of PES, 2000–2001 (billion HUF)

	2000 planned	2000 actual	2001 planned	2001 first quarter, actual
Operational expenditure	11,044	11,115	11,791	5,933
Centralised reserve	200	200	206	83
Institutional development (building, IT investment)	850	850	1,200	142
Total	12,094	12,165	13,197	6,158

Source: *Gazdasági Minisztérium: Beszámoló a Munkaerőpiaci Alap 2000. évi költségvetésének teljesítéséről; Gazdasági Minisztérium: Beszámoló a Munkaerőpiaci Alap 2001. évi költségvetésének I. félévi teljesítéséről*

The significant increase of the budget for 2001 does not reflect a conscious development policy but a statutory salary increase, for the following two reasons:

- a redesignation of employees of the PES as civil servants rather than public servants;
- an increase in the salaries of civil servants.

Financing takes place in the framework and according to the rules of the state budget (Public Finances Act, Public Procurement, Treasury, etc.) regardless of the fact that the source is the Labour Market Fund, which is based on the contribution of employees and employers. The financing principles of the budget sector (including the restriction of public expenditure and the centralisation of payment processes) also apply here, and the peculiar features, tasks and role of the organisation do not ensure an exemption. The planning of the budget, compliance with rules applicable to public

finances and the requirements for keeping financial records represent a significant burden and require considerable administrative staff.

The PES, including the Employment Office, 20 CLCs and 176⁵⁹ LLOs, employs almost 4,000 staff altogether.

The core staff in most CLCs were hired in 1995 at the period of highest unemployment, in response to the consequent needs and priorities. Continuous training has had only a limited effect in reducing the discrepancy between the routine acquired over the years and the new tasks and expectations arising from the fundamentally changed labour market. Being part of the state administration, PES has repeatedly been subject to compulsory workforce reduction. For example, its staff numbers had to be reduced by 10% in 1995 and by 4% in 1999; a further 2% decrease should be implemented in 2002. In 2001 staff recruitment was frozen, with the exception of a few months.

⁵⁹ The JAP refers to 174 local labour offices, while the Phare project on PES contains the figure quoted here.

3. CAPACITY OF PUBLIC AND PRIVATE EMPLOYMENT SERVICES TO SUPPORT THE AIMS OF THE NATIONAL EMPLOYMENT POLICIES

The broad distribution of the current PES staff by activities is as follows:

- 350 persons are in leading positions at various levels (such as directors, deputy directors and heads of units);
- 80 persons are engaged in labour market planning;
- 1,050 persons deal directly with clients (on tasks including registrations, first interviews and individual action plans);
- 850 persons perform brokerage;
- 400 persons administer the active labour market measures;
- 250 persons are highly qualified labour counsellors (including psychologists and leaders of job clubs);
- 100 persons deal with financial matters and unemployment provisions;
- 100 persons carry out inspections.

Staff numbers alone are less meaningful than the actual workload measured both in qualitative and quantitative terms. This kind of assessment, however, is only available for 1997–98⁶⁰.

In 1997, the PES employed 4,375 persons altogether: 100 persons at the National Labour and Methodological Centre, 1,522 persons in the CLCs and 2,753 persons at the LLOs⁶¹. For 1998, a staff increase of 60 persons was approved (three persons in each county) to start dealing with occupational rehabilitation. The average number of staff for LLOs was around 10 persons. The smallest LLOs had 4–6 persons. According to the survey, an LLO needed to employ at least 10–12 persons in order to perform all statutory tasks and to provide the basic services to all concerned.

The composition of the staff in CLCs and LLOs can be found in Annex 13.

Since 1997–98 the regional disparities in the range of tasks and staff ratios have increased, according to interviews with key leaders in PES. The major contributing factors have been as follows.

- Staff reductions due to budget restrictions have usually been carried out in a uniform manner irrespective of the existing buffers or bottle-necks of the CLCs and LLOs.
- Labour market tensions have tended to increase in regions where LLOs were already overburdened.
- LLOs wishing to expand their services have been forced to work within their available financial and human resources, as no additional money or employees have been provided. This has resulted in a situation in which LLOs in the most disadvantaged regions have less chance of offering more than the basic services, as their staff are already fully occupied with unemployment registration and providing unemployment benefit.
- Similarly, the administrative limits of human resources set for LLOs have had to be observed when the management of active measures was allocated to LLOs from CLCs. Thus, the number of staff dealing with active measures at LLOs had to be increased two- or three-fold, which could only be achieved at the expense of those responsible for statutory administration and brokerage.

Over the years the number of unemployed people has decreased significantly, which has led to the proposal that the staff of the PES should be reduced proportionally rather than increased. This approach does not take into consideration the following points.

- Those who are still unemployed, primarily long-term unemployed people, require more complex and long-term assistance from LLOs.
- The decrease in the number of registered unemployed people does not result in a reduction of turnover. The numbers of persons leaving and re-entering registration, and those leaving and later enrolling again into active measures have barely decreased.

⁶⁰ See Munkaügyi Minisztérium: Tájékoztató a munkaerőpiaci szervezet létszámhelyzetéről, különös tekintettel az új feladatok teljesítéséből adódó többlet követelményekre. 1998. június. (Overview on the staff of the PES, with a special focus on the new requirements due to the additional activities assigned to PES, Ministry of Labour, 1998)

⁶¹ Yearly average figures. In the given period the National Labour Inspectorate was also formally part of the PES. Its staff are not included in the figures quoted.

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- The actual activities of PES go far beyond dealing with unemployed clients (e.g. contacting employers and trying to explore vacancies in the labour market).

The PES also has a number of unexpected tasks to perform from time to time. For example, the service organised public works and other assistance to mitigate damage caused by floods and soil water in 2000. The PES was also involved in the implementation of the so-called Status Act, adopted by the Parliament in 2001 (including issuing identity cards for the so-called status Hungarians; providing work permits; registering them as temporary employed; and labour exchanges taking the status Hungarians into consideration). No additional headcount or supplementary budget is available for these or other similar unplanned activities.

The interviews with various leaders and key employees of CLCs and LLOs show some common concerns regarding the current state of affairs, including the following.

- The time available for dealing with an individual client has become much shorter (due to the repeated staff reductions and the growing number of tasks assigned to PES), which tends to result in a sort of automatism in dealing with people. This certainly undermines the quality of work of the PES⁶².
- While a certain specialisation could previously be maintained, employees of the LLOs, and to a certain extent those of the CLCs, are now supposed to be generalists. However, staff have no time to become experts in all fields; they have difficulties in following the frequent changes in all relevant legislation and are not provided with adequate internal training.

One of the possible sources of rationalisation is to improve the IT support of the activities carried out by the PES. The current situation is as follows.

- There are a total of around 3,600 computers within the PES, which is sufficient in number, but not in quality. The vast majority of the staff use computers on a daily basis. A CLC and its LLOs have, on average, 180 computers.
- In the past, however, computers have not been purchased according to a scheduled plan in order to ensure timely replacements. Thus, the number of obsolete computers is high. The solution would be a significant, focused investment (of a value of around HUF 1–2 billion), followed by the introduction of a strict order for further investment.
- County databases are not directly linked to a national system. National data are produced as an aggregate of the county databases, on the basis of the common software programmes. Currently, no nationwide database exists concerning vacancies and job-seekers, although on-going investment aims to connect county information sources across the PES system.
- Information gathered by the locally produced programmes is not utilised beyond the county, however useful or interesting it is. 'Best IT practices' are seldom shared at county level, and are not well-known within the headquarters of PES.
- Computer programmes, especially those produced centrally, keep up with changes in legislation, but only with considerable delay. This is one of the reasons that CLCs and LLOs develop programmes themselves, or work, temporarily or in the longer term, without any IT support.

Wider use of computer programmes and their better quality would not alone solve the tensions arising due to the overburdening of the PES staff. IT can, however, reduce the time spent on administration, primarily in the case of short-term unemployed clients, and thus more attention and patience can be given to the more complex cases.

⁶² The survey on the 1997/98 situation already concluded that 'the staff is not enough to perform the given tasks; should further tasks be assigned to the PES, those could not be fulfilled without jeopardising the quality seriously'.

3. CAPACITY OF PUBLIC AND PRIVATE EMPLOYMENT SERVICES TO SUPPORT THE AIMS OF THE NATIONAL EMPLOYMENT POLICIES

3.3 COVERAGE OF PUBLIC EMPLOYMENT SERVICES

No investigation has been carried out so far regarding the market share of the PES. According to the estimates of its leaders, around 60–70% of those who are unemployed turn to the PES for registration and/or services, while only 20–30% of actual vacancies are notified to PES. The latter national average covers considerable regional disparities. The ratio of notification is even lower in the capital (estimated at 10%), while it is close to 100% in the regions, where a relatively small number of employers are operating. The regional differences in market share can be traced back not only to the diversities of the labour markets (and of the level of unemployment in particular), but also to factors such as the distinct hiring policies and opportunities of employers; the efforts of LLOs and their efficiency in building close cooperation with the employers in the given regions; and the professional expertise of LLOs in brokerage.

It is widely believed that the market share of the PES has been decreasing over recent years for two reasons.

- The number of unemployed people, the traditional main clients of the PES, has been decreasing. Moreover, following the recent legislative changes, unemployed clients are subject to PES registration for a relatively short period only, before moving outside the remit of the PES⁶³.
- The PES still provides assistance primarily, if not exclusively, to registered unemployed clients, while other categories of potential clients, for example inactive people (such as dependants, retired persons still at an active age, students and those who are at home raising a child), people in

employment seeking a new job, and employers looking for new employees, are virtually out of its reach, though to varying degrees.

The future market share of the PES depends on how it will be able to attract new clients; key contextual factors are outlined briefly below.

Economically, the inactive persons have recently become potential clients of PES. Now, for instance, school leavers and career beginners, and those who receive child-raising support, are entitled to enrol on subsidised (re)training courses even if they are not registered as unemployed. Students are entitled to access career guidance and information on further education. The PES, however, does not seem to be sufficiently prepared for these new tasks.

These targeted measures can certainly bring certain groups of the inactive population closer to the PES, though they are unlikely to lead to any major increase in the employment rate, as these groups do not constitute the long-term unemployed. In order to reach other segments of inactive people, civil associations (NGOs) will need to be involved, as they could contact these people much more successfully than public authorities. Such 'bridging' is essential in the case of the Roma population. The PES must work much more closely with the Roma minority self-governments or the civil associations working in Roma communities in order to integrate inactive Roma people into the labour market.

Employed people who are looking for another job seldom turn to the PES. They are not encouraged to do so, as the PES has more than enough clients from among unemployed people, and the few vacancies notified to PES are in any case 'reserved'

⁶³ From February 2000 the maximum time for receipt of unemployment benefit is 270 days. This length of time is proportionate to the number of days worked in the four preceding years (five days worked provide eligibility for one day of unemployment benefit). The amount of unemployment benefit is 65% of the average earnings in the four preceding years. If the unemployment benefit period has expired, the person is no longer obliged to cooperate with the LLO, while the LLO continues providing assistance if the person so requires. After the expiry of the unemployment benefit, unemployed clients can ask for a regular social allowance (which is 70% of the minimum old-age pension). For this purpose, he/she has to be registered at the local government, and has to cooperate with that public authority. Local governments organise public works, public utility work and other types of work in the public interest, in which unemployed people are obliged to take part. In case of a refusal, the person is excluded from the regular social assistance.

for those who are unemployed. Neither CLCs nor LLOs have yet developed an appropriate, service-oriented approach. There is also a prejudice on the job-seekers' part. Most of them see the PES as a state authority that only deals with those who queue up for benefit but do not really want to work, and that offers no information about reasonably well-paid jobs, due to the lack of notification by employers.

