

# LABOUR MARKET CHANGES IN RURAL AREAS OF HUNGARY: PAST, PRESENT, FUTURE

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After the collapse of the single-party state, a new economic and social structure was born in Hungary. The main purpose of my study is to present the changes that occurred within the employment in rural areas. I shall analyse the changes in employment rates, and also the change in the distribution of employment amongst various sectors of the national economy. In order to understand the labour-market related problems of the extended rural areas, I shall focus mostly on changes that occurred within the sector of agriculture. After the regime change in Hungary, making a living in rural areas was greatly upset by the vast amount of free labour emerging due to the disintegration of the large-scale state system of agriculture. Since agriculture could be the only certain market for employing the high number of unskilled workforce that is typical at rural areas, I shall explore the changes occurred within the agrarian sector and in its employment in the past two decades, and also current plans and initiatives that are proposed to improve employment in the sector of agriculture.

**Keywords:** rural areas, labour market, employment, agriculture, changes

## Introduction

After the end of communism in Hungary, the rate of employment has dropped dramatically, affecting agriculture in a greater degree. On a related note – should we wish to include a reference on the international level – it is worth mentioning that while after their accession to the European Union, the agriculture of the Czech Republic, Poland and Slovakia has been making significant progress, the agriculture of Hungary is still shrinking (Csath, 2010). According to Biró and his associates (2012): “In the last decade, rural areas of Hungary – apart from showing significant regional and sectoral divergences – could be characterized by high unemployment levels, great and long-term structural unemployment, low levels of qualifications, wages stagnating under the national average, an increasing number of those applying for social benefits, and last but not least, also by “invisible incomes” linked to tax evasion, and the presence of black and grey employment”.

Even though it is important to lay emphasis on the diversity of Hungarian villages and rural areas, there is a noteworthy agreement between many of the experts in the field, and the public: in case of the vast majority of our rural areas, life conditions are deteriorating to an even greater extent, and agriculture is also in a decline. Csatóri (2008) believes the changes within Hungarian rural areas to be differentiated, however he also underlines that after all, “Global changes are faced by the countryside of Hungary, which is less and less able to defend itself, having a sagging economic strength, an agriculture that is almost completely transformed, and a society that is basically ageing, or rather becoming more of a ghetto.”

This research contributes to the better understanding of the current situation and problems of our villages. Though naturally it will not be able to solve the economic and social problems of said settlements in order to find a solution in the long run, it is but necessary to make a situational analysis first.

The relevance of my research could be best comprehended through the thoughts of Szretykó, who believes that “the Hungarian countryside has been moving down a slope since about two decades, resulting in chaos already today.” (Szretykó, 2008), and it should also be noted, that “(...) the country will not find a way out of this severe economic and social crisis without the recovery of the Hungarian countryside” (Szretykó,

2008). This research attempts to assist the discovering of this way out, since I believe that addressing this issue is not only an opportunity, but a duty as well.

## Material and methods

The main purpose of my study is to present the changes that occurred within the employment of rural areas. I shall analyse the changes in employment rates, and also the change in the distribution of employment amongst various sectors of the national economy. In order to understand the labour-market related problems of the extended rural areas, I shall focus mostly on changes that occurred within the sector of agriculture. In doing so, I shall mainly build on the long time series data published by the Central Statistical Office (KSH), and data of the population census.

## Results and discussion

According to Kovách (2012), “during the decades before and after the millennium, impacts on the society of rural areas have led to a complete transformation. This era is unique in the history, since the impacts of three processes – that are already compound individually – prevailed at the same time. The final chapter of peasantry occurred at the same time with the collapse of the system of socialism, and also with globalization and European integration, therefore it all added up to a triple change in the structure. As a result of this complete transformation, radically new processes have started off within the society of rural areas”.

It is relevant to my essay to mention some of the economic policy decisions listed by Csath (2013), as their effects are still perceptible today.

- “too rapid and failed privatization”,
- “the subsistence of a degenerate economic structure as a result of a too rapid privatization without any concept”,
- “immediate and unconditional liberalization”.

Though this list is certainly not complete, the results of only these factors explain several negative processes that are still lasting today, being further intensified by regional inequalities (Nagyné Molnár, 2007). I aspire to provide further clarification within my essay.

