

# Changes in the Regional Differences of the Labor Market in Hungary During the Millennium Change, Especially the Employment Impact of Financial Crisis in the First Decade of the 21th Century

ZSUZSANNA DABASI HALÁSZ, Ph.D.

ASSOCIATE PROFESSOR

e-mail: alkduf@uni-miskolc.hu

## SUMMARY

*The paper attempts to reveal the causes of labour market inequalities in Hungary after the system change, with special regard to the changes caused by the financial crisis. The current labour market trends were determined by the situation emerged by the time of the regime change, as I will discuss it later. Besides general employment relations, it focuses on changes in social positions and on migration processes and examines what kind of possibilities the crisis and the period afterwards may offer for the development of lagging regions.*

*Keywords: labour market, employment conditions, crisis, social situation, lagging regions.*

*Journal of Economic Literature (JEL) code: R58, J42, J48.*

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According to Nemes Nagy and Németh, regional differences in the Hungarian labour market have been increasing ever since the regime change in 1989. The new, more fragmented spatial structure of employment conditions took shape in the early to mid-nineties. Since then, only small quantitative movements have been observed (Nemes Nagy and Németh 2005). I agree only with the first part of this statement, as economic consolidation was followed by the extreme intensification of regional and territorial disparities as well, which has not been modified significantly by the 60 months so far of the economic crisis. The subsequent reversal of labour-market differences seems to have become persistent. Since the initial period of economic transformation up to present, significant regional differences emerged in the rate of the unemployed and in the standards of employment. The explanation of this could contribute to the development of future economic policy.

The crisis is a sign that current driving forces of development are wearing out, and the former mentality can no longer be successful. The crisis highlights that new driving forces should be found and a different mentality is necessary to build an acceptable future for the major part of the society. Although the crisis itself is a negative process, it incorporates the possibility of future recovery and the hope of a new beginning. The lack of

changes facilitating social renewal has caused major harm recently because outdated thinking and the lack of appropriate regulatory instruments harm nature and the base necessary for our life (Nováky 2011). The researcher's responsibilities are not only to determine the facts and relationships, but to seek for constructive solutions, and to aid applied economic policy. This is not necessarily a political attitude, even though it is indisputable that the economic analysis of public policy includes the use of substantive – normative and positive – theories, but on the other hand, it requires a specific theory-building strategy (Csontos 1997).

The study reviews the causes of regional labour market disparities, looking back to the time of regime change, and analyses the effect of the 2008 financial crisis on regional employment.

## DEVELOPMENT OF DISPARITIES IN REGIONAL LABOUR MARKET, ITS HERITAGE AND EXPLANATION

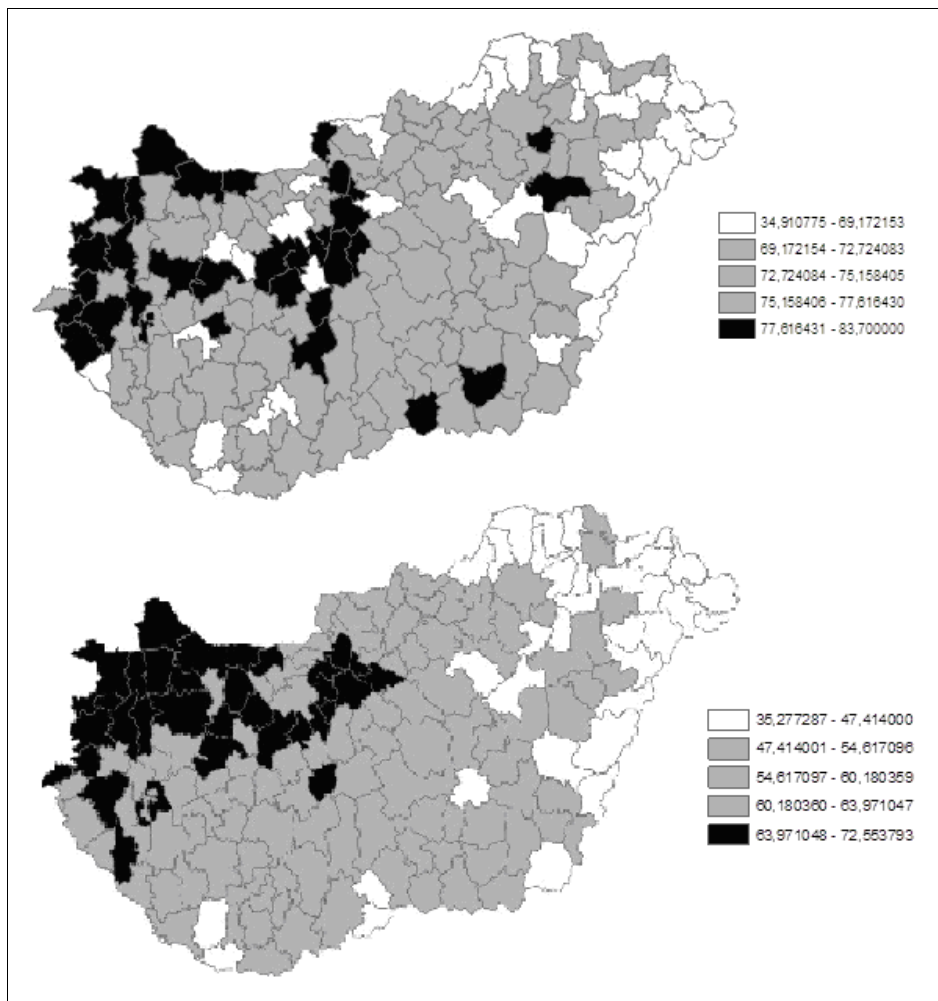
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Unemployment was an unknown concept for the socialist economy; it was considered as an example of the faults of the capitalist system. Economists of the regime change,