Thus, the PES provides support to employed people in crisis situations only. For example, it supports training of those whose employment is threatened by closure or redundancy. The PES is also active in handling mass redundancies through providing various services.

Similarly, employers tend to turn to the PES when they are undergoing temporary difficulties, or are forced to restructure, and they ask for assistance in retraining their employees or retaining employees (wage supplement scheme). In regions where there is a shortage of labour, CLCs and LLOs are often asked to assist in recruiting and selecting employees and subsequently in training the selected persons for given jobs. The PES also provides assistance when employers intend to create jobs with a view to rehabilitation.

In general, however, employers do not involve the PES in their recruitment processes. Despite their legal obligation, they do not even notify the PES of vacancies for 'quality jobs'⁶⁴, assuming that CLCs and LLOs are not in a position to provide them with appropriate 'quality workers'. This attitude reinforces the experience of job-seekers who feel that vacancies registered at PES are for badly paid, low prestige jobs. In regions where economic development has already started, a more constructive relationship between the PES and employers is beginning to emerge.

3.4 RANGE AND QUALITY OF SERVICES

As previously described, the main clients of the PES are those who are unemployed; thus their services are aimed primarily at assisting them and, to a much lesser extent, at assisting job-seekers (in general), inactive people and employers. Labour inspection is currently provided by a separate state authority (National Labour Inspectorate).

The PES provides practically all the passive and active labour market measures that are common in the member states. Around 20 different instruments (classified in the Hungarian terminology as measures and services⁶⁵) are available for use either separately or combined if required⁶⁶.

⁶⁴ The failure to notify a vacancy is not sanctioned by the relevant decree No 30/2000. (IX.15.) GM.

⁶⁵ The Decree of the Minister of Economic Affairs No 30/2000. (IX.15.) GM includes the following services: provision of labour market and employment information; counselling on job-seeking, career selection, position seeking, rehabilitation and local (regional) employment; job brokerage; reporting and registration of labour demand. The Decree of the Minister of labour No 6/1996. (VII.16.) MüM covers the subsidies provided for active labour market measures. They include subsidies for example for training, employment, self-employment, and income institution allowances.

⁶⁶ The most comprehensive way of combining various instruments is the so-called labour market programme, which is a package of various active measures and services provided for a target group, in the framework of a distinct scheme. A labour market programme might run for up to three years. See below for further discussion.

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Over the years there has been a shift from the persons involved (see Table 4) and the passive to active measures, regarding both share of expenditure (see Table 1).

Table 4. Persons involved in active and passive measures, selected years

	1994	1999
Persons involved in active measures	108, 512	115, 646
Persons involved in passive measures	476, 959	339, 822
Total	585, 471	455, 468
Share of persons involved in active measures (%)	18.5	25.4

Source: Lázár György – Dr. Sziklai Éva – Dr. Varga Ildikó: *Áttérés a passzív munkaerőpiaci eszközökről az aktív munkaerőpiaci politikára*. In: Frey Mária (szerk.): *EU-konform foglalkoztatáspolitiká, Budapest, 2001.*

Table 5. Major active measures financed from the Labour Market Fund, selected years, percentage values of GDP

	1994	1999	2000
1. Public employment services and administration	0.15	0.11	0.11
2. Labour market training	0.19	0.07	0.07
a) Training for unemployed adults and those at risk	0.19	0.07	0.07
b) Training for employed adults	0.00	0.00	0.00
3. Youth measures	..	..	..
a) Measures for unemployed and disadvantaged young people	..	..	..
b) Support for apprenticeship and related forms of general youth training	..	..	..
4. Subsidised employment	0.27	0.22	0.22
a) Subsidies to regular employment in the private sector	0.12	0.09	0.07
b) Support for unemployed persons starting enterprises	0.02	0.00	0.00
c) Direct job creation (public or non-profit)	0.14	0.13	0.15
5. Measures for disabled people	..	..	..
a) Vocational rehabilitation	..	..	..
b) Work for disabled people	..	..	..
6. Unemployment compensation	1.07	0.47	0.44
7. Early retirement for labour market reasons	0.15	0.09	0.04
Total	1.83	0.97	0.86
Active measures (1–5)	0.61	0.40	0.39
'Mobilising labour market supply' (2a, 3a, 4a–b, 5a)	0.33	0.16	0.13
'Non-targeted training' (4c, 5b)	0.00	0.00	0.00
'Work as a social objective' (4c, 5b)	0.14	0.13	0.15

Source: *Employment Office*

The bulk of the resources for active measures have been spent on three measures, albeit with a changing share: public work programmes, training and wage subsidy (see Table 5).

For some years the efficiency of active measures has been limited by the fact that

mitigating unemployment was based on detailed eligibility criteria rather than on the complex problems to be tackled. The so-called labour market programmes now focus solely on the special needs of the various groups: long-term unemployed adults, young unemployed people, job-seekers with disabilities and from the

Roma population; these programmes provide for a flexible mix of active measures. Programmes have also been launched to promote equal opportunities between men and women, to preserve the jobs of those threatened with long-term unemployment, and to assist the adaptation of the workforce to industrial and technological change⁶⁷.

Computer-assisted self-service facilities are seldom established at CLCs and LLOs. In 1997, for example, this kind of assistance was available in only four counties (Komárom, Jász, Szabolcs and Hajdú). Less sophisticated techniques are used (such as leaflets, advertisements and videos) to inform unemployed people. The major reasoning is that the bulk of the clients would not be able to get information themselves from a computer-assisted service, and they need individual treatment and counselling anyway.

Case management has not yet been introduced across the PES. Some LLOs, however, have already made efforts in this direction.

Regarding monitoring systems, there is a regular process for monitoring the effectiveness and impact of the active measures⁶⁸. This is the basis for the quarterly report submitted by the PES to the relevant CLCs and the annual report submitted to the ministry. The monitoring process gives a good picture of the results achieved. Nevertheless, it could have been complemented more frequently with follow-up investigations covering all clients who participated in a given scheme. The general services (information, brokerage, counselling) provided by the PES are not subject to comprehensive monitoring. Statistical data are collected, but are not used for performance assessment. Neither are the clients' opinions researched to

provide feedback. Ex-post evaluation by independent experts and comprehensive impact analysis are exceptional.

3.5 ROLE OF PRIVATE EMPLOYMENT SERVICES

The first legislation relating to private employment services (PRES) was issued in 1997 and regulated labour exchange (Government Decree No 274/1997. (XII. 22.)). This was replaced by Government Decree No 118/2001. (VI. 30.) on the registration of and the conditions for pursuing temporary labour leasing and private brokerage activities by private entities, which has been in force since 1 July 2001.

The legislative intention of the government was twofold:

- to allow private enterprises to pursue labour exchange, and also, from 2001, temporary labour leasing, and thus to put an end to the public monopoly in these fields;
- to provide legal protection for clients against private enterprises operating in an unfair manner; this was especially urgent for certain types of labour exchange abroad (nannies, au pairs).

The decree does not set restrictions concerning the corporate form: therefore, legal persons, business entities without legal personality and individual entrepreneurs may all be PRES. This diversity is reflected in practice.

There is no information on the market share of PRES in terms of the proportion of vacancies.

Even the total number of PRES across the country is currently subject to estimates (somewhere between 350 and 500), as the

67 Examples of labour market programmes: 'highly educated, 50-plus unemployed people'; 'unemployed youngsters who have not completed education'; 'transit social and employment programme for homeless people'; 'social public works programmes for unemployed people living in small settlements'; 'training and employment programmes for gypsies'; 'preventing long-term unemployment for women'; 'searching for a family solution – in the case of disadvantaged families'.

68 The monitoring procedure is as follows. Three months after the end of the main programmes the CLCs make enquiries with the programme participants as to their employment status. The information gained from these enquiries and from the programme administration files enables the CLC to assess the programmes according to such success criteria as the re-employment ratio of the participants and the average cost of re-employment.

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relevant decree only came into force in mid 2001. Based on interviews with PES leaders, the number of PRES seems to vary considerably between regions. Sporadic information on 2000 (when only labour exchange enterprises were allowed to function according to the then regulation) indicates that most of the PRES were registered in Budapest. In Baranya county, for example, there were 18 private labour exchange enterprises in operation and they successfully managed 666 labour exchange cases; in Csongrád county there were 12 enterprises in operation and they were successful in 526 cases. The PRES operating in Budapest performed labour exchange in 12,600 cases, of which around 6,000 were unemployed in 2000.

Services offered by PRES are prescribed by the relevant legislation. Decree No 118/2001. (VI. 30.), now in force, allows for the establishment of two types of PRES: temporary agencies that carry out labour leasing, and labour exchange agencies. In terms of labour exchange, the legislation determines various directions (exchange of Hungarian employees within Hungary or abroad; free labour exchange or brokerage against a charge). The decree does not prevent the enterprise from linking its labour exchange to other activities (such as counselling, training and education).

Initially, 'head-hunter' and counselling firms appeared on the labour market; these were used by clients with a university education and good language skills in order to get middle- or top-management positions. Nowadays, private agencies providing services to the entire range of employees, from those educated to elementary level to those with the highest academic qualifications, have been established. Service providers that satisfy special needs have also been established to address only specific groups of clients (e.g. disabled people).

Private labour exchange and leasing agencies typically perform additional activities complementary to their prime business. Employers and job-seekers would not ensure the sustainability of PRES, with the exception of a few well-established, successful enterprises.

Regarding clients, the relationship between the PES and PRES is of a complementary nature. Job-seekers with higher levels of education who are looking for 'quality jobs', as well as those with special difficulties primarily contact PRES. Those who are unemployed seldom use PRES. Competition is present only in respect of one group of clients, i.e. those seeking jobs abroad. These clients turn to PRES because they usually receive offers quicker than they would through the PES.

While the PES and PRES practically complement each other in terms of their clients, still there are various forms of cooperation between them. The PES performs the following activities in relation to PRES.

- CLCs provide initial licences for operation of PRES.
- CLCs monitor whether the conditions required for operation of PRES⁶⁹ are fulfilled and, if not, suspend or withdraw the licence.
- PES, in general, is supposed to cooperate with PRES (according to Article 17 of the Government Decree No 118/2001 (VI. 30.)), although the possible forms and areas of cooperation are not determined in detail, and the practice has so far been limited.

Some CLCs have already signed cooperation agreements with PRES in the appropriate county, on the basis of mutual advantages. These kinds of formal links are especially important for non-profit civil associations that seek professional assistance in this way.

⁶⁹ The conditions are as follows: appropriate education or vocational qualification of the staff; suitable physical conditions; the inclusion of labour leasing and exchange in the scope of the enterprise's activities and its deed of foundation; security deposit in certain defined cases (brokerage outside Hungary; labour exchange against a charge). If all the conditions are met, the private enterprise is given a licence for operation in the form of an administrative state resolution. Licensing was performed by the Ministry of Labour until March 1998, when it was delegated to CLCs.

