

## Labour market trends, 2012

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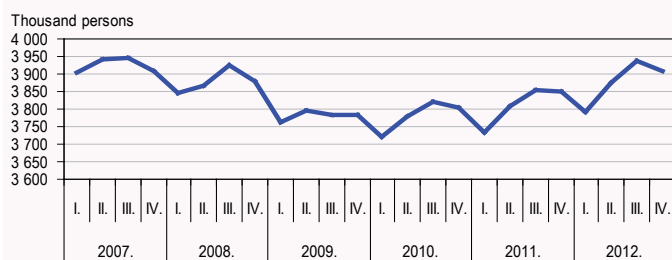
### 1. Employment outlook

#### 1.1. Employment based on data of the Labour Force Survey

According to the data of the Labour Force Survey (LFS) based on the interviews of the population and performed in line with the statistical directives of the EU, the annual average number of employed persons was 3,878 thousand in 2012, 66 thousand more than a year earlier. The employment rate of the population aged 15–64 years was 57.2%, within this it was 62.5% for men and 52.1% for women. Within the year, the change in the headcount was characterized by the usual seasonality. The trend of the headcount change has been rising since 2010. Employment increased to the level before the crisis by Quarter 4 2012.

Figure 1

#### Quarterly number of employed people\*, 2007–2012



\* Aged 15–74 years.

Source: Labour Force Survey.

Our lagging behind the EU average also decreased somewhat. According to the latest available data of Quarter 3 2012, along with an increasing employment in Hungary and an unchanged one in the EU, the difference between the employment rate of Hungary and the EU average was smaller (6.4 percentage points) than in the earlier years, while the level of unemployment was about the same as the EU average.

Table 1

#### Employment rate of people aged 15–64 years and unemployment rate\* in the EU member states, 3<sup>rd</sup> Quarter 2012

Country	Employment rate of population aged 15–64 years			change Q3 2012–Q3 2011 (percentage points)	Unemployment rate, %
	men	women	together		
	%				
Austria	79.2	68.0	73.6	0.6	4.3
Belgium	67.0	57.3	62.1	0.4	7.7
Cyprus	71.0	58.9	64.6	–2.5	12.1
Czech Republic	75.3	58.6	67.1	1.0	7.0
Denmark	75.3	70.4	72.8	–1.0	7.4
Estonia	71.8	64.7	68.1	0.9	9.7
Finland	71.9	69.4	70.7	0.4	7.1
France	68.6	60.3	64.4	0.1	9.7
Germany	78.1	68.1	73.2	0.4	5.4
Greece	60.4	41.5	51.0	–4.4	24.8
<b>Hungary</b>	<b>63.6</b>	<b>53.0</b>	<b>58.2</b>	<b>1.8</b>	<b>10.4</b>
Ireland	63.2	55.0	59.0	0.2	15.0
Italy	67.0	46.9	56.9	0.0	9.8
Latvia	66.7	62.6	64.5	2.8	13.5
Lithuania	63.7	62.9	63.3	2.5	12.3
Luxembourg	72.7	60.2	66.6	1.6	5.7
Malta	74.7	44.0	59.6	1.5	6.6
Netherlands	79.9	70.7	75.3	0.2	5.1
Poland	67.1	53.4	60.2	0.0	9.9
Portugal	65.0	59.0	62.0	–2.5	16.0
Slovakia	67.2	52.9	60.1	0.2	13.7
Slovenia	68.1	60.4	64.3	–0.8	9.2
Spain	60.5	50.6	55.6	–2.3	25.0
Sweden	77.5	73.5	75.6	0.2	7.2
United Kingdom	75.7	65.2	70.5	1.0	8.0
<b>EU–25</b>	<b>70.6</b>	<b>59.2</b>	<b>64.9</b>	<b>0.0</b>	<b>10.3</b>
Bulgaria	63.1	58.0	60.6	0.7	11.5
Romania	67.8	53.8	60.8	1.7	6.8
<b>EU–27</b>	<b>70.4</b>	<b>58.9</b>	<b>64.6</b>	<b>0.0</b>	<b>10.2</b>

\* Calculated for the population aged 15–74 years.

Source: Eurostat.