however, proved that corporate management, not requiring economic efficiency, employed “space fillers”. There are only estimations about the rates of unemployment inside the gates of the socialist enterprises. According to some surveys, the same production level could have been achieved with 80% of the applied workforce (Dövényi and Tolnai 1993). This may not clearly imply a hidden unemployment of 20%, but explains the fast emerging employment crisis. As far as I am aware, however, estimates do not mention whether the socialist labour market had any hidden unemployment of regionally varying degree.

In contrast, even in summer of 1990, Borsod-Abaúj-Zemplén County provided one-fifth of the total unemployed of Hungary. The extremism is shown by the fact that, while in 1993 Nógrád County had an average unemployment rate of 21.5%, Győr-Moson-Sopron County had only 8.2% over the same period: the difference is 13.3 percentage points. The gap continued to widen by 2008, when the difference between the lowest and highest unemployment rate of the counties was

18.3%. Although the differences among the counties are clearly not negligible, within this, there are also significant differences in the employment situation. The labour market situation can be examined territorially by several aspects: by regions, by counties, by microregions and by settlements. Differences in the labour market are present not only at the county and regional level, but also at sub-regional and district level. In March 1992, the Encs district had the highest unemployment of 27-28% (this was approximately 7 percentage points higher than the county average (Aradi 1992)). This decreased to 18.99% by 2002 (which, however, was still more than a 10-percentage-point deviation from the average), and due to the crisis, it rose to 26.99% again in 2010. Disparities between settlement types and settlements show even greater differences (Fazekas 2002). The economic policy of the past twenty years has not been able to reduce these differences. As an effect of the economic conjuncture between 2000-2004, territorial disparities kept strengthening, which can be considered as a Hungarian speciality.



Source: own compilation based on the repository of HAS, Institute of Economics<sup>1</sup>

Figure 1. Employment rate in the labour market districts of Hungary in 1990 and 2001 (The 5-quantiles are called)

<sup>1</sup> Resource map is a software developed by HAS, IoE, [www.econ.core.hu](http://www.econ.core.hu)

In developed market economies, regional differences in labour market are decreasing through the adjustment processes. In our country, however, differences are large and became permanent and the developed order has remained unchanged (Fazekas 1994). The official economic policy has kept treating the reduction of regional differences as a priority in its communications, but its actions have not been effective enough and its tools have not been synergistic. The causes of regional differences are only to be examined as a process, because more and more new factors were added through the different periods. This did not imply that the causes of the post-1989 situation ceased, but it implies that based on them, the subsequent disadvantages kept aggravating. The stability in regional discrepancies of unemployment and in the position of regions suggests that the emerging differences do not come from short-term, ad hoc reasons, but from stable indicators that have a long-term effect. This implies that long-term treatment may become possible by identifying the causes.

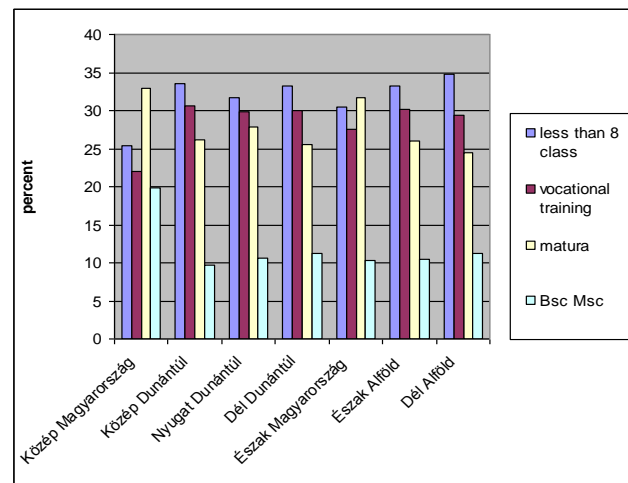
## CHANGES IN THE EXPLANATORY CRITERIA OF THE DEVELOPMENT OF REGIONAL LABOUR MARKET DIFFERENCES