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The PES does not monitor the PRES in terms of the quality of services provided. In the case of small private agencies, quality of work is mainly motivated and ensured by the primary interest of staying in business. Labour exchange, counselling and head-hunting companies with foreign participation usually use their own monitoring systems, which vary significantly.

3.6 REFORMS OF PUBLIC EMPLOYMENT SERVICES

The PES has undergone substantial organisational restructuring (as already mentioned in Chapter 3.1 and summarised in Annex 10), but none of these developments were intended to bring about major changes in the PES objectives and their implementation, nor have they done so. The PES has continued serving its mission as it was defined in 1991: to handle and solve employment-related crisis situations; to prevent and reduce unemployment; and to mitigate its detrimental implications (Article 5 of the Flt.).

The fact that PES has for some time been in need of reform, and not only in its organisational structure, is not in question. The rationale of the reform derives, first of all, from the change in the paradigm in the Hungarian employment policy: priorities have been clearly shifting from the management, mitigation and prevention of unemployment towards the increase of employment. This change in paradigm is further strengthened by Hungary's accession to the European Union, and the fact that the Union has set the target of full employment and creating quality jobs in the framework of the European Employment Strategy.

Obviously the PES must adapt, in terms of objectives, priorities and working methods, to the emerging 'new employment policy'. This is fully recognised by the Hungarian government, a fact reflected in the JAP. (The relevant parts of the JAP are summarised in Appendix 1.)

Taking into account the priorities of the JAP, certain modernisation efforts have

already started. The most significant is the project aimed at 'Modernising the Hungarian PES', submitted in the framework of COP2001 for Phare support.

Its overall objective is to improve the efficiency and effectiveness of PES:

- by providing better services to all clients;
- by supporting the operation of the labour market;
- by helping regional development projects with detailed labour market information, in compliance with the EU Employment Strategy Guidelines.

The purpose of the project can be summarised, on the basis of the standard summary project fiche, as follows.

- A computerised nationwide information system covering all vacancies and job-seekers registered in Local Labour Offices and meeting the requirements of individual case management, efficient handling of vacancies and EURES, and also of collecting statistical data and monitoring PES performance.
- A service model to ensure the provision of professional individual services, self-service facilities and special services for employers.
- The modernisation and expansion of PES services and activities taking into account the needs of job-seekers and employers.
- The modernisation and expansion of the organisation and management of PES.
- Improvements in the level of professional qualification of PES staff, enabling them to design, implement, monitor and evaluate ESF-type labour market and human resource development projects and regional development projects.

The project fiche anticipates the following outcomes.

- The project will help to develop a new service model, which will be implemented as a pilot scheme in three local offices in each of the seven regions of Hungary (or one in each county). With this approach, the Hungarian PES will be much more

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effective in its dual role of offering vacancies to job-seekers and different services to employers on the one hand and as a registering system taking care of the different groups of unemployed people on the other. The project concentrates on the local level and only on a relatively small number of offices. The new service model will later be introduced nationwide, financed from the Labour Market Fund.

- A computerised information system will be installed in 20 Local Labour Offices and the Employment Office covering all vacancies and job-seekers registered in all the existing 176 Local Labour Offices. The data system will meet the requirements of individual case management, efficient handling of vacancies and the requirements of EURES, and also of collecting statistical data and monitoring PES performance.
- New office environments will be created in 100 Local Labour Offices selected on the bases of client turnover.

The Phare project summarised above addresses areas of weakness and puts the planned activities into the wider context of employment promotion, regional development and European integration (as regards the connection to EURES). As a wider framework, it also reflects an envisaged profound organisational restructuring of PES: in the long run the 20 County (Budapest) Labour Centres will be organised into seven Regional Labour Offices. As public administration is becoming more modern, the role of local labour market management will gradually be transferred from the level of counties to NUTS 2 regions, defined from the planning/statistical point of view.

The introduction of Regional Labour Offices, either to replace completely or to complement the County Labour Offices, is not a new idea. It was proposed as part of the latest modification of the Employment Act in the summer of 2001, but was heavily opposed by social partners, who tend to operate at county rather than regional level. The government has postponed making the final decision. The wording of the Phare project, as well as that of the JAP, suggests that (i) the establishment of

regional institutions is no longer in question, only their role might still be the subject of debate; (ii) the final decision is likely to be made rather soon (as the JAP will be implemented by the date of accession, and the Phare project expires at the end of 2003).

The project preparation has also contributed to the still on-going strategy formulation for the PES. The strategic objectives as defined (as an attachment to the project fiche) in mid 2001 are summarised and commented on in Appendix 2.

3.7 SUPPORT FOR IMPLEMENTING THE EUROPEAN EMPLOYMENT STRATEGY

In the current situation it is quite difficult to judge the extent to which PES will be able to participate in the implementation of the European Employment Strategy (EES). In this context the fundamental question is how quickly the change of paradigm in Hungarian employment policy will reach the PES, and when the strategic objectives of the PES – already aligned to EES – will be formulated and accepted. Other questions include: how fast and how efficiently the organisation, management system and working methods of the PES will be able to adapt to the strategic objectives; how consistently the new strategic objectives will be implemented; and what financial and human resources will be available for all these endeavours.

At the same time, taking into consideration the activities of the PES, we may conclude that one decade of experience and practice provides a sufficient basis for implementing the EES. A wide variety of active measures has been in place for many years, which can be combined and concentrated around the various priorities. However, a systematic analysis of the efficiency of the active measures, especially that of the labour market programme, could be a useful source of further development. Another factor that must be taken into account is that the PES has to direct its activities towards new clients, including

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those who are inactive, job-seekers who are still employed, employers and foreigners. Their needs can only be met using new methods that need to be developed in the near future.

Regarding the European Social Fund, it is not yet clear what role PES will play. The preparatory activities, in the framework of Phare projects and the (Preliminary) National Development Plan, have been carried out by central government authorities. Nevertheless, PES has much to offer. It has developed and run several

projects financed from Phare and other European financial sources; it has unique experience of delivering active labour market measures eligible for ESF funding in the future; it possesses all the labour market information required for regional planning; and it has been working with social partners for many years and has also been part of wider local partnerships. The possible involvement of PES in ESF preparation and in subsequent related activities would be worth addressing in the near future.

ANNEXES

ANNEXES TO CHAPTER 2

ANNEX 1. CHANGE IN THE TITLES OF THE FUNDING SOURCES AND THE RELEVANT ACTS OF LAW

Name	Reference
Skilled Worker Training Contribution – Skilled Worker Training Fund	Joint Decree No 2/1972. (I. 8.) MüM-PM issued by the Ministry of Labour and the Ministry of Finance
Vocational Training Contribution – Vocational Training Fund	No XXIII Act of 1988 on the Vocational Training Contribution and the Vocational Training Fund
Vocational Training Contribution – Labour Market Fund Vocational Qualification Fund Section	No IV Act of 1991 amended by No CXXIV Act of 1995
Vocational Training Contribution – Labour Market Fund Development and Training Fund Section	No LI Act of 2001 on the Vocational Training Contribution and the provision of financial support to the development of the training system

ANNEX 2. LAW ON ADULT EDUCATION

NO CI ACT OF 2001 ON ADULT TRAINING⁷⁰

In order to enable the exercising of the constitutional right to learning throughout the whole life of citizens, to enhance the possibilities of accessing adult education and training for all members of the society and to enable citizens to meet the challenges imposed by economic, cultural and technological development and to successfully participate in the labour market and continue to be successful through their lives, and to ensure the improvement of the quality of life through adult education and training, the Parliament is adopting the following Act.

PART I – GENERAL PROVISIONS

ARTICLE 1

Under the framework of this act the state grants the right to participate in adult training for everybody.

ARTICLE 2

- (1) This act regulates adult training activities and service providing and administrative activities relating to adult training, along with the institution system and the subsidy system supporting the operation of adult training.
- (2) Issues pertaining to adult training not regulated herein shall be governed by the provisions – as appropriate – of No LXXVI Act of 1993 on vocational education (hereinafter: Sztv.), those of No LXXIX Act of 1993 on public education (hereinafter: Ktv.) and of No LXXX Act of 1993 on higher education.

ARTICLE 3

- (1) With the exceptions specified in paragraph (4) the scope of this act shall cover the following:
 - a) adults participating in adult training or adults using services relating to adult training,
 - b) in relation with their activities specified in paragraph (2)
 - public education institutions,
 - vocational education institutions,
 - higher education institutions,
 - public service corporations (non-profit organisations), associations, public bodies, foundations, public foundations and other legal entities and business organisations without legal personality, sole proprietors, and the associations of such established to perform adult training activities.
- (2) For the purposes hereof adult training activities shall be construed as follows:
 - a) training provided outside the schooling system on a regular basis, the objective of which may be general, language or vocational training, and
 - b) services relating to adult training.
- (3) Further to the activities specified in paragraph (2), for the purposes of the application of parts IV, V and VI hereof, the concept of adult training shall include training – falling under the scope of the Ftv. – provided at higher education institutions for adult students, not receiving state subsidies under the Ftv.

⁷⁰ The Act was adopted by Parliament on 18 December 2001

- (4) The scope of this act does not cover legal entities established under Article 13 of No IV Act of 1990 on the freedom of conscience and religion and on churches, except where
- a) such an entity falls under the scope of the Sztv., the Ktv. or the Ftv and is pursuing adult training activities,
 - b) such entity has been established in order to perform exclusively adult training activities.

PART II – THE GOVERNANCE AND INSTITUTION SYSTEM OF ADULT TRAINING

The governance of adult training

ARTICLE 4

- (1) In its scope of duties pertaining to adult training the Government shall specify the detailed rules on the following, in decrees:
- a) the accreditation of institutions performing adult training and of adult training programmes,
 - b) the use of normative subsidies provided for adult training, the obligations pertaining to state subsidies of institutions performing subsidised training activities subsidised as specified in Part IV hereof.
- (2) The tasks of the sectoral governance of adult training shall be performed by the Minister of Education. The Minister shall issue decrees regulating the following:
- a) the detailed rules of the entering of institutions performing adult training activities in the register of such institutions;
 - b) in addition to those specified in Article 16 (2), further rules governing the various forms of adult training.

National Adult Training Council

ARTICLE 5

- (1) The National Adult Training Council (Országos Felnőttképzési Tanács, hereinafter: OFkT) shall operate as a nationwide body in charge of providing assistance to the performance of the tasks of the Minister of Education, of the preparation of technical/professional decisions to be made and of commenting and making proposals.
- (2) The OFkT shall comment on the following:
- a) strategic issues pertaining to adult training;
 - b) the principles of the adult training subsidy system;
 - c) the drafts of legislation on adult training;
 - d) the rules of the accreditation procedure and the technical/professional requirements of accreditation.
- (3) The OFkT shall appraise the wealth of experience relating to the opportunities in the job market of former participants of adult training courses – particularly of those in disadvantaged positions – and shall make proposals concerning the necessary improvements.