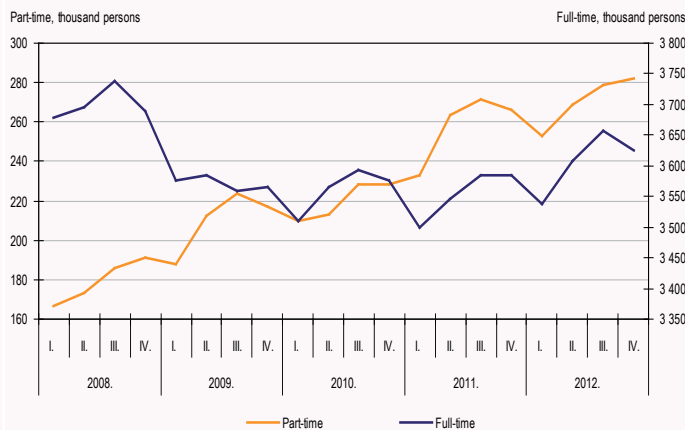
The number of self-employed and unpaid family workers fell by 5.6% to 305.1 thousand in 2012, another 148.1 thousand people worked as members of co-operatives or partnerships, while the overwhelming majority of employed people were employees. In respect of the size of corporations, the increase in the number of employees was characterized by bipolarity in the last few years: increase occurred in the smallest corporations employing 4 persons at most on the one hand and in corporations with 300 or more employees on the other. At the same time,

the weight of small and medium-size corporations in employment has been decreasing.

In 2012, the number of employed persons excluding fostered workers increased by 27.7 thousand, and within this, that of part-time employees grew by 20.4 thousand. On the other hand, the share of full-time employment in public work was higher in 2012 than in the former years, thus there was no essential change in the proportions of full-time and part-time employees in 2012.

Figure 2

### Quarterly change in the number of full-time and part-time employees\*



\* Population aged 15–74 years.  
Source: Labour Force Survey.

In the favourable employment indicators in 2012, public work, accounting for more than half of the increase, also played a significant role. By public work, mostly long-term unemployed in unfavourable labour market situation get into the labour market as employed. It can be explained by the expansion of public work that the decrease in the share of people with low educational attainment within all employed stopped.

However, the difference between the employment rates of the two extreme groups (primary education at most and university or college degree) continued to be considerable.

Table 2

### Employment rate of people aged 20–64 years by educational attainment, 2012

Educational attainment	Men	Women	Together	change 2012–2011 (percentage points)
	%			
Less than 8 grades of primary school	21.2	9.0	13.9	1.5
8 grades of primary school	47.8	32.9	39.3	1.0
Vocational, apprentice school	70.0	57.3	65.4	1.2
Secondary school without qualification	48.2	47.1	47.5	1.7
Secondary school with qualification	75.2	65.4	70.0	1.7
College	83.7	73.6	77.4	0.5
University	87.0	74.7	80.8	–0.1
<b>Total</b>	<b>68.1</b>	<b>56.4</b>	<b>62.1</b>	<b>1.4</b>

Source: Labour Force Survey.

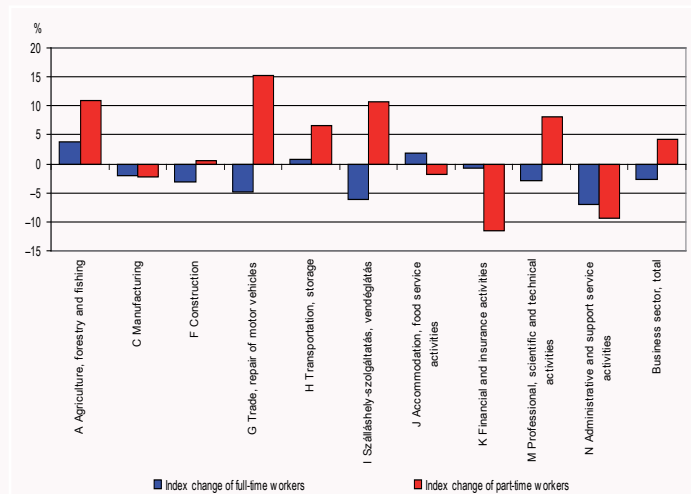
### 1.2. Change in the headcount of corporations employing at least 5 persons and budgetary institutions

In 2012, 1,817.2 thousand people worked at corporations employing at least 5 persons, which corresponded to 98.2% of the headcount in the previous year. Including fostered workers, 751.3 thousand, while without them, 660.6 thousand people were employed in the public sector. The latter figure corresponded to a headcount decrease of 2.3%. The number of people employed in the non-profit sector was 106.6 thousand, practically the same as a year earlier. So, in organizations observed monthly by institutional statistics, 2,674.4 thousand people worked at least 60 hours a month (which is the precondition of being included in the headcount), 17.1 thousand and 0.6% fewer than in the previous year, despite the fact that the average number of fostered workers at budgetary institutions grew by some 50%.

The headcount in manufacturing, which is considered the largest employer with its 609 thousand employees, fell by 1.9%, and the decrease in wholesale and retail trade, repair of motor vehicles employing 332 thousand people was 1.9% as well. Moreover, in wholesale and retail trade, there was also a significant shift from full-time employment towards part-time time employment over the year. Construction, as well as accommodation and food service activities continued to belong to sections with diminishing staff number.