Following the change of regime in the early nineties, as seen, higher unemployment and lower employment emerged in the labour market of certain geographical areas. The reasons for this include the developed differences in the industrial structure of socialism, differences in educational attainment and differences in the infrastructure. The regional differences in the unemployment of the Central and Eastern European countries was attributed mostly to the concentration of large socialist industrial enterprises. The change to a market economy brought along the collapse of the socialist economic structure and the transformation of labour market demand, to which the slowly responding, inflexible supply could not respond for a long time. Between 1990 and 1997, the largest decrease in the number of the employed belonged to agriculture. This sector lost one-third of its workforce, compared to the average decrease of 11%. This can partially be explained by the organizational transformation of the sector, by the loss of the sector's traditional external markets, by the decline in domestic consumption and by the sharpening competition. The economic crisis of agriculture mainly affected the eastern part of the country.

Employment in industry also declined significantly. In the first period, the workforce of manufacturing and construction decreased, while the number of those

employed in electricity, gas and heat supply remained unchanged. The crisis in heavy industry affected most severely the labour market of the north-eastern regions (Schwertner 2002). In Borsod, Baranya and Nógrád territories, formerly regarded as great centres of socialist industry, higher unemployment and lower employment became constant.

The different educational level of the population has also been held responsible for the development of regional disparities. The educational level of the population at the regime change was lower than the national average in the eastern and southern counties and in the counties of the Great Plains, as it is illustrated in the following figure.



Source: own compilation based on HCSO data<sup>2</sup>

Figure 2. Number and proportion of economically active population by education level

While in 1910, 18% of the Hungarian population did not attend school – i.e. they were illiterate – in 1990, this figure was only 2%, and at the very end of the century, it became less than 1%. By 1994, the rate of high school graduates increased from 2% to 20%, and the rate of higher education graduates increased from 1% to 8%. The rate of high school graduates in the 18 years and older population increased from 4% to 32% between 1920 and 1994. Although the schooling of worker-peasant-born, rural children had a major role in propaganda in the socialist system, and the people's colleges and the scholarship system actually improved the education level of the country's population, some segregation has begun in the last 20 years. The hegemony of the capital is undisputed in the field of higher education institutes. Under socialism, the planned economy operated in its untouched form in the educational system: the places available for each programme were centrally regulated; the structure of education was not determined by the demands of the labour market, but the supply was

<sup>2</sup> less than 8 class – Did not finish Primary School, vocational training – vocational technical school, matura – Secondary school graduate

specified in bureaucratic ways. The authorities consistently limited the rate of entrants to the graduate-level and preparation programmes to higher education;

almost one half of each age group was directed towards vocational training and other programmes which did not qualify for further studies. Most of the rural 15-16 year olds – especially boys – were students of vocational schools in this era. Thus, the lower school qualifications of the rural population became conserved by the time of the regime change.

In the central and Western part of the country, the infrastructure was more advanced, which can also explain the development of better labour market conditions. The distance factor had a significant role in the reductions of staff in the nineties. The commuting of rural population was accepted by the socialist large-scale industry, but it did not seem any more effective in a market economy. The density of public transport links had a significant influence on local unemployment in 1993. The research of Bartus (2004) and Kertesi (1997) revealed that transport costs influenced employment much more strongly than before the regime change. At the later stage of the regime change, the differences in unemployment among those settlements well or poorly served by public transportation increased. Nowadays, all employees who live in a rural settlement have difficulties, regardless of their professional experience and qualifications.

It was well known already after the regime change that the Roma population was more concentrated in certain regions. In the knowledge of the subsequent analysis and the later situation, we can conclude that ethnic composition had a role in the development of regional labour market inequalities, as a latent – at that time unacknowledged – cause.

Károly Fazekas, in 1992, mentioned also the lack of entrepreneurial culture as a reason for the deepening of regional differences among labour markets. A poor labour market situation evolved in the industrial regions, in which the dominance of industry, before the change of regime, was combined with underdeveloped entrepreneurial capacities, underdeveloped infrastructure, a relatively unskilled local workforce and the lack of entrepreneurial tradition (Ábrahám and Kertesi 1997). The deepening of regional inequalities that had developed by the late '90s can be explained by the distance factor – indicating the geographical situation – which implies the access of settlements to and their distance from big cities and centres of economy. In addition to the distance factor, regional disparities are also strengthened by the level of urbanisation, which highlights that labour market stress increased in the less urbanised areas. Cities emerged in rural areas as well, but those received the city status only because of administrative reasons and because of the number of inhabitants, while the settlements themselves retained their rural landscapes and characteristics. There was no significant increase in the number of enterprises and neither was there an improvement in the

opportunities of young people for further education and cultural advancement.