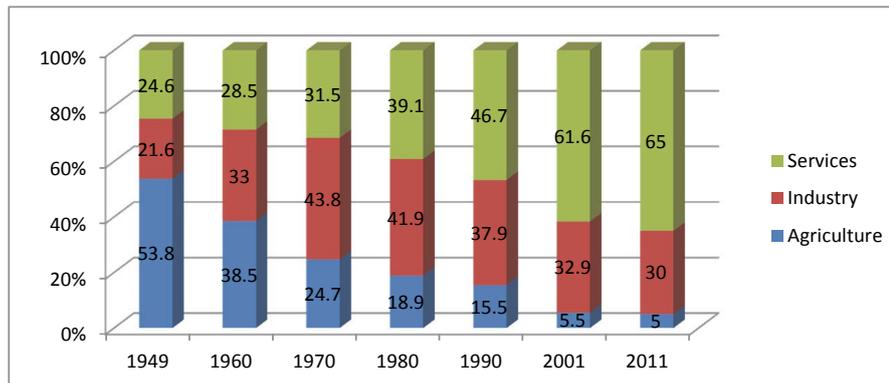


Figure 1 Distribution of people employed in the accumulated sectors of the national economy  
Source: KSH (Hungarian Central Statistical Office), Population Census

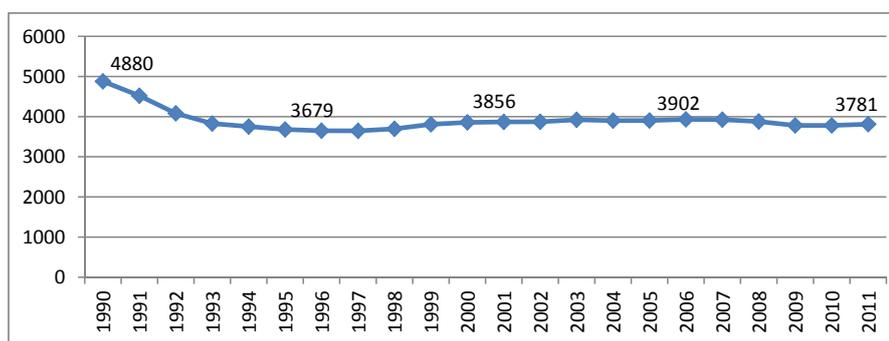


Figure 2 Number of people employed in the accumulated sectors of the national economy in thousand people  
Source: KSH

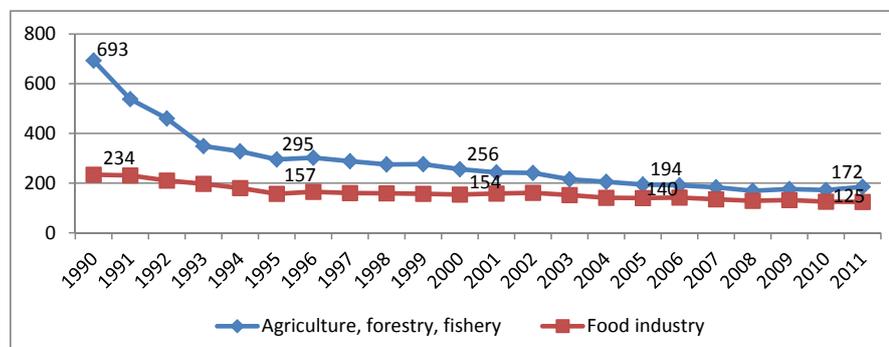


Figure 3 Number of people employed in agriculture, forestry, fishery and the food industry in thousand people  
Source: KSH (Hungarian Central Statistical Office), Population Census

Though the purpose of my essay is to examine the changes that occurred in the period after the regime change, I believe it is worth observing the distribution of people employed in the accumulated sectors of the national economy in a wider time interval.

Figure 1 demonstrates well the substantial transformation of the structure of employment that occurred in the past sixty years in Hungary. The tertiary sector has advanced, while at the same time, agriculture fell significantly behind. The ratio of people employed in agriculture exceeded 50% in 1949, while by 2011 it dropped to one tenth of that proportion. Even if we take into account the probable changes of data collection methods in the past decades, there is an obvious tendency showing that the proportion of people employed in agriculture is decreasing significantly, while the ratio of people employed in the service sector has increased. The proportion of agriculture in employment accounted for 8% in 1995, while in 2010 it dropped to a little more than its half, 4.5%.

Taking a closer look on employment data in the past decades, it is apparent that while in 1990 there were a total number of 4,880 thousand people employed in the national economy, it fell to 3,679 thousand by 1995. This figure hit its bottom in 1997 with 3,646 thousand people employed, which was followed by a continuous growth, though in an irregular pace. It was hit again by the economic crisis, and after that, 2011 was the first year of growth concerning the number of people employed in the national economy, according to the data of KSH (figure 2). The changes that occurred within agriculture, forestry, fishery and the food industry should also be framed into the shape of this trend. As it is illustrated by figure 3, there were 693 thousand people employed in agriculture, forestry and fishery in 1990, however, their number has decreased to less than its half (295 thousand people) in only 5 years, and this decline has further continued, albeit in a slower pace. In 2010, the number of people employed in these fields was less than a quarter of the value in 1990. The number of employees in the food sector dropped by about a half in the examined period of 20 years. Therefore,