Figure 3

### Changes in the number of full-time and part-time employees in sections of the business sector having larger weight in employment\*, 2012



\* Sections of the national economy employing at least 50 thousand persons.  
Source: Short-term statistics.

Within manufacturing, where, on the whole, the headcount is decreasing, in the manufacture of transport equipment employing 72 thousand people, the headcount grew by 3.4% year-on-year.

Out of the three large sections of the public sector, excluding fostered workers, the headcount fell by 2.7% in human health and social work activities and by 3% in education, while it grew somewhat in public administration and defence, compulsory social security, mainly in activities connected to defence.

In 2012, public work had a larger role than ever before; the average number of people employed in this form in the public sector was 90.8 thousand resulting from a growth from some ten thousands per month at the beginning of the year to more than 100 thousand. This was some one and a half times as many as in the previous year and exceeded even the

extreme level in 2010. The overwhelming majority (some 80%) of fostered workers worked full-time in 2012, which was partly connected with the special wage minimum rules concerning public work.

**1.3. Trends of number of employed according to the two types of calculation method**

According to the data of the Labour Force Survey, the annual average number of employed was by 66 thousand more in 2012 than in the previous year. According to the data of the monthly institutional earnings survey covering corporations with more than 4 employees and budgetary institutions, the headcount fell by some 20 thousand despite the more than 30 thousand year-on-year growth in the number of fostered workers in the public sector. In addition to the fact that both data come from representative surveys<sup>1)</sup>, and so sampling errors – even of opposite sign – have to be taken into account as well, the followings have to be considered when interpreting the trends:

- The number of people involved in public work considerably increased in 2012. This number is slightly higher in the LFS than in the institutional statistics, partly due to the so-called recall error and partly as public work of smaller volume was realized outside the public sector as well.
- Among employed surveyed by the LFS, 18 thousand more people had a workplace outside Hungary in 2012 than in the previous year. This increase of course does not appear or even appears just as a decrease in institutional statistics. On the other hand, the number of foreigners working with employers in Hungary, i.e. who may be included in institutional statistics, fell by some thousands.
- The possibility for taking advantage of family tax benefit and the lower tax rates, as well as the greater control of eligibility for social insurance resulted in some “whitening” of the economy, first of all among small organizations. Furthermore, the protracted consequences of the crisis resulted in some new additional – but not by all means aiming at the stable segment of the labour market – labour force supply. So, the headcount increase at micro-enterprises, reflected only in the number of employed in the LFS, was more dynamic than the average. (An indirect proof of this is that the increase of unsupported employment was one and a half times as large at corporations with fewer than 10 employees as at larger corporations.)

**1.4. People working abroad in the Labour Force Survey**

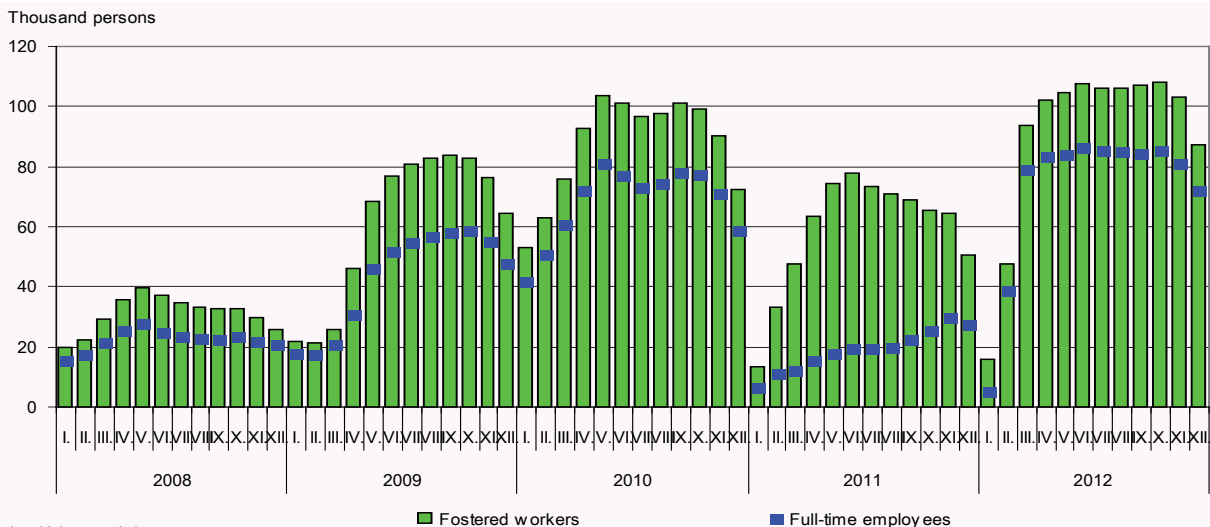
Among the annual average of 3,877 thousand employed people in the Labour Force Survey in 2012, 82.3 thousand indicated a settlement beyond the borders of Hungary as place of work. Since the unit of observation is an address in Hungary and the household living there, the LFS takes into account those people working abroad, who are identified by the respondents as a member of their households.