### *Aggravating factor of territorial inequalities developed by the millennium*

The Hungarian employment policy can be considered the most successful during the millennium. While after 2000, the unemployment rate in the western counties had fallen because investments had created new jobs, improvement could be felt in the disadvantaged areas as well, but it was to a smaller extent, and its reason was more likely some social policy measures. In these lagging areas showing signs of long-term structural crisis, already the third unemployed generation entered the primary labour market, which had limited capacity. These disadvantaged areas were less affected by job-creating investments. A significant difference was perceptible in the investments. While in the more fortunate areas, foreign capital with its high job creating potential settled, in the East, if there were any such establishments, they were typically job multipliers to a smaller extent.

In the period of regime change, as a result of privatization, it can be seen that retention capacity and some growth of the workforce were characteristics of the foreign-owned companies. In 1998, as a result of the first ten years of market economy, one-third of the corporate sector's employees worked for foreign-owned companies. The rate of foreign-owned employment increased over 80% in some sectors (Adler 2010). By the millennium, huge regional differences emerged in the density of foreign-owned companies, in the weight of foreign-owned employment, in business size, in technological level, in applied management methods, in the composition of the labour force and in wage standards. The higher the rate of the employed in foreign-owned companies became in a region, the lower the local unemployment rate became; the employment rate increased and along with it, the level of earnings of the employed also increased (Fóti 1994; Hamar 1999). Foreign investors were primarily attracted by the capital area and the regions near the Western borders and they avoided the eastern regions of the country. Nearly three-quarters of foreign direct investments was made in the central region (Budapest and Pest County) and two counties near the Austrian border (Győr-Moson-Sopron and Vas). In the eastern part of the country, considerable foreign investment can only be found only in the most industrialized county, Borsod-Abaúj-Zemplén County and it is concentrated in the county seat and its catchment area. Another problem with investments in the east was that they were not looking for untrained people with reduced working capacity, excluded from the primary labour market many years ago. For such people to qualify for support in the midst of the increasingly strict conditions, obtaining the entitlement for support and care was only possible in the supported (secondary) labour

market: they could only survive as employees of non-profit and public employment or public work programs.

In the years following the regime change, the regional differences in employment and unemployment increased and this trend did not change after the millennium: strong polarization has continued to take place in the country. The formation of the relatively well-developed Central and Western-Transdanubian regions and of the Southern-Transdanubian, Great-Plain and NorthHungarian regions, characterized by low employment rate and rigid employment structures became observable. Regional disparities were manifested also in the regional differences of employment rates, which deviated from 46.9% to 63% (Horváth and Hudomiet 2004; Fazekas and Telegdy 2006). On the whole, it is true to state that the flow of working capital to Hungary kept strengthening the regional differences, while the majority of sources for intended equalization was dysfunctional and therefore could not moderate the above-mentioned process.

### *The turn from latent to open causality in the regional disparity of employment and ethnic composition*

My analysis indicates that the relative regional differences in unemployment rates are primarily determined by the human capital stock in the long run in the given area. The decisively low-qualified, discriminated-against Roma population with poor health conditions and low willingness to work has a determining role in this. The uneven spatial location of the Roma population – the most disadvantaged population in the labour market – coincides with the most underdeveloped regions, characterized by the lowest employment. The low employment of the Roma population is regionally different; the employment possibilities depend on the location of residence. Regional differences could already be discovered in the employment records of the 1971 representative survey: the employment rate of the Roma population is lower by 15% in the eastern part of the country (Hajdú-Bihar, Békés, Szabolcs-Szatmár-Bereg), while in Budapest it is higher by 6% than the national average (Lengyel and Janky 2003; Kemény and Janky 2003). After the regime change, the regional structure of labour market participation was radically modified. The 1993 data indicates that the employment opportunities of Roma men depended significantly on which region of the country they lived in. The two extreme cases are the following: in 1993, the employment of Roma men out of the working age population was 40.5% in and around Budapest, while only 18.4% in the eastern counties. While the employment rate stabilized at a low level between 1993 and 2003, regional differences increased considerably: in 2003, 57.7% of the Roma men were employed in Budapest and its surroundings, compared to the rates of 14.2% in the eastern counties, 22.9% in the northern counties and 23.7% in the Great Plains.