ARTICLE 6

- (1) The OFkT shall be comprised of 13 members, invited by the Minister of Education for a period of three years, as specified below:
- a) one person representing the ministry in charge of the governance of education, of the planning of the central budget, of employment policy, of the governance of public (cultural) education and of the training of individuals of altered working capabilities each,

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- b) four persons from among recognised experts of the various areas of adult training,
- c) one individual representing interest-representing organisations of employees, one representing those of employers, one of those representing the chambers of commerce and one representing the interest-representing organisations of adult training institutions.

The names of the members shall be disclosed in the official journal of the Ministry of Education.

- (2) One of the members of the OFkT shall be invited by the Minister of Education to act as the chairman of the Council.
- (3) The OFkT shall establish its own procedural rules.
- (4) The Minister of Education shall provide for the availability of the requisites for the operation of the OFkT.

National Adult Training Institute

ARTICLE 7

The Minister of Education shall establish a National Adult Training Institute (Nemzeti Felnőttképzési Intézet, hereinafter NFI), which shall carry out the following:

- a) technical/professional and methodology development of adult training activities,
- b) tasks of improvement of adult training,
- c) production and ongoing improvement of the technical/professional documents relating to adult training,
- d) coordination – on a nationwide level – of research efforts and of the technical/professional services provided in the field of adult training,
- e) strengthening of the links and relationships between and among adult training, public education, higher education and public (cultural) education,
- f) development of international cooperation, including cooperation with the adult training institutions of the Member States of the European Union,
- g) the tasks of the secretariat of the Adult Training Accreditation Body (Felnőttképzési Akkreditáló Testület, hereinafter FAT).

Registration of institutions performing adult training activities

ARTICLE 8

- (1) Subjects-at-law listed in Article 3 (1) b) shall be entitled to launch adult training activities or the provision of services relating to adult training if they are included in the register of adult training institutions.
- (2) For the purposes of this act institutions performing adult training activities shall include institutions and persons contained in the register as specified in paragraph (1) (hereinafter institutions providing adult training).
- (3) Higher education institutions performing adult training activities shall be subject to the provisions comprised in paragraph (1) only if they perform training activities not falling under the scope of the Ftv.
- (4) The register of institutions providing adult training services shall be kept by the National Public Education Evaluation and Examination Centre (Országos Közoktatási Értékelési és Vizsgaközpont, hereinafter OKÉV).

- (5) OKÉV shall enter an institution performing adult training services in its register if such institution meets the requirements specified in a separate piece of legislation. OKÉV shall issue a certificate of such registration.
- (6) An applicant may lodge an appeal against a decision on the refusal by OKÉV to register the applicant or against its deletion from the register, to the Ministry of Education. In the procedures relating to the register the provisions of No IV Act of 1957 on the rules of the state administration proceedings (hereinafter Áe.) apply.

ARTICLE 9

- (1) The register of institutions providing adult training services shall contain the following data:
- a) the name of the institutions providing adult training services,
 - b) in the case of a public education institution the OM (Ministry of Education) identification number,
 - c) the number of the entry in the register,
 - d) the date of recording in the register,
 - e) the deadline set for the performance of the reporting obligation [Article 9(5)],
 - f) the objective of the prospective adult training activities as specified in Article 3(2) and the form of the service relating to the prospective adult training activities,
 - g) in the case of language training: whether the training is aimed to enable the acquiring of a certificate of language proficiency recognised by the state or recognised on an international basis, the level(s) of such certificates and the language(s) concerned,
 - h) the entitlement to the organisation of state-recognised language proficiency examinations, the accreditation number,
 - i) in the case of vocational training: whether the training is aimed to enable the acquiring of a certificate of vocational qualification recognised by the state or recognised on an international basis and the vocations(s) concerned,
 - j) in the case of state-recognised vocational qualifications the entitlement to the organisation of vocational examinations, the number of the piece of legislation on which such entitlement is based and the title (name) of the vocational qualification(s) concerned,
 - k) the title(s) of the accredited adult training programmes and their identification number(s),
 - l) the date and reason for the deletion from the register and that of the suspension of the register.
- (2) An institution providing adult training services shall always apply its registry number in the documents used in the course of its training activities (attendance sheets, progress logs, certificates etc.) as well as in the business documents pertaining to the training operations and shall communicate such to its customers, include it in the brochures and programme booklets covering its activities and post it in a prominent place at its premises available for its customers.
- (3) An institution providing adult training services shall pay an administrative service fee for the procedure of its recording in the register, the amount of which shall be specified by law.
- (4) The register of institutions providing adult training services shall be accessible for the public, it shall be published by OKÉV once a year. The data of the register and the attached documents shall be available for anyone for inspection at the venue of the register. Anyone may take notes from the register and may apply for copies of the register –against payment of an administrative service fee.

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- (5) An institution providing adult training services shall produce reports on its operations once every two years after its registration as specified by law, and shall submit such report to the organisation keeping the register.

Supervision and controlling of institutions providing adult training services

ARTICLE 10

- (1) The following shall be checked by OKÉV:
- a) whether a given institution providing adult training services is included in the register,
 - b) whether its operations are in line with the conditions specified by law and those underlying the issuance of its certificate.
- (2) An institution providing adult training services shall provide for the requisites and requirements for such an audit, as specified by law.
- (3) In the course of the performance of its official duties as an authority OKÉV shall retain experts designated by the minister in charge of the vocational qualification(s) concerned.
- (4) In other respects the controlling power of OKÉV shall be governed by the provisions of the Áe concerning the controlling activities performed by authorities.

Regional labour development and training centres

ARTICLE 11

- (1) In order to ensure the performance of tasks relating to adult training the Minister of Education shall operate regional labour development and training centres (hereinafter training centres).
- (2) A training centre shall be operating as a central budgetary organ.
- (3) The tasks of the supervision of training centres shall be carried out by the Minister of Education along with the exercising of the rights of the entity in charge of the maintenance of such centres as specified in No XXXVIII Act of 1992 on the general government system. The costs of the basic level of operation of a training centre shall be borne by the central budget.
- (4) The fundamental tasks of a training centre shall include the following:
- a) performance of the training of social groups specified in the central training programmes,
 - b) participation in the implementation of training programmes facilitating employment,
 - c) performance of the tasks imposed on such an institution by the act on vocational training,
 - d) participation in international programmes pertaining to adult training,
 - e) provision – on an optional basis – of services relating to adult training.

PART III – CONTENT REQUIREMENTS OF ADULT TRAINING***Accreditation of institutions providing adult training services*****ARTICLE 12**

- (1) An institution providing adult training services recorded in the register as specified in Article 8 may apply for its accreditation based on conditions specified in a separate piece of legislation.
- (2) In the course of the accreditation procedure FAT shall issue the certificate of accreditation.
- (3) One pre-requisite for the accreditation procedure shall be that the institution providing adult training services has an annual training plan approved by the technical/professional advisory body as specified in Article 14 and that besides adult training it provides services relating to adult training.
- (4) The accreditation of an institution providing adult training services shall expire upon the end of the fourth year after its issuance.
- (5) An institution providing adult training services shall submit its application for accreditation to FAT.
- (6) Under authorisation granted pursuant to another statute of law in the procedure that is to be regarded as the accreditation of an institution as specified herein, in the case of an institution providing adult training services authorised to perform the activities specified in such statute – within the framework specified in a separate statute of law – FAT shall issue the certificate of the accreditation of the institute along with full or partial exemption from the procedure specified in this Article.
- (7) An institution providing adult training services shall pay the procedural fee for the accreditation procedure, as specified in a separate statute of law.

Adult Training Accreditation Body**ARTICLE 13**

- (1) In order to carry out the tasks of the accreditation of institutions providing adult training services and adult training programmes the Minister of Education shall establish the FAT.
- (2) The FAT shall check the adult training activities of accredited institutions providing adult training services, and, in view of the findings of such checks, it shall decide on whether or not to withdraw accreditation.
- (3) The FAT shall operate as an independent professional body.
- (4) The FAT shall be comprised of up to 20 members. The members of the FAT shall be invited by the Minister of Education for a period of three years, from among persons designated by the minister in charge of education policy, employment policy and the integration of those with altered working capabilities and people with disability to represent the ministry, along with representatives of the churches, chambers of commerce, employers, employees, local governments and institutions providing adult training services as well as recognised experts of adult training.

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- (5) The names of the members of the FAT shall be disclosed in the official journal of the Ministry of Education.
- (6) One of the members of the FAT shall be invited by the Minister of Education to act as its chairman.
- (7) In the course of its operations the FAT shall take into account the resolutions and proposal made by the Hungarian Accreditation Committee (Magyar Akkreditációs Bizottság, hereinafter MAB) and shall provide for the participation of the MAB in the meetings of the body with a consulting right.
- (8) The Minister of Education shall exercise legal supervision of the operation of the FAT.

Professional advisory body

ARTICLE 14

- (1) In order to provide for the continuous maintenance of the quality of its technical/ professional work and that of training and in order to ensure the quality standards meeting the requirements of the users of its services an institution providing adult training services may set up professional advisory bodies.
- (2) A professional advisory body shall be comprised of a minimum of five members, representing the instructors of the institution, professional advisory bodies in the area of the main field of training provided by the institution and employers. The number of members of the body employed by the institution providing adult training services concerned shall not be higher than a third of the total membership of the body.
- (3) The duties of a professional advisory body shall include the following:
 - a) commenting and formulating its position on the annual training plan bi-annual report of the institution providing adult training services,
 - b) participation in the development of the quality assurance system of the institution providing adult training services,
 - c) promotion of the development of professional publicity and public relations of the institution providing adult training services.
- (4) A professional advisory body shall establish its own procedural rules.

Annual training plan

ARTICLE 15

- (1) The annual training plan shall include the planned training programmes, their target groups, the sources of funding and the mode of the provision of the personal and material requisites for the training courses conducted by the given institution providing adult training services.
- (2) Such annual training plan shall be made available for those interested in the training activities of the institution providing adult training services.
- (3) In the course of its operations the institution providing adult training services shall submit annual reports to the professional advisory body on the accomplishment of the annual training plan.

The contents and the accreditation of the contents of a training programme**ARTICLE 16**

- (1) Adult training may be performed only on the basis of a training programme.
- (2) A training programme shall contain the following elements:
- a) the competence to be acquired through the course,
 - b) the requisites for the joining of and participation in the course,
 - c) the planned training period,
 - d) the techniques of training (individual preparation, group training, tele-teaching etc.),
 - e) the units (modules) of the syllabus, their objectives, contents and scope,
 - f) the maximum number of participants in a group,
 - g) the description of the system of evaluation of the performance of participants,
 - h) the conditions of the issuance of the certificate of the training and of the completion of its various units (modules),
 - i) the personal and material requisites for the implementation of the training programme and the mode of the provision of such.
- (3) A training programme may also be of a modular structure.

ARTICLE 17

- (1) A training programme shall be adjusted to the preliminary qualifications and skills of the adults participating in the course.
- (2) An adult intending to participate in training may request ex-ante assessment of the level of his or her knowledge/skills which the institution providing adult training services shall assess and take into account.