The most significant group of people with a workplace abroad was comprised of those working in Austria (29.3 thousand people), whose majority lived in one of the border counties, and so, the proportion of daily commuters was presumably high among them. Similarly to those working in Austria, the majority of the 24.9 thousand people working in Germany showing no unambiguous regional pattern are men with secondary educational attainment with qualification, who return home periodically even if not daily to their families. At the same time, the number of people working in the United Kingdom was very small, only 9.2 thousand according to the LFS. They are generally young people who were surveyed in the household of their parents. Among those surveyed as working in the United Kingdom, the proportion of women and that of graduates was considerably higher than among people working in German language area.

Although the LFS is not suitable to survey the absolute number of Hungarians working abroad (those who are not directly connected to Hungarian households are not – cannot be – surveyed, and the affected headcount covered by the average numbers of the LFS, the number of those who do some weeks or months long seasonal work abroad e.g. in the summer holidays, the Austrian ski season or in the agricultural peak period is neither known), but it is suitable to show certain changes. Therefore, the fact that the number of people working abroad but retaining their close attachment to Hungary grew by nearly 33% last year shows that households respond more flexibly to the changes in the labour market, and they are forced or ready to take on even the emotional burdens of being temporarily separated in the interest of achieving higher (or preserving the earlier) living standard.

Figure 4

**Monthly change in the number of fostered workers**

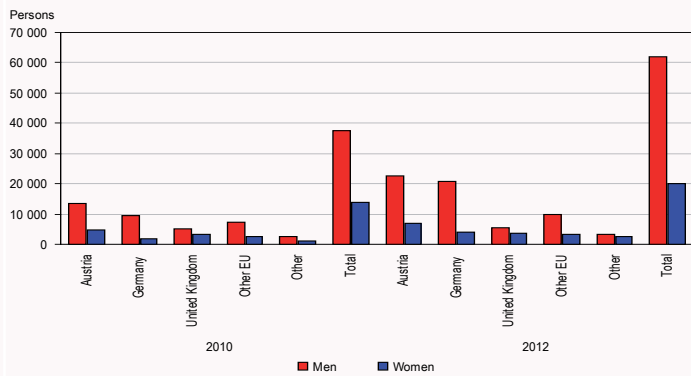


Source: Institutional labour statistics.

<sup>1</sup> The sampling error of the headcount data of the LFS is + 30 thousand, but in 2012, the number of further nonsampling errors not specified numerically was higher than earlier due to the introduction of data collection with mobile devices. (Households surveyed with a laptop for the first time behave similarly as households being in the sample for the first time, irrespective of how many times they have already been surveyed.) The sampling rate of institutional labour statistics is 100% only among corporations employing more than 50 persons. The frame of grossing up changes from December to January every year on the basis of the register and the average headcount, and it does not change during the year. In 2012, the average headcounts were considerably lower than in 2011, but the continuous decrease in the size of organizations is taken into account only on a year-on-year basis..

### Number of people working abroad by sex and destination countries

Figure 5



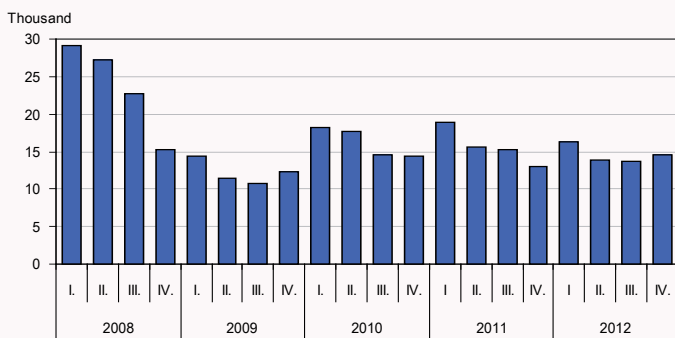
Source: Labour Force Survey.

### 1.5. Job vacancies

The number of job vacancies to be filled in economic organizations, as a leading economic indicator has been collected and published together with its rate to all jobs uniformly and compulsorily by EU member states since 2007. In the period observed till now, the number of job vacancies in the business sector was the lowest in 2009 in Hungary, the years 2010 and 2011 were characterized by some positive change, while in Quarters 1–4 2012, the number of job vacancies reported by corporations was lower than in the previous year, although some increase occurred already in Quarter 4. The number of job vacancies to be filled grew among others in the sections agriculture, forestry and fishing, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities, construction, transportation and storage, financial and insurance activities, administrative and support service activities, as well as human health and social work activities. However, the 14.5 thousand job vacancies to be filled at corporations represented even so only 0.8% of all jobs in the sector.