Therefore, the employment status of Roma men living in the eastern and northern parts of the country did not even stagnate, but got worse between 1993 and 2003.

Official policy has always tried to moderate the exacerbating effect of discrimination on the employment situation, but evidently no new factories have been settled in Roma-populated areas. The Roma population becomes more concentrated in the areas struggling with employment and labour market issues, and enhances the self-generating process. The process of population exchange also enhances the regional differences. As a result of the dramatic exclusion from the primary labour market, involvement in the informal economy became dominant in the living strategies of Roma people, which means the revival of traditional activities (like gathering) and the appearance of new, almost criminal forms of activities that accompany deep poverty (Czibere et al. 2004). Differences in the market of undeclared work are, however, related to the type of settlement, and the distance from nodes of development as well, because construction sites in dynamically developing regions offer great number of job opportunities to the men living in neighbouring settlements. The social embeddedness and acceptance of traditional patterns cannot be neglected either: whether it is about the “lomizás” common among the Roma people of the western counties, or the day labour typical in the villages of Northern Hungary. Roma people are discriminated against in the labour market; therefore, their population directly increases the number of the unemployed. The Roma population, on the other hand, indirectly indicates the grade of economic underdevelopment of the given region. The rate of the Roma population is generally higher in regions where the infrastructure is underdeveloped and the economy is in a bad state. This phenomenon reflects the results of decade-long migration trends. The significance of the parameter of Roma-ratio can largely be attributed to this external factor.

### *Migration trends as explanatory variables strengthening regional differences*

The growth of domestic and international migration strengthened regional differences. Globalization and the EU accession obviously contributed to the increased temporary migration of skilled workforce. An east-to-west migration within the country was formerly detectable, but it intensified in the first decade of the 21st century. Probably those migrating did not belong to the poorest, neither to the long-term unemployed population. The migration of skilled workforce follows the movement of capital, and thereby promotes the weakening of human potential in the lagging regions. The targets of migration for employment purposes were the large companies, which filled workplaces with labour contracts for an indefinite time and in the case of a larger order, used temporary agency work. In this case, weekly commuting is not rare either, even between Békéscsaba

and Zalaegerszeg, almost the two endpoints of the country, 500 km away from each other (Kulcsár 2006). Because of the strong segmentation of the real estate market and real estate devaluation in the lagging segregated areas, only a small group – among the better situated people – of society could afford to move for employment purposes, thereby strengthening the contra-selection (Kulcsár 2006). The already lagging regions thereby gradually lost the group who were employable, or capable of self employment, which would have been the key to catching up. In a special way, Surprisingly, working abroad was not typical in the disadvantaged, lagging areas – and this is true nowadays as well – but in the most developed regions of the country. On the one hand, it is exactly the most underprivileged that have not been able to pay for the extra costs of working abroad. In addition, the developed migration networks operate in the western part of the country (Hárs 2004). Therefore, one can conclude that both in the case of work in Hungary and abroad an east-to-west movement can be observed, so wealthier people, employers and employees as well may move westward, while the most deprived are excluded from the primary labour market, and remain in their home location. Based on our research experience, poor people migrate as well, but in a direction opposite to the labour market migration. They move towards small villages and rural areas, to the sub-regions because of the lower cost of living, where employment problems are considerable, therefore they strengthen the group of the unemployed and increase regional differences. Families involved in social migration, however, typically do not have more opportunities to get a job in their new home as well.

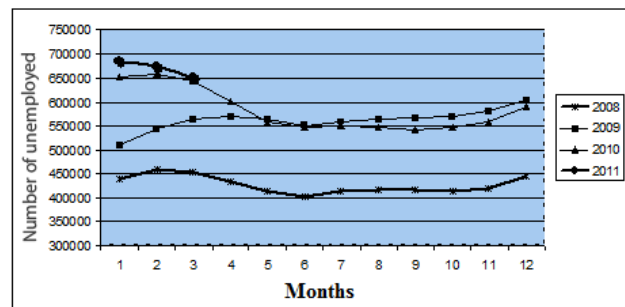
### *Effect of the financial crisis in the first decade of the 21st century on the dissolution or preservation of regional differences*

Our country is a small, economically open country that is heavily dependent on the export market boom. The country heavily felt the consequences of this dependence at the time of the worldwide financial crisis. In our country, export-oriented companies operate mainly in the industrial sector, so after 2008, the rapid decline in foreign demand quickly and severely affected the country, and the domestic market could not buy up the stocks of goods accumulated due to the recession. One undeniable example for this was the consequence of the European car manufacturers' temporary shut-down, which the employees of domestic companies had already experienced, since the Hungarian subsidiaries responded with temporary shut-down within one or two weeks after the crisis emerged. The construction industry was soon hit by the crisis. In this sector, major projects are usually started by loans. Therefore, recession starting out from the money market reached the small and big companies

of the construction industry. Their close relationship with banks – most of the construction industrial investments were realized by loans – was one of the reasons why employees of this sector were exposed to greater risk than other employees. On the whole, the decline in the number of orders in all areas and the reduction in purchasing power forced companies to cut back costs, while some companies tried to get out of the crisis by restructuring their workforce or by mass layoffs.