ARTICLE 18

The training of adults may also be organised in the form of open training or tele-teaching

ARTICLE 19

- (1) An institution providing adult training services listed in the register specified in Article 8 shall apply for the accreditation of their training programmes in accordance with the rules laid out in a separate statute of law.
- (2) Based on the accreditation procedure the FAT shall establish the deadline for the validity of the programme accreditation and shall issue the programme accreditation certificate.
- (3) Training programmes accredited under authorisations granted by other statutes of law or authorised under other the scope of power of relevant authorities, in accordance with the provisions laid out in a separate statute of law, shall be reported to the FAT. Based on such a report the FAT shall issue the programme accreditation certificate.
- (4) In the course of the accreditation of adult training institutions of churches and their training programmes the contents of subjects pertaining to theology and those relating exclusively to religious practices shall not be reviewed.

Adult training contract

ARTICLE 20

- (1) An institution providing adult training services and an adult participating in such training shall conclude an adult training contract.
- (2) The adult training contract shall contain the following details:
 - a) the vocational qualification or competence to be acquired through the training,
 - b) the mode of the testing and evaluation of the performance of the participant,
 - c) the place, duration and schedule of training,
 - d) the amount of the training fee – including the examination fee,
 - e) the consequences of any breach of contract by the adult participant or the institution providing adult training services,
 - f) all other items specified by law.
- (3) An adult training contract shall be concluded in writing which shall be preserved by the institution providing adult training services concerned, for a period of five years.
- (4) A training contract specified in Article 52 (2) of No LXXVI Act of 1993 on vocational training shall be accepted as an adult training contract.

PART IV – ADULT TRAINING SUBSIDIES

General rules on subsidies

ARTICLE 21

- (1) Adult training provided for an adult individual of Hungarian citizenship shall be provided financial assistance by the state in accordance with the provisions laid out in Part IV hereof.
- (2) The sources of subsidies for adult training, in the general government system:
 - a) central budget,
 - b) the part of the vocational training contribution to be allocated to adult training,
 - c) the parts of the Labour Market Fund (Munkaerőpiaci Alap, hereinafter MPA) devoted to employment, development and training,
 - d) tax allowances specified in a separate statute of law.

Normative subsidy for adult training

ARTICLE 22

- (1) The state shall provide normative adult training subsidy, of an amount specified in the budget act each year, for the training of adults and of adults with disabilities, participating in training courses aimed at the acquiring at the given institution providing adult training services, of a first vocational qualification, recognised by the state, included in the National Vocational Qualifications Register (Országos Képzési Jegyzék, hereinafter OKJ).
- (2) Based on the proposal made by the Minister of Education the Government shall be entitled to specify each year an additional group of adults for the training of whom the state may provide normative adult training subsidy as specified in the budget act.
- (3) Based on the proposal made by the Minister of Education the Government shall specify each year the total number of adults who may be granted normative adult training subsidies as laid out in paragraphs (1) and (2).

- (4) Normative adult training subsidy may be provided exclusively for an institution providing adult training services accredited as specified in Article 12, which has concluded an agreement with the Ministry of Education on the subsidising of adult training, as specified in a separate act of law.

ARTICLE 23

- (1) Under a statutory provision the training of adults whose extension training is required for the improvement of the standards of the performance of public duties may be granted subsidy from the budget.
- (2) Such subsidy may be used only for the purposes of participation in programmes accredited as specified in Article 19 of institutions providing adult training services accredited as specified in Article 12.

Subsidising of training programmes facilitating employment

ARTICLE 24

- (1) In the cases and under conditions specified in Article 14 of No IV Act of 1991 on the promotion of employment and on the provision of services for the unemployed (hereinafter Flt.) the training of an adult may be subsidised from the MPA.
- (2) Under this paragraph only the training of an adult receiving training in an institution providing adult training services accredited as specified in Article 12.

Subsidising of the training by businesses of their own employees

ARTICLE 25

The training of an adult employee may be subsidised by the employer in the way and to the extent specified in No LI Act of 2001 on the vocational training contribution and the subsidising of the development of the training system.

Subsidising of the improvement of the technical conditions of adult training

ARTICLE 26

In order to promote the development of the technical conditions of adult training the Minister of Education – having elicited the opinion of the OFKT – may put out an invitation of applications to be submitted by accredited institutions providing adult training services for subsidies from the development and training parts of the Labour Market Fund

Personal income tax allowance

ARTICLE 27

Under the provisions on personal income taxation an adult – adult participant of a training course – shall be entitled to a personal income tax allowance on the basis of his or her participation in a training course.

Registration and supply of statistics

ARTICLE 28

- (1) Institutions providing adult training services shall register and manage data specified in the annex hereto. Apart from the exceptions specified by law such data may be disclosed to third parties only with the consent of the person covered by such statistical data.
- (2) An institution providing adult training services shall be obliged to provide data for purposes of the compiling and processing of statistics under the provisions of No XLVI Act of 1993 on statistics.

PART V – INTERPRETING PROVISIONS

ARTICLE 29

For the purposes hereof:

- (1) *Institution accreditation*: assessment and authentication from the aspect of quality of the training (syllabus development, education/training, evaluation) performed by an adult training institution and of service-providing activities relating to adult training along with the standards of the management and decision-making processes of the institution concerned.
- (2) *Programme accreditation*: assessment and authentication of the accomplishment of the objectives of training (with particular attention to its requirement in the labour market and the improvement of the quality of life), of feasibility and of the satisfaction of pedagogy- and andragogy-related requirements.
- (3) Adult training organised in the form of open training or tele-teaching is based on the application of specific info-technological and communication-based means of training and knowledge-transfer methods which enable training based on the interactive connection between the trainer and the adult participant of the training as well as on the autonomous learning activities of the participant. The duration of such training and the forms of the checking of the success of knowledge transfer and of the acquiring of the knowledge/skills shall be specified by the institution providing adult training services in the adult training contract concluded with the adult participating in the training programme.
- (4) *General-purpose training*: training aimed to enhance general education contributing to the development of the personality of adults and to the development of equal opportunities in the society and of citizens' competencies.
- (5) *Adult*: a natural person participating in adult training, who has satisfied his or her schooling obligations as specified in a separate statute of law.
- (6) *Adult in disadvantaged position*: an adult whose access to training opportunities is more difficult than the average without state aids, on account of social, lifestyle-related or any other circumstances.
- (7) The forms of services provided in relation to adult training activities include, in particular, the ex-ante assessment of the knowledge/skills level, vocational orientation or adjustment consultancy, the assessment of training requirements and the provision of training advice and the provision of job seeking advice along with the training of job seeking techniques.

- (8) *Adult with disabilities*: an adult – under the provisions hereof - categorised as an individual with disabilities as specified in Article 4 a) of No XXVI Act of 1998 on the rights and the equality of opportunities of people with disabilities.
- (9) *Training outside the schooling system*: training whose participants are not regular students of (in such legal relationship with) the training institution.
- (10) *Competence*: the entirety of the knowledge, skills, capabilities and behaviour patterns of a person who has participated in adult training enabling the individual to successfully accomplish a given task.
- (11) *Unemployed adult*: a natural person as defined in Article 58 (5) d) of the Flt., categorised as an adult under the provisions hereof.
- (12) Training provided on a permanent basis shall qualify as training conducted on a regular basis along with training provided in repeated cycles within a given year, if the minimum duration of the training course is not shorter than 15 hours and 3 days.

PART VI – CLOSING PROVISIONS

ARTICLE 30

- (1) This Act shall enter into force on 1 January 2002, with the exception of paragraph (2).
- (2) Articles 22, 24, 27 and 28 (2) shall enter into force on 1 January 2003 while Article 23 (2) shall enter into force on 1 January 2004.
- (3) Institutions providing adult training services shall be entitled to submit applications for their accreditation and their programmes' accreditation after 1 July 2002.
- (4) The entry of institutions providing vocational training outside the schooling system prior to the entry into force hereof as registered institutions shall qualify as equivalent with registration as per Article 8 hereof for a period of two years from the entry of such institutions in the register.
- (5) Upon the entry into force hereof Article 53 of the Flt. shall be abrogated.
- (6) The labour centres shall submit to the OKÉV the registries as specified in the Decree No 45/1999. (XII.13.) OM (issued by the Ministry of Education) on the conditions to be met by the commencement and conducting of vocational training not later than 31 January 2002.

Ferenc MádI
President of the Republic

Dr János Áder
Speaker of the House

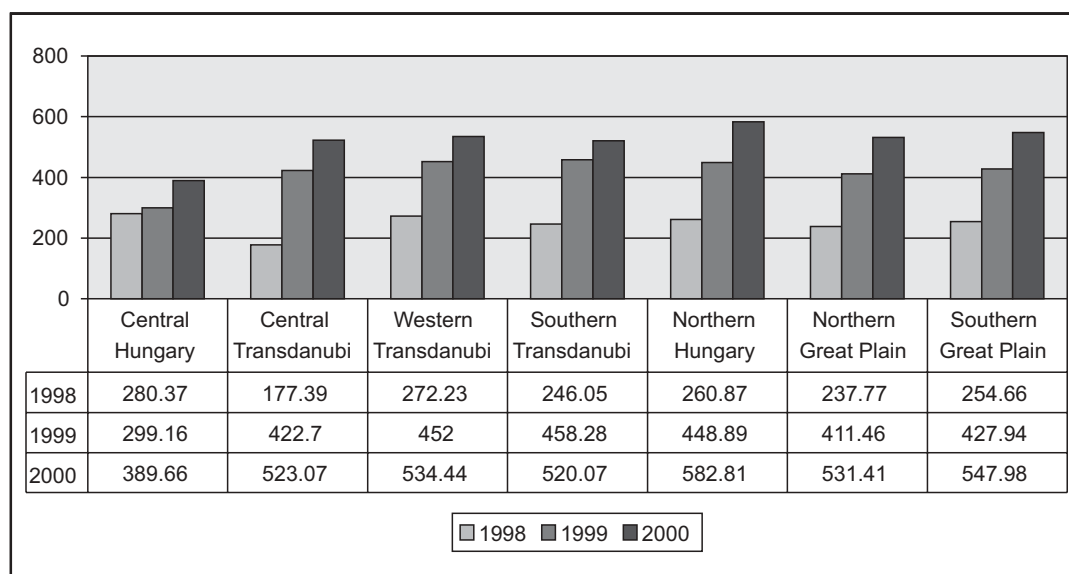
ANNEX TO ACT CI OF 2001

Data to be managed under this act:

- a) name, date and place of birth and citizenship of the adult, address of residence and stay and telephone number of the adult,
- b) data relating to the training relationship, including, in particular,
 - data on schooling and vocational qualification,
 - data on admission to the course,
 - assessment and qualification of the studies of the adult, examination details,
 - data on disciplinary and compensation issues,
 - other data with the consent of the person concerned,
- c) data required for the establishment of various benefits to be provided to the adult (personal income tax allowance, state grant, social subsidy, other aids) in proof of his or her income and social position.