### Quarterly numbers of job vacancies at corporations, 2008–2012

Figure 6



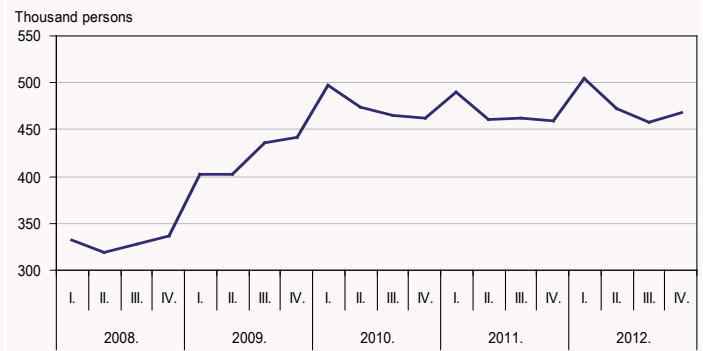
### 1.6. Unemployment, labour market reserve and inactivity according to data of the LFS

In 2012, the annual average number of unemployed people in the LFS according to the three criteria of unemployment (those who did not work, searched for a job and were available for work) was 475.6 thousand. The increase in the number of unemployed compared to the previous year remained within the limit of the sampling error belonging to the data. While

on the side of labour demand a substantive increase occurred only due to public work (according to 2012 data, one in every two fostered workers was unemployed a year earlier), the supply side was continuously expanded by the narrowing possibilities for leaving the labour market (rise in retirement age, revision and stricter rules of disability pension), as well as by the intention of further household members, who did not work earlier, to get a job in order to preserve the earlier living standard.

### Quarterly change in the number of unemployed

Figure 7



Source: Labour Force Survey.

The 'piling up' of older generations (due to the continuous rise of retirement age) deteriorates the chances of young people to get a job, and the inconsistency between the outflow from education and the labour market demand forces more and more young people to make compromises, and partly for this reason, the transition period between finishing education and starting work is getting continuously longer. Since 2009, one in every four unemployed has belonged to the age group below 25 years of age, and in 2012, the unemployment rate of the age group 15–24 grew to 28.1% along with an employment rate of 18.6%. The 14% unemployment rate of people aged 25–29 years was also 3.1 percentage points higher than the average rate of 10.9% calculated for the 15–74 year-olds, and, except for the 10.0% employment rate of 30–39 year-old men, one-digit unemployment rates were already characteristic of the older age groups. The number of unemployed people aged 60 years and older is low for the time being, and the not too many cases of jobseeking among them can be rather explained by the intention of supplementing moderate pensions. However, by changing the conditions of retirement, not only the number of older employed, but that of unemployed of similar age shows an increasing trend.

### Unemployment indicators

Table 3

Year	Number of unemployed, thousand persons	Unemployment rate. %			
		men	women	together	of which: youth unemployment (15–24 year-old)
2007	311.9	7.1	7.6	7.4	18.0
2008	329.2	7.6	8.1	7.8	19.9
2009	420.7	10.3	9.7	10.0	26.5
2010	474.8	11.6	10.7	11.2	26.6
2011	467.9	11.0	10.9	10.9	26.1
2012	475.6	11.2	10.6	10.9	28.1

Source: The Hungarian Labour Market, 2012.

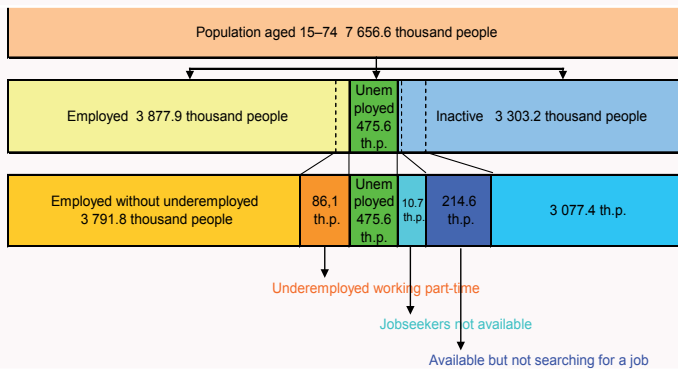
It is a great problem, that in many cases, unemployment means a long-lasting condition, and leaving the category of unemployed is often temporary (e.g. public work lasting for some months) or, if it is lasting, it means a change towards inactivity. In 2012, among those who indicated the status unemployed in the previous year, 40% were still unemployed and 30.7% were inactive by the concepts of the LFS, that is, less than one third could reenter the labour market as employed. The same difficulty is shown by the fact that in 2012 nearly half (46.7%) of unemployed were long-term unemployed (searching for a job for at least one year), whose 51.4% were very long-term unemployed (searching for a job for at least two years). Even the considerable inflow caused by the crisis could only temporarily change the long-lasting unfavourable composition of unemployed by the duration of unemployment.