The labour market usually reacts to economic changes with a delay, since this market is basically characterized by derived demand. The crisis of the 21st century, as a result of the accelerated economy and globalization, influenced the Hungarian labour market very rapidly, so there was no time to prepare.

The number of registered unemployed was about 442,000 people on average in 2008, and the rate of job seekers in the population aged 15-64 was 6%. These figures kept deteriorating – the autumn of 2010 may have been characterized by a bit of temporary improvement – until February 2011, when nearly 682,000 people were without jobs, which indicated an unemployment rate of more than 13%. Figure 2 shows the unemployment data for the period of the financial crisis by year. The increasing long-term unemployment can be seen clearly.



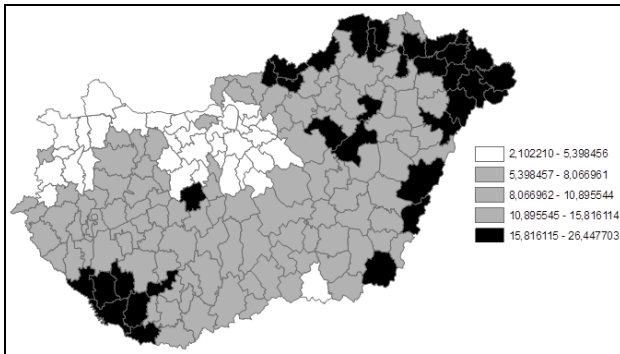
Source: Own compilation based on the database of NFSZ

Figure 3. Number of the registered unemployed in Hungary between 2008 and 2011

By examining the longer period since the regime change, this can be considered to be the second major wave of unemployment. The last time when the situation worsened so rapidly and extensively was in the beginning of the 1990s, lasting until February 1993, when the number of registered unemployed grew to more than 700,000 in three years.

I classify the Hungarian process of the economic crisis of the 21<sup>st</sup> century into four periods. The first stage was between August 2007 and August 2008 and is characterized by latency. Initially, the US dollar weakened, the euro and the currencies of the semi-periphery, however, strengthened, and the recession still had no effect on the productive sector and the labour market.





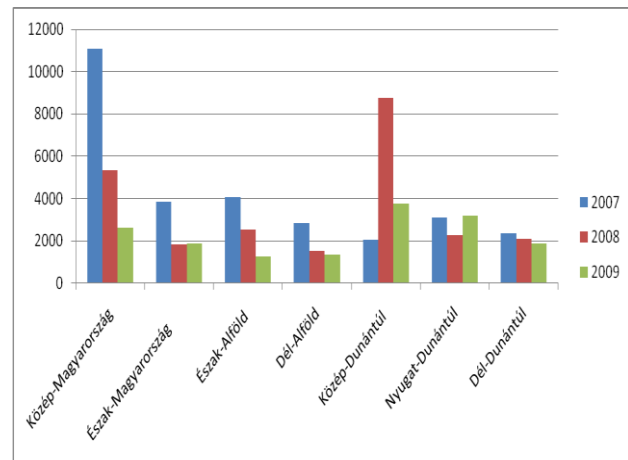
Source: Own compilation based on the repository of HAS, Institute of Economics

Figure 4. Territorial picture of unemployment in 2008, in the latent period of crisis (The 5-quintiles are called)

The so-called relative rate, measuring regional differences (rate of registered job seekers in the economically active population), still indicated significant regional differences in its yearly average. In 2008, the value of the rate was 10.0%. The lowest value belonged to Central Hungary (3.6%) and the highest one belonged to Northern Hungary (17.8%). The problem of unemployment was the most severe south of the so-called BB-line (an imaginary line between Balassagyarmat and Békéscsaba), and in the Southern Transdanubian areas. An especially disadvantaged position characterized the north-eastern sub-regions along the state border, the small, coherent border-regions of Somogy and Baranya County, and the inner peripheral settlements of the Middle-Tisza Region (Lőcsei 2010). The relative difference between regions is 14.2 percentage points, on a sub-regional level it is 24.36 percentage points (with the two extremes being Sopron-Fertőd, Abaúj-Hegyköz). The effect of economic recession is indicated by the 25% fall in reported, non-publicly supported jobs compared to the same period in the previous year. The number of open positions declined, particularly in the construction industry (43%) and in manufacturing (32%). This period is characterised by the fact that crisis was already talked about, but significant measures to protect labour market were taken neither by the Hungarian government, nor by the leading countries of Europe, because they still believed in a miracle.