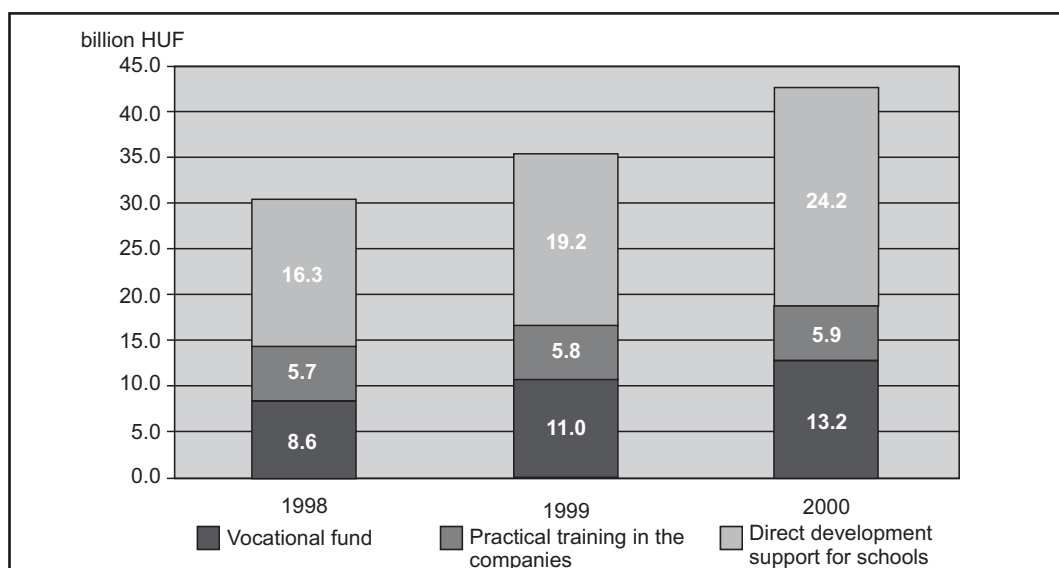
Data listed in the Annex may be used for purposes of collection and processing of statistics and may be handed over for such purposes in forms not enabling the identification of the persons concerned. The name, date and place of birth of an adult participating in adult training financed by the state shall be submitted to the Ministry of Education for registration.

ANNEX 3. SUBSIDIES PROVIDED ON THE BASIS OF DECENTRALISED APPLICATIONS FROM VET FUNDS (IN THOUSANDS HUF)



	Central Hungary			Central Transdanubia		
	1998	1999	2000	1998	1999	2000
Subsidy (thousands HUF)	804,000	854,700	1,108,300	197,500	469,700	579,127
Population (thousands)	2,867.56	2,856.95	2,844.22	1,113.37	1,111.19	1,107.16
Subsidy per capita	280.37	299.16	389.66	177.39	422.7	523.07
	Western Transdanubia			Southern Transdanubia		
	1998	1999	2000	1998	1999	2000
Subsidy (thousands HUF)	270,000	446,400	525,970	242,500	449,200	506,947
Population (thousands)	991.79	987.60	984.15	985.56	980.18	974.77
Subsidy per capita	272.23	452	534.44	246.05	458.28	520.07
	Northern Hungary			Northern Great Plain		
	1998	1999	2000	1998	1999	2000
Subsidy (thousands HUF)	335,000	572,900	739,673	365,000	629,500	808,780
Population (thousands)	1,284.13	1,276.26	1,269.13	1,535.06	1,529.89	1,521.95
Subsidy per capita	260.87	448.89	582.81	237.77	411.46	531.41
	Southern Great Plain					
	1998	1999	2000			
Subsidy (thousands HUF)	345,800	577,600	735,305			
Population (thousands)	1,357.89	1,349.71	1,341.84			
Subsidy per capita	254.66	427.94	547.98			

ANNEX 4. PAYMENT OF VOCATIONAL EDUCATION AND TRAINING CONTRIBUTION IN 1998-2000

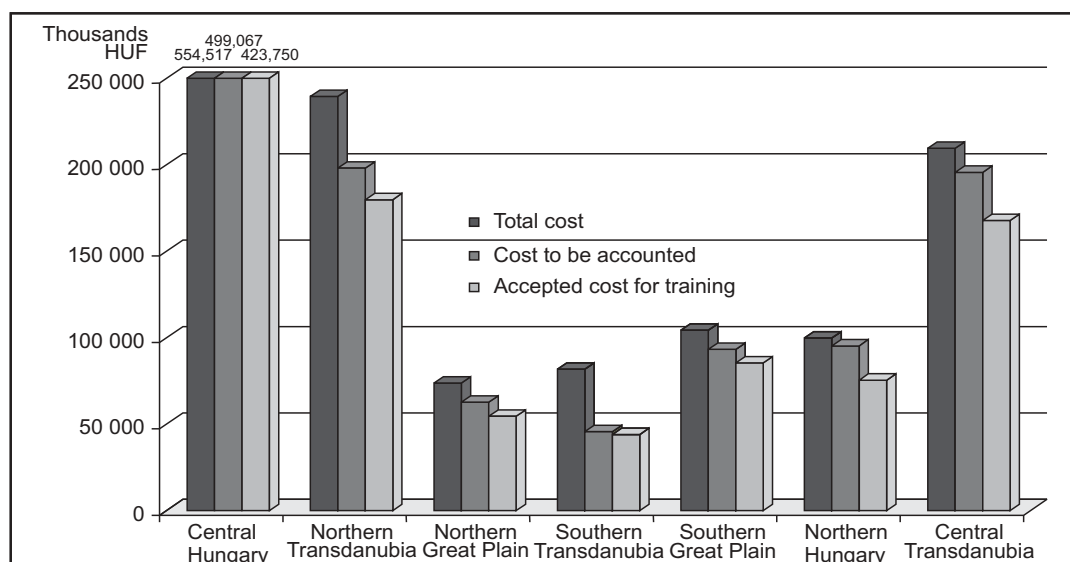


**ANNEX 5. VOCATIONAL EDUCATION AND TRAINING
CONTRIBUTION (IN BILLION HUF)**

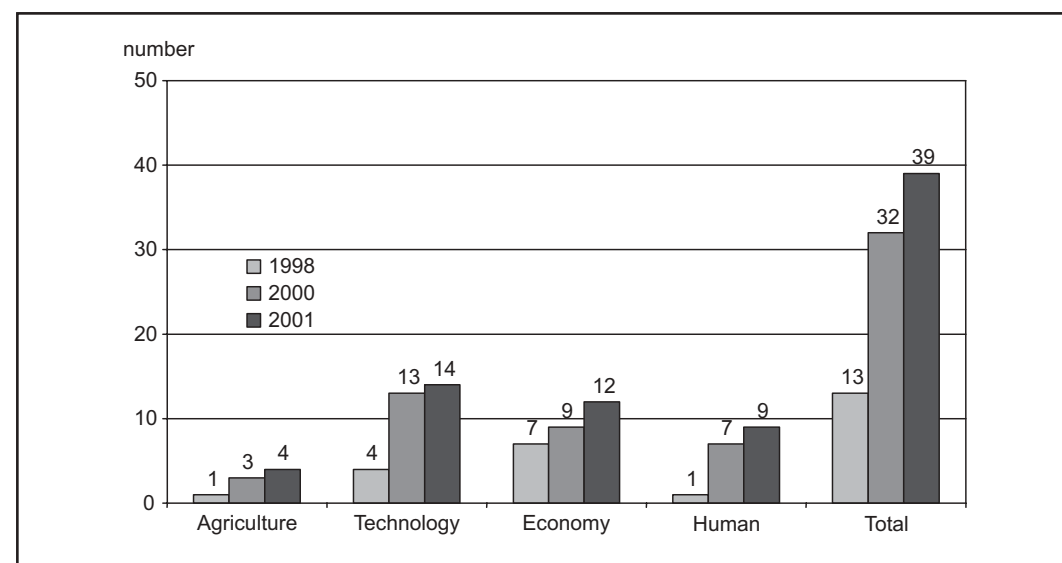
Description	1998	1999	2000	2001
Development and training fund part	8.6	11.0	13.2	14.3
Corporate training	5.7	5.8	5.9	6.5
Development aid for vocational schools	16.3	19.2	24.2	25.0
Development aid for higher education institutions			-	1.8
Total amount payable in vocational education and training contribution	30.6	36.0	43.3	47.6

Estimated and calculated data

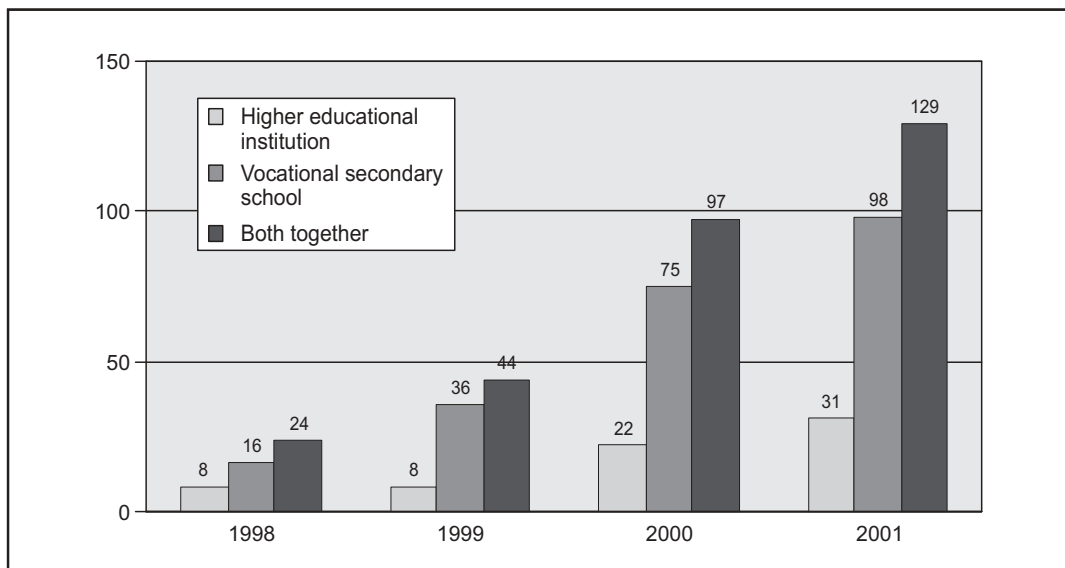
**ANNEX 6. COSTS BOOKED BY BUSINESSES FOR THE TRAINING
OF THEIR OWN EMPLOYEES AGAINST THE VOCATIONAL
EDUCATION AND TRAINING CONTRIBUTION, BY REGION
(IN 2000)**



**ANNEX 7. HIGHER VOCATIONAL QUALIFICATIONS IN THE NVQR
(AIFSZ SYSTEM)**



ANNEX 8. NUMBER OF INSTITUTIONS PARTICIPATING IN AIFSZ TRAINING BETWEEN 1998 AND 2001



ANNEX 9. INSTITUTIONAL SETTINGS

I. SCHOOL

Chapter V of the Public Education Act defines the operation of institutions, identifying the various levels of direction and management (Articles 54-63), the structure of which within schools is as follows.

The head of the institution

exercises the rights of the **employer**, and is in charge of:

- the proper operation of the institution, in compliance with the relevant legislation,
- educational (pedagogical) activities,
- the operation of the **quality assurance** system,
- cooperation with the school board, employees' interest-representing organisations and student councils as well as parents' organisations (societies).

Teaching staff

The teaching staff is the **community of the teachers** of an education/teaching institution. This is the key consulting and decision-making organ of an institution in matters of education and teaching.