According to self-classification, 697.9 thousand of the population aged 15–64 years declared to be unemployed in 2012, among them 441.1 thousand met the three criteria of ILO as well, while, in the lack of this, 237.1 thousand were economically inactive. Within this latter category, 106.5 thousand were so-called passive unemployed (would like to find a job, but due to their age, qualification or lack of qualification, or because of the local labour market conditions they deem their chances hopeless).

Eurostat defines the concept of labour reserve beyond unemployed on the basis of the above three criteria partially disregarding them. Those belong to this category, who do not meet the criterion of jobseeking or that of availability for work. Further labour reserve comprises underemployed people, i.e. those who are forced to work part-time due to the lack of full-time jobs. The total number of people belonging to these three categories was 311.4 thousand in 2012, which meant a 4.5% (13 thousand people) increase year-on-year as a result of the increase in the number of underemployed.

Figure 8

**Potential labour force reserve, 2012**



The number of inactive people aged 15–64 years decreased by 126 thousand (5%) over one year, partly due to demographic reasons and partly because of the shift to the labour force. The decrease was the largest in proportions in the not too considerable group of those receiving unemployment provision (but not meeting the criterion of jobseeking), while numerically it was the highest in the very mixed group of other inactives and among pensioners. This latter decrease of some 30 thousand

scarcely concerned women who could retire in 2012 not only after having turned 59 years of age (for the last time in 2012) but after 40 years service time as well.

Table 4

**Number of inactive people aged 15-64 years by the reason of their absence from the labour market, 2012**

Denomination	2012			2012/2011		
	men	women	together	men	women	together
	thousand persons			%		
Pensioners, annuity recipients	393.8	522.7	916.5	92.9	99.5	96.6
Child care benefit recipients	4.0	265.8	269.9	106.9	95.9	96.1
Unemployment provision recipients	45.1	47.2	92.3	78.2	88.1	83.0
Students	390.8	379.2	770.0	97.8	96.0	96.9
Other inactive <sup>a)</sup>	138.8	210.7	349.5	90.1	90.1	90.1
<b>Inactive people aged 15-64 years, total</b>	<b>972.5</b>	<b>1 425.6</b>	<b>2 398.2</b>	<b>93.6</b>	<b>96.0</b>	<b>95.0</b>

a) Including nursing and orphan's allowance recipients.

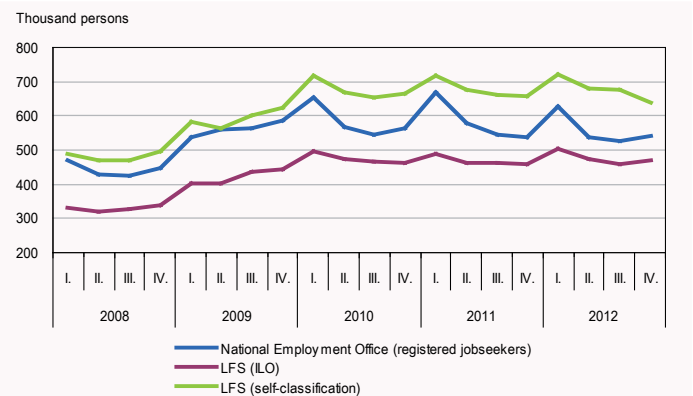
**1.7. Registered jobseekers, labour market policies**

The change in the number of registered jobseekers based on registers (and therefore observed on full-scale basis) in 2012 shows the effect of the expansion of public work, which is understandable, since participation in public work is connected to registration. So, the annual average number of 559.1 thousand registered jobseekers was 23.8 thousand lower than in the previous year. However, if we take into account participants in public work as well, the total number of the two categories shows a slight increase.

The proportion of career starters among registered jobseekers increased from 9.1% (52.9 thousand) to 11% (61.5 thousand), and the proportion of young people below 25 years of age among unemployed grew as well.

Figure 9

**Quarterly change in the number of registered jobseekers and that of unemployed according to the labour force survey and self-classification**



Due to the transformation of the allowance system, the number of jobseekers' allowance recipients drastically fell (in 2012, the eligibility period for the allowance was 90 days instead of 270 days earlier), while that of people receiving social assistance under the title of unemployment grew by some 10%. 52% of registered jobseekers did not receive any provision, which corresponded to an increase of 11 percentage points year-on-year. One part of registered jobseekers got out of the provision system through no fault of their own, since they could not get a job in public work or voluntary work for public benefit.