In the second period of the crisis, from the third quarter of 2008 until May 2009, it became clear that the initial financial collapse would ripple further to the productive sector, and this would affect the derived labour market as well. The rate of registered job seekers in the economically active population was 12.8% in May 2009. Within one year, the value of this rate increased by 3.2 percentage points in the economically active population. The relative indicator on the basis of the economically active population continued to be the highest in Northern Hungary (21.1%), and the lowest in Central Hungary (5.4%), while the difference dropped to 8.3 percentage points. In the second period of the financial crisis, the number and rate of job-seekers

increased, especially in the Northern and North-western Transdanubian areas.. The figure highlights the fact that multinational companies reduced the number of their staff in the central area of the country.



Source: Own compilation based on the database of NFSZ

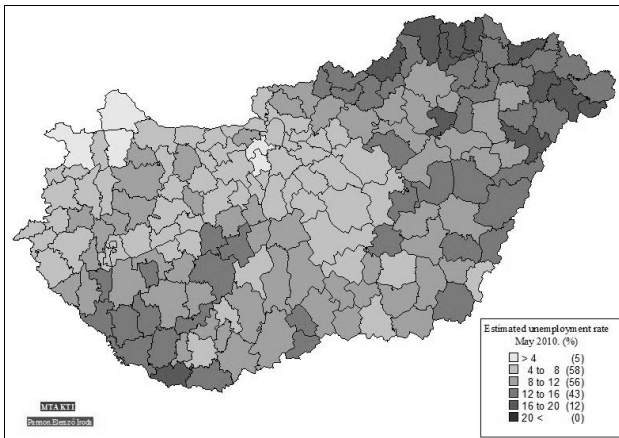
Figure 5. Number of registered mass lay-offs, 2007, 2008, 2009

This period of the crisis affected primarily the advanced sub-regions; in some Hungarian settlements, the number of job seekers doubled in a month. The employment decline, however, was smaller in the eastern part of the country, due to the desperate initial situation, i.e. the unemployed people could not lose their jobs. The majority of the job seekers in the eastern part of the country came to the job centres from agriculture, the manufacturing industry, trade and other community and personal services. The following map highlights that the number of job seekers did not increase in the sub-regions with traditionally high unemployment as much as in the areas with a better labour market situation.

The third period of the crisis started in April 2009, but in my opinion, it arrived in Hungary with a delay of two months and lasted until the middle of 2010. The new period was launched by the G20 meeting in London, when the most powerful economic countries and organizations agreed to halt the recession at any cost. This brought stabilization to the financial system, and the return of confidence. Governments made efforts, and not only in the financial sector. The rate of registered job seekers in the economically active population was 11.8% at the beginning of 2010. Within a year, this relative indicator in the economically active population had improved by 1 percentage point. The relative indicator remained the highest in Northern Hungary (16%), while it was the lowest in Central Hungary (8.9%), and the difference fell to 7.1%. In our country, the reform of public work programs brought about a substantial change. As the number of people receiving social aid began to decrease from January 2009, the number of public workers and recipients of availability aid began to increase. The number of recipients decreased to its one-seventh, while the number of public workers increased

almost twelvefold. From the 222,000 persons who regularly received social aid in 2008, 33,000 people were left to September 2009.

In the framework of the "Út a munkához" (The Road to Work) programme, from the second half of 2009 large number of unemployed were transferred to the secondary labour market, thus reducing the number of unemployed and decreasing the effects of the crisis on employment. The decline in the number of job seekers in the beginning of 2010 was partially a result of decreased number of registrations compared to previous periods; furthermore, the outflow from the register was significant, thanks primarily to the non-decreasing number of part-time jobs, in addition to positive seasonal effects.



Source: Fazekas 2011

Figure 6. Regional data of the unemployment rate, May 2010

The nation-wide decrease in employment brought along some spatial rearrangement as well. The halt of growth rates, then the recession was the most spectacular in Central and Western Transdanubia, and in the central region. The regional allocation of resources during the crisis was fundamentally similar to that experienced in the previous period, but the regional difference between rates became lower. The realisation of benefits derived from the development of transport infrastructure remained a potential opportunity. Its actual realization requires a simultaneous and favourable change in other factors as well on the eastwards from the Danube, which has not been realized yet. There is no sign of the launch of any meaningful regional equalisation; the regions felt the labour market effect of the crisis more or less compared to their previous position, but the difference between them remained.