This body is entitled to:

- accept the pedagogy programme and its modification;
- prepare the annual work plan of the education/teaching institution;
- accept comprehensive analyses of, appraisals of and reports on the work of the education/teaching institution;
- establish that a student may enter the next grade;
- comment, from a professional angle, on applications submitted for the position of the head of the institution.

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On the initiative of teachers, **inter-institutional professional working associations** may also be set up.

Parents' organisations

In order to **exercise their rights** and to facilitate the discharge of their obligations, **parents** may establish parents' organisations (societies). The parents' organisation (society) may initiate the establishment of a school board.

The school board

A school board may be set up to assist education and teaching activities at school, in order to promote cooperation between

- teaching staff,
- parents,
- students,
- the organisation in charge of the maintenance of the particular school, and
- other organisations having an interest in the operation of the institution.

In a vocational school or a secondary vocational school the local **chamber of commerce** is also represented in the school board.

The school board specifies the conditions and requirements of teaching, on the basis of a business undertaking linked primarily to **adult training**. A school board comments on the pedagogy programme of its school. A school board has a right to make proposals concerning both the **direction/management of the education and training institute** and the person to be employed as head of the institution.

Students' societies and student councils

The students of a school may set up various students' societies and associations to organise their joint activities.

To represent the students' interests, students' societies may organise student councils. The activities of a student council may cover all issues relating to students. A student council may express its opinion and make comments and proposals concerning the operation of the education and training institution as well as any other issue pertaining to students, and concerning the utilisation of funds made available for purposes of youth policy.

II. ADULT TRAINING INSTITUTION

Pursuant to the Adult Training Act only registered institutions⁷¹ will be authorised to provide adult training services. Registered institutions shall be entitled to apply for accreditation, which is a pre-requisite for access to state funds.

One pre-requisite for the accreditation procedure is that the institution involved in adult training should have an annual training plan approved by its technical/professional advisory board.

⁷¹ In the case of higher education institutions and schools involved in vocational education and training and public education, such registration is required only to a limited extent.

Technical/professional advisory board

An institution involved in adult training may set up a technical/professional advisory board to promote its professional work and to provide for quality assurance.

The members of such a board include:

- teachers of the institution,
- technical/professional bodies appropriate to the orientation of training,
- employers' representatives.

The tasks of the board include the following:

- commenting on the annual training plan and the bi-annual report,
- participation in the designing of the quality assurance system of the institution,
- promotion of the PR activities of the institution.

Annual training plan

Including:

- the planned training courses/qualifications,
- the target groups of the training courses,
- the sources of funding,
- the method of supplying personal/material requisites.

III. COUNTY (BUDAPEST) LOCAL GOVERNMENT**Tasks**

A county government and the Budapest municipal government are required to provide for the following:

- secondary school and vocational school service provision,
- secondary school and vocational school service provision for national and ethnic minorities,
- adult training,
- further training and vocational advisory services and education consultancy,
- provision of school and student hostel services for children and students with disabilities, who cannot be educated/taught together with the rest of the children and students,

where the village, town (district) local government does not undertake to provide such services, or if the performance of this task is not yet provided for in a given county or in certain parts of Budapest.

Planning

The Budapest/county local government prepares a task performance, institution operation and development plan. The opinions and comments of the following shall be obtained to support the preparation of the plan:

- Budapest/county statistics office,
- labour centre,
- regional/local chamber of commerce,
- Budapest/county parents' and students' organisations,

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- non-governmental, non-local governmental organisations in charge of the maintenance of institutions,
- Budapest and county-level teachers' union.

The plan relating to the satisfaction of demand for the **secondary studies** is covered by a separate chapter in the county development plan. In respect of the education/teaching tasks the development plan must contain the following:

- the fundamental principles of cooperation between and among local governments,
- the guarantees and requisites for the flexibility of the education institution system (compatibility of its elements).

The **local minority council**⁷² **concerned** may comment on and participate in the preparation of the development plan.

The following elements are included in a development plan:

- evaluation of the progress made in the organisation of the provision of public administration services,
- the tasks to be carried out,
- the medium-term plans for the admission of students to schools covering the territory of Budapest or the county.

The **total capacity of the various types of school** should be established in the school admission plan – in relation to the expected number of students – along with the tasks of the various schools in discharging their obligation to provide schooling and in the provision of facilities for continued studies.

The development plan is prepared for a minimum of **six years**. The development plan must be reviewed at least once every four years. Furthermore, it must be reviewed when requested by the local government concerned, or by the local minority councils or the national minority councils, or by at least 5% of all interested parties.

⁷² Councils may also be established in Hungary on the basis of ethnicity (for instance, the Roma Council).

ANNEXES TO CHAPTER 3

ANNEX 10. BRIEF HISTORY OF THE PES

In the decade-long history of the PES, three periods can be distinguished in terms of the organisational structure and the responsibilities at various levels.

(i) 1991–97

The Ministry of Labour directed the County Labour Centres (CLCs) through the National Labour Centre (Hungarian abbreviation: Országos Munkaügyi Központ, OMK), and the CLCs directed their Local Labour Offices (LLOs), which belonged to the same organisation. At the same time, however, the Ministry of Labour also had supervisory powers in parallel with OMK. In administrative terms, OMK was not within the same structure as the CLCs, and the CLCs were not clearly subordinated hierarchically to it. Hence, double direction developed to a certain extent.

(ii) 1997–July 2001

The Ministry of Labour ended OMK's role in direction, and itself exercised this power directly over the 20 CLCs. The PES did not have a national centre, even in formal terms. The ministry, which was the direct manager (initially the Ministry of Labour, later the Ministry of Social and Family Affairs), did not establish a separate organisational unit within the ministry to embody the management of the PES. In practice, management fell apart and a vacuum was generated. None of the ministries that were involved in state administration were able to address the problems, which escalated to ministry level, and the CLCs did not receive sufficient support for their work. Having lost its earlier role in management, OMK also lost its footing.

The next organisational change was the merger of the Labour Research Institute, and through that the creation of the National Employment Research and Methodology Centre (Hungarian abbreviation OMKMK, Országos Munkaügyi Kutató és Módszertani Központ) in January 2000. This step suggested a tendency in which the previous 'middle management function' of the OMK would be replaced by a technical assistance role, providing background support for both the state administration (the actual ministry) and for implementation (CLCs).

The employment policy itself was put in a somewhat uncertain position by the termination of the Ministry of Labour in 1998. The organisational solution initially chosen, namely the division of employment policy between active areas (linked to the MoEA) and passive areas (linked to the Ministry of Social and Family Affairs), did not prove to be successful. In this period, also as a result of the link with the Ministry of Social and Family Affairs, it was primarily the requirements of social policy – interpreted in a narrow way – that were relayed to the PES.

(iii) from July 2001

A new organisational structure was created, which is discussed in Chapter 3.1.

**ANNEX 11. EXTRACTS FROM THE ACT IV OF 1991 ON THE
PROMOTION OF EMPLOYMENT AND PROVIDING CARE FOR
THE UNEMPLOYED – RELATED TO THE FUNCTIONS AND
RESPONSIBILITIES OF THE PES**

ARTICLE 3

- (1) A nationwide state-sponsored organisation established to provide labour market measures (hereinafter referred to as Public Employment Service) shall promote to achieve the objectives set forth in this Act.
- (2) The PES shall perform its duties through its central and local entities.
- (3) Employers, employees and, in respect of local entities, local governments shall participate in the management of PES.
- (4) The PES shall carry out its duties as a human service in appreciation of the psychological and societal aspects of unemployment.

ARTICLE 4

- (1) All persons eligible for employment and all employers shall have the right to use the services of the PES, as governed in Paragraphs a) and c) of Subsection (2) of section 13/A of this Act, free of charge.
- (2) The PES shall inform employees and employers regarding their rights and obligations, and shall provide assistance with their demands.

ARTICLE 5

- (1) When possible, the elimination, handling and solving of employment-related crisis situations, and the prevention and reduction of unemployment, as well as the mitigation of its detrimental consequences shall be primarily accomplished by the means of labour market measures and job assistance activities described in Chapter III.
- (2) Increasing employment opportunities, preventing unemployment and reducing the length of unemployment shall be promoted also by means outside the scope of employment policy (e.g. by tax incentives, by the appropriation of special funds allocated for regional development and the creation of new jobs, and by coordination of the education system and the employment policy).

ARTICLE 13/A

- (1) The PES shall provide measures to assist in job search, finding employment and appropriate personnel and in maintaining existing jobs.
- (2) Labour market measures shall include the following:
 - a) providing information pertaining to the labour market and employment;
 - b) job, occupational guidance, guidance on job-search, on rehabilitation and local (regional) employment policies;
 - c) labour exchange.

ARTICLE 48

- (1) The Employment Office is a central budgetary institution with legal entity and its own financial responsibility, under the supervision of the MoEA. The occupational rehabilitation activities of the Employment Office are directed by the MoEA but with the contribution of the Ministry of Social and Family Affairs. Regarding its responsibilities related to employment policy, the Office shall:
- a) professionally direct the activities of the County (Budapest) Labour Centres (see Article 49),
 - b) perform the tasks delegated by the Ministry of Economic Affairs regarding the operation of the Labour Market Fund,
 - c) professionally direct the law enforcement activities of the County (Budapest) Labour Centres (see Article 49),
 - d) develop and operate the unified labour register,
 - e) perform the human resources development tasks of PES, with the exception of those of the Labour Development and Training Centres,
 - f) perform the methodological tasks related to unemployment provisions, measures to promote employment, and labour market services,
 - g) develop and operate IT related to unemployment provisions, measures to promote employment, and labour market services,
 - h) perform the centralised property management of PES, with the exception of the Labour Development and Training Centres,
 - i) process statistical data, analyse and disseminate information on the basis of its own registers,
 - j) prepare labour market forecasts and statistics, analyse them, and based on these, disseminate information to the wider public,
 - k) professionally coordinate the inspection activities carried out by County (Budapest) Labour Centres in their capacity as public authorities,
 - l) coordinate labour market programmes that involve several counties,
 - m) perform any other tasks delegated by the Minister of Economic Affairs.
- (2) The tasks as specified in Paragraphs a)–g) and i) of sub-article (1) above, are performed by the Employment Office with the professional contribution of the Ministry of Social and Family Affairs, in relation to the unemployed with reduced working capacity and occupational rehabilitation.
- (3) The Employment Office is headed by the General Director, appointed and relieved by the Minister of Economic Affairs, upon recommendation of the administrative state secretary of the MoEA. The Minister of Economic Affairs exercises all other employer's rights over the General Director.

ARTICLE 49

- (1) County (Budapest) Labour Centre (hereinafter referred to as 'Labour Centre') is a central budgetary institution with legal entity and its own financial responsibility, independent of the county (Budapest) local governments.
- (2) The Labour Centre is composed of:
- a) central organisational units,
 - b) local labour offices.
- (3) The directors of Labour Centres are appointed and discharged by the Minister of Economic Affairs, upon recommendation of the administrative state secretary of the MoEA. The Minister shall obtain the preliminary opinion of the competent Labour Council. Other employer's rights over the directors shall be exercised by the deputy state secretary appointed by the Minister of Economic Affairs. The directors of Labour Centres are civil servants with the status of ministerial department heads.