In 2012, the number of job vacancies registered at the labour organization decreased by 9 thousand, and employers intended to fill about three fourths of the 75.9 thousand job vacancies on monthly average in the frame of supported forms of employment. Out of the 55.8 thousand job vacancies in December, 15.3 thousand were unsupported jobs, and they were in majority within the total supply only in Győr-Moson-Sopron county (71.1%), Budapest (65.0%), as well as in Komárom-Esztergom (55.5%) and Csongrád (51.3%) counties, while the proportion of such jobs to all – otherwise large number of – announced job vacancies was negligible in Borsod-Abaúj-Zemplén county.

Table 5

### Major data of registered jobseekers, 2012

Period	Registered job-seekers	Of which:				Reported job vacancies
		career starters	job-seekers' allowance recipients	social assistance	without any provision	
2011. December annual average	552 308 582 868	52 180 52 943	105 579 159 900	192 048 182 100	254 681 240 868	65 415 84 932
2012. January	648 399	59 306	111 131	226 647	310 621	50 969
February	646 686	61 013	105 614	233 847	307 225	124 794
March	591 200	58 453	90 915	210 554	289 731	120 659
April	554 518	54 557	73 369	199 965	281 184	87 534
May	534 581	51 541	59 731	197 859	276 991	67 876
June	524 352	54 842	50 894	193 477	279 981	69 957
July	527 583	63 864	53 494	190 593	283 496	72 808
August	526 861	66 899	53 141	189 674	284 046	63 295
September	526 701	69 002	51 519	186 682	288 500	78 099
October	522 996	65 588	54 019	185 583	283 394	66 372
November	536 091	65 544	55 763	188 329	291 999	52 668
December	569 261	66 841	67 430	200 257	301 574	55 788
annual average	559 102	61 454	68 918	200 289	289 895	75 902

Source: [www.afsz.hu-statistics](http://www.afsz.hu-statistics)

## 2. Earnings

### 2.1. Government interventions affecting earnings

In 2012, the most important measures affecting gross earnings were the minimum wage rise, the salary adjustment of employees in health care and the separate wage determination for fostered workers.

Minimum wage rose from HUF 78 thousand in 2011 to HUF 93 thousand and from HUF 94 thousand to HUF 108 thousand in case of qualified workforce. The quite considerable rise of 20% made its influence felt in economic sections with wages below the average and, above all, among manual workers (e.g. in food and textile industries, accommodation services, health care). Although the rise of minimum wage had an impact on "whitening" the incomes on the whole, in some fields it resulted in wages too close to each other. The wages of those earning more than the

minimum wage rose less than the minimum wage, which involved a nivellation not proven by performance.

Fostered workers were no longer under the rules of general minimum wage, which, combined with the fact that the number of full-time fostered workers in the public sector was four times as many in 2012 as in the previous year, was primarily shown in the earnings of the public sector, but, for example, the 87.7% gross wage index in forestry, where the number of fostered workers of state-owned corporations was relatively high as well, could also be attributed to this. In the public sector, the last overall wage rise occurred in 2007. However, there were partial salary adjustments several times, so, in 2012, a given circle of employees in health care received a retroactive wage rise in July.

The net value of gross earnings depends on the tax and contribution system. In 2012, there was no such great change in the personal income tax system as in the previous year (introduction of the family tax benefit, flat tax), but there were some smaller modifications influencing the net wage index. So, by the 1 percentage point increase of the health insurance contribution, rates and taxes on earnings changed to 18.5%. In case of annual incomes more than HUF 2,424 thousand, the tax base was grossed up.

In 2012, further elements influencing take-home pay were invariably the family tax benefit and the compensation not belonging to wages and salaries paid for employees of the public sector in order to compensate for the change in personal income tax calculations.

### 2.2. Gross and net earnings as well as factors affecting take-home pay

In 2012, gross earnings of people working at corporations employing at least 5 persons in the business sector were HUF 233,729<sup>2)</sup>, while average earnings in the public sector amounted to HUF 214,929 without and to HUF 200,024 together with fostered workers. (Average earnings of fostered workers in the public sector amounted to HUF 73,151, that is, they hardly exceeded the lower limit of HUF 71,800 for unqualified fostered workers.) In non-profit organizations observed by regular earnings survey, which employ 106 thousand people, average gross earnings amounted to HUF 203,727, which were 7.8% higher than in the previous year. Gross earnings on the level of the national economy were so HUF 222,990; they amounted to HUF 153,921 in case of manual and HUF 296,309 in case of non-manual workers.