I consider the fourth period of the crisis as beginning from the second half of 2010, when economic growth started in nearly all European states, even if only at a low level. A characteristic of this period is that companies were still very cautious. The latter is partly due to the crisis in Greece, which is a symptom of the fact that the European economic and monetary union is still very vulnerable. A process of improvement slowly started in the labour market; especially the large companies in the

western, more developed part of the country responded to the recovery starting in Germany. The rate of registered job seekers in the economically active population was only 10.8% in the last quarter of 2010, which is a small but still a one-percentage-point improvement. The relative indicator in the economically active population was still the highest in Northern Hungary (15.6%) and the lowest in Central Hungary (8.6%); the difference dropped to 7 percentage points. Central Hungarian companies began to rehire and carefully preserved their human resources to facilitate the recovery. It is noticeable in the western part of the country that the same well-trained employees are required by the companies manufacturing for the booming export market who are willingly employed by the thriving enterprises of the developed countries, thereby implicating a vacuum-effect on the Hungarian labour market.

In the first part of my paper, I explained that the employees with higher education and abilities are the typical wanderers of the 21st century, which worsens the possibilities of their home region and improves the human potential of the recipients. It is interesting to examine the territorial arrangement of returnees in 2010, the most hectic year of the crisis. The European recession forced many wanderers into repatriation who could have been the hope of classic emitter Hungarian territories with their experience and savings. Repatriation, however, follows the patterns of territorial development; remigrants prefer the more developed regions (Hárs 2011).

One of the major lessons of the changes at the beginning of 2011 is that the restoration process started in the regional labour market disparities. Namely, temporarily decreasing differences are rising again, which is on one hand due to the dismantling actions of the repeatedly changing employment policies against the secondary labour market, and on the other, due to the fact that the starting up industrial production affects only the western part of the country, and avoids the traditionally disadvantaged areas.

I created a model, the so called 3V in 2008 for the principles of regional migration strategies. It is based on migration management, protection against the unwanted inflow, protection of the population against drain and attracting the human resource improving potential. This model is considered important in loosening the differences of the labour market in the disadvantaged and lagging areas.

Development policy should pay more attention to the indicators listed at the beginning of this paper, because the strengthening of labour market stress cannot be solved anymore only with the instruments of employment policy. Regional policies should focus in particular on the following purposes:

- Encouraging intellectuals to stay in or return to rural areas by developing education policy and innovation space, indicating circular migration, reverse of the direction of migration.



- Development of transport infrastructure, including housing programs or availability and the redesign of health care capacity
- Urbanization has to be handled as a central issue. Alleviation of Budapest-centeredness, even with artificial administrative reorganization.
- National, state investments with the development of their multiplier effect in the labour market.
- Integrated programs to increase the employability of the Roma population. These programs should consist of educational support for the children, and involvement of the parents to public work-programmes or adult-education.
- Attracting labour force to underdeveloped regions. Design of migration policy.

The weight of the regions in employment will be able to change very slightly between 2010 and 2020, judging by the findings reported above. The weight of Central Hungary may show a minimal increase when the crisis is over; in the eastern regions, however, the employment crisis will continue and remain stable. In the central region, the weight of large multinational organizations and their labour market-leading proportion will continue to rise considerably. There is no sign of any radical change in the former public resource-allocation practices, and in my opinion, the market processes do not promote the reduction of regional disparities. (Ladányi and Szelényi 2002; Spéder 2002).

## SUMMARY

On the whole, regional differences have been strengthening since the regime change. Consequently, the labour market is characterized by duality. Because of the presented economic, employment and regional processes, in lagging regions, there is a clearly perceptible, sharp distinct group, outlined inside the Hungarian society, which has no chance to join the new employment system. The exclusion of this social class can be characterized not only by long-term unemployment and/or long-term inactivity and long-term poverty, but also by increased residential and school segregation. The development of different advantages, disadvantages and inequalities to form a system can be characterized by the polarization between development nodes and peripheries and by strong segregation (Janky and Kemény 2004; Virág 2006)

The strategy can be interpreted as an enforcement method of certain interests in a given environment. The interests provide the answer to the question of why a strategy is necessary; the environment specifies where to enforce and implement the strategy and the strategy itself is nothing more than something that tells what should be done and how to do (Korompai 1995). The crisis is not yet finished; it seems that the bad will become worse if the above-mentioned protection, defence and drain strategies do not prevail in the labour market.

*“This work was carried out as part of the TÁMOP-4.2.1.B-10/2/KONV-2010-0001 project in the framework of the New Hungarian Development Plan. The realization of this project is supported by the European Union, co-financed by the European Social Fund.”*

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