ARTICLE 50

- (1) By way of its central organisational units, the Labour Centre shall:
- a) perform the duties related to the operation of financial instruments of the Labour Market Fund within the county,
 - b) perform the duties related to permits for foreign nationals seeking employment in Hungary and to civil service tasks,
 - c) perform the secretarial duties of the Labour Council,
 - d) supervise its local labour offices,
 - e) collect and provide information on county (Budapest) labour market trends and situations, and prepare forecasts on expected changes,
 - f) orient school administrative bodies responsible for running the schools on educational/training structure and on enrolment,
 - g) establish and operate a rehabilitation working group for the promotion of the occupational rehabilitation of people with a reduced working capacity,
 - h) assist in solving the employment-policy-related problems caused by collective redundancies,
 - i) perform the inspection of the appropriation of measured financed from the Labour Market Fund, furthermore the eligibility for unemployment benefits not falling under the scope of Paragraph a) of Sub-article (1) of Article 51,
 - j) exercise the rights of imposing fines described in Article 56/A,
 - k) direct the activities of County (Budapest) Labour Centres related to occupational rehabilitation,
 - l) perform the other tasks assigned to its authority by legislation.

ARTICLE 50/A

Local Labour Offices shall perform the tasks related to :

- a) registration of unemployed persons,
- b) labour exchange, job and career guidance and other tasks,
- c) determining, suspending and reclaiming unemployment benefits and job assistance measures,
- d) other tasks assigned to its competence by the director of the Labour Centre.

ANNEX 12. THE MAJOR FEATURES OF THE LABOUR MARKET FUND

The general purpose of the Labour Market Fund (LMF) is to improve the prospects of those who face the greatest difficulties in finding or retaining work. Like the European Social Fund (ESF) for the European Union, the LMF for Hungary is the main tool through which the employment policy aims are translated into actions. The general policy fields in which the LMF now finances activities provide a rather good match with the objectives of the ESF. The LMF could therefore be reasonable regarded as the main (though not exclusive) source of future cofinancing. The methods by which the LMF currently channels its support are understandably different from, though not contradictory to, EU practice.

The Labour Market Fund in its current form was created in 1996, through a limited merger of five employment-related funds that were established in the early 1990s⁷³. The LMF now consists of seven sub-funds, which all have their specific aims, and provide financial support accordingly, but both combination and reallocation of sources of funding are possible. The sub-funds are as follows:

- the **Solidarity sub-fund** provides unemployment compensation,
- the **Income Subsidy sub-fund** ensures partial financial assistance for unemployed people who are no longer eligible for unemployment benefit,
- the **Employment sub-fund** finances active labour market programmes,
- the **Rehabilitation sub-fund** helps job creation for disabled persons,
- the **Wage Guarantee sub-fund** has a similar function to the one envisaged by the Council Directive on protecting employees in the event of the insolvency of their employer,
- the **Development and Training sub-fund** facilitates vocational training and the up-skilling of employees,
- the **Operational sub-fund** finances the Public Employment Service and the administrative operation of the LMF.

When the LMF was created through the merger of the funding mechanisms already available, the aim was to ensure enough flexibility to combine passive assistance with active measures, and progressively to put a stronger emphasis on the latter. Hungary has been successful in this shift (as discussed later), although still there is much to do.

ANNEX 13. STAFFING AND TASKS OF THE COUNTY LABOUR CENTRES

Composition of the staff of the CLCs (persons)

	Total in the 20 CLCs	Maximum number of persons/county Name of the county(ies)	Minimum number of persons/county Name of the county(ies)
Appointed leaders	223	13 Budapest, Csongrád	8 Veszprém
Technical staff	1,078	104 Budapest	35 Somogy
Administrative staff	119	19 Budapest	1 Baranya
Physical staff	102	12 Bács	2 Baranya, Komárom, Vas
Total	1,522	145 Budapest	53 Vas

Source: Munkaügyi Minisztérium: *Tájékoztató a munkaerőpiaci szervezet létszámhelyzetéről, különös tekintettel az új feladatok teljesítéséből adódó többlet követelményekre.* 1998. június.

⁷³ Act CXXIV of 1995 on 'Creating the Labour Market Fund'.

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Composition of the staff of the 175 LLOs (persons)

Appointed leaders	175
Deputy leaders (also performing other activities)	108
Staff performing statutory activities (including registration of unemployed clients; checking the eligibility for UB; determining the amount of UB; excluding persons from UB provision when necessary; and issuing temporary employee cards)	728
Staff providing services (including brokerage, job clubs and occupational information centres)	1,004
Staff administering active measures	364
Staff providing counselling	78
Labour market analysis, IT	65
Administrative staff	143
Physical staff	88
Total	2,753

Source: Munkaügyi Minisztérium: Tájékoztató a munkaerőpiaci szervezet létszámhelyzetéről, különös tekintettel az új feladatok teljesítéséből adódó többlet követelményekre. 1998. június.

The proportion of employees with high-level education varied significantly, with the lowest share being 34% (in Fejér county) and the highest shares 61–63% (in Csongrád, Békés, Vas and Győr counties).

Considerable differences were found in terms of the tasks to be performed and the staff of the various LLOs. Some indicators are listed in the following table.

Basic tasks and staff indicators of LLOs by counties

	Total or average	Highest number or ratio by county; name of the county(ies)	Lowest number or ratio by county; name of the county(ies)
Number of LLOs	175	15 Borsod	6 Győr, Heves, Nógrád, Zala
Number of registered unemployed (persons)	474,462	55,653 Borsod	9,323 Vas
Number of registered unemployed/LLO	2,712	4,314 Szabolcs	1,332 Vas
Number of unemployed with UB (persons)	139,408	15,724 Budapest	3,675 Vas
Staff performing statutory activities	728	89 Borsod	15 Győr
Number of unemployed with UB/staff performing statutory activities	191	352 Győr	138 Borsod
Staff providing services	1,004	98 Budapest	20 Győr
Number of registered unemployed/staff providing services	473	807 Borsod	301 Vas
Number of persons involved in active measures	231,506	28,243 Borsod	6,150 Vas
Staff managing active measures	364	48 Borsod	0 Vas
Number of persons involved in active measures/staff managing active measures	636	1,926 Hajdú	397 Nógrád

Source: Munkaügyi Minisztérium: Tájékoztató a munkaerőpiaci szervezet létszámhelyzetéről, különös tekintettel az új feladatok teljesítéséből adódó többlet követelményekre. 1998. június.

APPENDICES

APPENDIX 1. EXTRACTS FROM THE JOINT ASSESSMENT PAPER ON EMPLOYMENT (JAP), RELATING TO THE PES

'The Government recognises the important role of the public employment services in facilitating the effective functioning of the labour market and has defined the following key areas to be further developed: strengthening the role of public employment services in the labour market, which necessitates development of placement and counselling services for job-seekers and employers and improving the employment service delivery system, especially as they relate to staff resources and IT facilities. The Government will also consider needs in terms of reorganising the Public Employment Services at regional level.'

In this spirit, the Hungarian government has made several commitments, as follows.

- 'The Government will further develop the Public Employment Services in order to strengthen their role in matching the labour supply and demand and to ensure equal access to high-quality services throughout the country. It will also seek to strengthen the interface between its unemployment benefit systems and its role in brokering a more effective response to labour market requirements.'
- The Government will also strengthen co-operation with other actors in the labour market, especially the social partners, to ensure better implementation of employment policy and a more efficient delivery of different measures and programmes. It intends to improve co-operation between the labour centres and the multi-level (regional, county and district) institutions of regional development, also in view of future European Social Fund activities.'

The major elements of the reform, as they are listed in the JAP, address a number of shortcomings in the current operation of the PES. For example:

- 'Contacts with employers will be promoted in order to increase the market share of the PES and the number of vacancies registered with the employment offices.'

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- To create a more efficient PES, the computer-assisted services of the local employment office network will be completed. This means that, over the next three years, the computerised system will cover job-seekers and vacancies in the whole country and offer sufficient possibilities for the use of self-service in all local offices.
- The workload of staff will be reduced by modernising employment offices and by increasing, for example, the use of self-service.
- The professional qualifications of staff will be improved to ensure greater efficiency.'

APPENDIX 2. EXTRACTS FROM THE PROJECT FICHE ON MODERNISING THE HUNGARIAN PES, RELATING TO THE STRATEGIC OBJECTIVES OF THE PES

'The number of registered unemployed people together with the characteristics of the unemployment situation determines the strategy of PES. The number of registered unemployed people has continued to decrease for eight years, while the nature of unemployment has also undergone a major change. Recession unemployment resulting from the economic shift has turned into structural unemployment, in which, as well as an increasing labour demand and occasional labour shortages, considerable long-term unemployment prevails. At the same time tensions triggered by unemployment are also noticeable. Furthermore, the composition of unemployment has been changed, one of its most important factors being permanent long-term unemployment.'

Considering the above-mentioned developments, the strategic objectives of PES can be summarised as follows:

- 1) to increase the market share of PES in placement activities, to increase employability, and also to design services for employed people;
- 2) to offer unified and higher-level services for clients (including unemployed clients, employed clients and employers);
- 3) to improve the efficiency of labour market measures offered, and to extend the role of PES in providing them (see section 3.2 in JAP);
- 4) to strengthen cooperation between the labour centres and the multi-level (regional, county and district) institutions of regional development (see section 3.5.3 in JAP);
- 5) to contribute to efforts to decrease regional differences in the labour market through services provided;
- 6) to promote equal opportunities in the labour market (women, ethnic minorities);
- 7) to focus on disadvantaged groups in order to tackle and prevent long-term unemployment.'

We wish to make two comments on the strategic objectives cited above.

- We feel that there is a contradiction between the arguments in the introduction and the objectives derived from them. While the introduction follows the traditional 'unemployment-oriented' approach that was typical of the past decade, the objectives themselves reflect a much more comprehensive approach (which is also indicated by repeated references to the JAP).
- We must add that the above strategic objectives have not yet been officially and formally adopted. Furthermore, according to interviews carried out in CLCs, they are not yet known even to those concerned.

LIST OF ACRONYMS

AIFSZ	Higher educational accredited vocational school
CLC	County labour centre
CVT	Continuing vocational training
EES	European Employment Strategy
EO	Employment Office
ESF	European Social Fund
EU	European Union
EURES	European employment services
Eurostat	Statistical Office of the European Communities
Fit.	Employment Act
GDP	Gross domestic product
HRD	Human resource development
HUF	Forint (Hungarian currency)
ISCED	International standard classification of education
IT	Information technology
IVET	Initial vocational education and training
JAP	Joint Assessment Paper on Employment Policy
LDTC	Labour Development and Training Centre
LLO	Local labour office
LMF	Labour Market Fund
LMFSC	Labour Market Fund Steering Committee
MoEA	Ministry of Economic Affairs
NEAP	National Employment Action Plan
NGO	Non-governmental organisation
NIVE	National Institution of Vocational Education
NUTS	Nomenclature of territorial units for statistics
NVQR	National Vocational Qualification Register
NVTC	National Vocational Training Council
OECD	Organisation for Economic Cooperation and Development

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PES	Public employment services
PISA	Programme for International Student Assessment
PPS	Purchasing power standard
PRES	Private employment services
SME	Small and medium-sized enterprise
VET	Vocational education and training

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