Table 1 Changes within the proportions of agriculture in %

| Year | Proportion of agriculture |                              |                   |                    |
|------|---------------------------|------------------------------|-------------------|--------------------|
|      | within employment         | in the production of         |                   | within investments |
|      |                           | gross domestic product (GDP) | gross added value |                    |
| 1995 | 8.0                       | 6.8                          | 8.1               | 2.9                |
| 2000 | 6.6                       | 4.6                          | 5.4               | 4.7                |
| 2005 | 5.0                       | 3.8                          | 4.4               | 4.5                |
| 2010 | 4.5                       | 3.2                          | 3.8               | 4.8                |

Source: KSH, Agriculture, 2011

Table 2 Changes of available agricultural land, the gross production index and the buying-in index of crop production, stock breeding and agricultural products

| Year | Agricultural land in thousand acres | Crop production        | Stock breeding | Agricultural product | Buying-in index of products |
|------|-------------------------------------|------------------------|----------------|----------------------|-----------------------------|
|      |                                     | gross production index |                |                      |                             |
|      |                                     | 1960 = 100             |                |                      |                             |
| 1990 | 6,473.1                             | 151                    | 205            | 174                  | 237                         |
| 1995 | 6,179.3                             | 117                    | 134            | 125                  | 132                         |
| 2000 | 5,853.9                             | 107                    | 139            | 121                  | 128                         |
| 2005 | 5,854.8                             | 157                    | 123            | 146                  | 137                         |
| 2010 | 5,342.7                             | 128                    | 107            | 125                  | 113                         |

Source: KSH

Table 3 Division of the population from the age of 7 years, by educational attainment and type of settlement in %

|                            | Total | Primary education                           |                                 | Secondary education                                   |                     | University, college, etc. |
|----------------------------|-------|---|---------------------------------|---|---------------------|---------------------------|
|                            |       | lower than completing 8 <sup>th</sup> grade | completed 8 <sup>th</sup> grade | without passing final exams, with a vocational degree | passing final exams |                           |
| Budapest                   | 100.0 | 7.7   | 17.0                            | 11.6  | 34.8                | 28.9                      |
| Towns with county's rights | 100.0 | 9.8   | 20.7                            | 17.3  | 32.4                | 19.8                      |
| Other towns                | 100.0 | 13.1  | 25.9                            | 21.4  | 26.9                | 12.7                      |
| Villages                   | 100.0 | 16.1  | 31.6                            | 23.6  | 20.8                | 7.9                       |
| Total                      | 100.0 | 11.7  | 23.8                            | 18.5  | 28.7                | 17.3                      |

Source: KSH Population Census, 2011

Table 4 Economic activity, by the type of settlement in %

|                                  | Total | Budapest | Towns with county's rights | Other towns | Villages |
|----------------------------------|-------|----------|----------------------------|-------------|----------|
| Employed                         | 40.4  | 45.0     | 41.3                       | 39.2        | 36.1     |
| Unemployed                       | 5.6   | 5.2      | 5.3                        | 5.7         | 6.3      |
| Economically active population   | 46.0  | 50.2     | 46.6                       | 44.9        | 42.4     |
| Inactive earner                  | 29.3  | 27.4     | 28.1                       | 29.9        | 31.8     |
| Dependant                        | 24.7  | 22.4     | 25.3                       | 25.2        | 25.8     |
| Economically inactive population | 54.0  | 49.8     | 53.4                       | 55.1        | 57.6     |
| Total                            | 100.0 | 100.0    | 100.0                      | 100.0       | 100.0    |

Source: KSH Population Census, 2011

the conclusion is that agriculture was affected by the dramatic decrease in the number of people employed in Hungary to a greater extent.

The next factor that inherently inhibited people to make their livelihood out of agriculture after the regime change is that the sector has not only gained serious deficits within employment, but also in producing value for the national economy in the past decades (table 1).

Agriculture contributed to the production of GDP with a proportion of 6.8% in 1995, while the same value has dwindled to 3.2% by 2010. The decline of agriculture is apparent when observing the changes of land use and the production volume of various sub-sectors (table 2).

Table 2 demonstrates a decrease of agricultural land by more than 1,000 acres in the examined period, which is a significant extent even considering that since 1992 this figure is registered without the area of enclosed gardens (about 300 thousand acres). The gross production index of stock breeding between 1990–2010 suffered the greatest fall, however, the numbers related to crop production and agricultural products also declined. When taking a look at the buying-in index of products, which is the volume of products sold for processing or resale, there is also a significant – more than 50% – decrease, during the examined period of 20 years.

Apparently there is no substantive advancement in the sector of agriculture considering the past twenty years, and this fact seems to justify the statement of Szretykó (2008), according to whom, “one of the key reasons for the crisis that exists within the agriculture of Hungary is the wrong track of development that has been set for the sector since the regime change”.

With such tendencies, one might ask the question: why is it important to examine agriculture from the aspect of the human resources of rural areas?

First of all, it is important to declare – just as Enyedi (1980) and Kovách (2012) do – that the data on rural areas and on villages are overlapping categories; however, they are not exactly the same. Henceforth, I shall continue with my work by considering the categories applied by the population census. I shall analyse the educational attainment and economic activity of the population from the age of 7 years, by the type of settlement, based on the data of the population census in 2011.

The downward slope of educational attainment of the population from the age of 7 years is parallel to the dynamics of settlements. The highest level of education of about half (47.7%) of this population is the completion of the 8<sup>th</sup> grade or lower, while the same ratio is below 25% at Budapest. There are also major differences when analysing the proportion of those graduated from

tertiary education: while their proportion is almost 30% in Budapest, it is 20% in towns with county's rights, below 13% in other towns, and below 8% in villages.

The implication suggested by Kovách (2012), based on the data of the population census conducted in 2001 is also valid when observing the data of 2011: "the primary characteristics of the occupational structure of villages is the high presence of inactive persons". While the proportion of the economically inactive population remains below 50% in Budapest, it exceeds 57% in the case of villages, which is the highest value considering all types of settlements (table 4).

There is also a remarkable difference within the proportion of those employed, being 45% in the capital, while about 9% lower in villages. The proportion of the unemployed is also in line with the dynamics of settlements, with greater values in case of settlements placed at the bottom of the rank (Table 4).

It is apparent by taking a look at the data on educational attainment and employment (table 3 and 4) that on one hand, the educational attainment of those employed is parallel with the dynamic of settlements, and on the other hand, the occupational structure of villages is characterized by the high proportion of inactive population. A more efficient, new local system that serves the national economy should better be elaborated for managing human resources in rural areas. Agriculture will play an important role, since it is the only sector in which the historical background and land features exist everywhere concerning rural areas, and at the same time, it is able to offer job opportunities for its population obviously characterized by a low level of education.

On a related note it must be highlighted that according to the investigations of Káposzta and Nagy (2005), "besides the "competitive sphere", which is able to adapt to efficiency requirements, a production area of restricted competitiveness exists within agriculture". They draw attention to the importance of relieving social problems and excessive income gaps, and they also believe that the government has an important role regarding social employment.

Subsequently, let us go through the opportunities that are, and will be available for addressing this issue!

The National Rural Strategy 2012–2020 is commonly referred to as the "constitution of the Hungarian rural areas", and its overall purpose is the "improvement of the ability of rural areas to support its population and to retain its population". One of the key strategic goals of the strategy is to ensure the grounds for rural economy, and to improve employment at rural areas. Accordingly, one of the groups targeted by the strategy is "the active age-group which lives at rural settlements, and whose livelihood, employment and the expansion of job opportunities are all fundamental considering the future of rural areas (NVS, 2012).

The social land program aspires to contribute to all of this, by "providing support for the livelihood of socially disadvantaged families who live in an environment that is suitable for agricultural production, but who do not have the necessary conditions, or only partially, and also by assisting the process of education within these families for becoming skilled for work" (NVS, 2012). It is also stated in the National Rural Strategy as a strategic direction, measure that "as part of the program and within the frame of the National Land Fund, areas should be provided for local governments in the form of free asset management. Also there should be an opportunity for providing financial aid as a supplementary to social allowances (by applying a greater multiplier, monetary social allowances can be converted into financing inputs and machinery necessary for the implementation of agricultural production)" (NVS, 2012).

According to the vision of the rural strategy, Hungary "shall become a country where it is obvious that the multifunctional agriculture, environmental and landscape management produces products of a great quality on a European level" (NVS, 2012), since "this quality, fruitful and

viable agriculture, and its linked food production – also providing export opportunities – are the key factors for the economic development of Hungarian rural areas, and for the improvement of its employment" (NVS, 2012).

## Conclusions

I have presented in my essay the development of employment, the change of agriculture's role within the national economy, and afterwards, I made statements based on the statistical data on the occupational structure of rural areas.

As a conclusion, I believe that finding a solution for the employment of the population of rural areas is becoming more and more urgent. Currently, there is a clear attempt from the side of the government to employ this vast amount of unskilled labour force in agriculture – besides other sectors.

Increasing the proportion of employment within agriculture and the related processing industries is an important goal, however, the path and extent of the continuous decline that characterized agriculture in the past decades is obvious by looking at the data presented in the essay as well. At this point, besides preparing a mass of people with a low level of education, low work experience and lack of discipline to become employable, it is also important to make efforts for our economy, agriculture and the related processing industries to be competitive, in order to improve employment in rural areas.

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