Table 6

### Total and regular average gross earnings, 2012

Staff group	National economy, total		Of which:			
	average gross earnings, total	of which: regular	business sector		public sector <sup>a)</sup>	
			average gross earnings, total	of which: regular	average gross earnings, total	of which: regular

#### HUF/capita/month

Manual	153 921	147 802	160 439	153 265	151 701	149 549
Non-manual	296 309	273 214	349 293	315 352	234 018	223 711
Together	222 990	208 636	233 729	216 167	214 929	206 512
<b>Corresponding period of the previous year = 100.0</b>						
Manual	106.7	107.1	109.7	109.8	107.1	108.7
Non-manual	104.3	105.2	105.2	106.2	102.9	103.5
Together	104.6	105.4	107.2	108.0	103.7	104.5

a) Excluding fostered workers.

<sup>2)</sup> Earnings data refer to full-time employees.

In 2012, at the top of the ranking by earnings were financial and insurance activities (HUF 459,700), followed by information and communication (HUF 410,100) and electricity, gas, steam and air conditioning supply (HUF 403,900). The lowest earnings were recorded for people working in accommodation and food service activities (HUF 139,700) and in human health and social work activities (HUF 151,400) where the relatively high proportion of fostered workers played a role as well. Within manufacturing, branches with high earnings worth mentioning were the manufacture of coke and refined petroleum products (HUF 563,800) and the manufacture of pharmaceutical products (HUF 403,500).

Within total gross earnings, regular earnings (i.e. without premium and bonuses) amounted to HUF 208,636. In the private sector, the amount of non-regular earnings was less than last year; this can be mostly attributed to the fact that a large number of corporations postponed the payments due in 2010 to 2011 because of the more favourable taxation (base effect). In budgetary institutions, the pace of increase of regular earnings was also higher than that of total earnings, which resulted in a further decrease of irregular payments being low anyway.

Since 2011, employees of the public sector whose earnings would have decreased due to the change in the personal income tax system (taking into account family tax benefit as well) have received compensation; in 2012, employees of some non-profit organizations received compensation as well. So, on the whole, a monthly average of more than 380 thousand people received a compensation of about HUF 120 thousand over the year. The compensation belongs to social costs and thus it is not part of average earnings.

Disregarding fostered workers in the calculation of gross earnings (which can be justified also by the fact that they are not subject to minimum wage agreements any longer), but taking into account compensation as wage element, the 'alternative' gross wage index of the national economy was 6.8%. This is 2.2 percentage points higher than the actual index calculated according to accounting rules.

Table 7

**Change of earnings\*, 2012**

Denomination	Business sector	Public sector			National economy	
		including public work	excluding public work	excluding public work, with compensation	total	excluding public work, with compensation
Average gross wage index	7.2	-1.7	3.7	5.5	4.6	6.8
Average net wage index	4.3	-3.4	2.1	3.9	2.0	4.2

\*With the alternative interpretation of the concept.

Net earnings in the national economy calculated by deducting personal income tax and contributions from average gross earnings amounted to HUF 144,040 in 2012, which were 2.0% more than in the corresponding period of the previous year along with a 5.7% rise of the consumer price index.

Since 2011, employees have been beneficiaries of a tax benefit for the children reared by them, which they may ask to be taken into account (in a monthly breakdown) as well, when their earnings are paid. When deducting advance tax payments, the allowance, which can be claimed to reduce the tax base, is HUF 62,500 per dependent in case of 1 or 2 dependents and HUF 206,250 per dependent in case of 3 or more dependents. Thus, the take-home pay is also differentiated by the number of children reared.

Table 8

**Net and real earnings calculated taking into account family tax benefit, 2012**

Number of dependent children	Net earnings without family tax benefit	Taking into account family tax benefit			Distribution of number of employees by the number of children, %
		net earnings	net earnings'	real earnings'	
	HUF/capita/month	index, %			
0 child	140 541	140 541	1.9	-3.6	48.9
1 child	143 414	149 363	1.8	-3.7	25.3
2 children	156 181	167 906	2.5	-3.1	19.8
3 or more children	137 990	168 783	3.4	-2.2	6.0
<b>National economy, total</b>	<b>144 040</b>	<b>149 881</b>	<b>2.1</b>	<b>-3.4</b>	<b>100.0</b>

According to the results of model calculation, in 2012, the 'increment' of family tax benefit was on average nearly HUF 6 thousand for employees. The measure resulted in a monthly income surplus equal the average in case of one reared child, nearly HUF 12 thousand in case of two children and more than HUF 30 thousand in case of people rearing three or more children whose proportion to all employees is not very high.

**3. Labour costs**

In the national economy (not including agriculture), labour costs per working hour completed was 5.8% higher in the 4<sup>th</sup> Quarter of 2012 than in the same quarter of 2011. Income from work representing the largest proportion of labour costs increased by 5.5%; within this, the rise in the business sector (sections B–N) was 7.3%. The increase of labour costs was especially large, 8.8% in industry. In sections predominated by the public sector (O–S), labour costs were only 0.8%, while within them, income from work was 0.3% higher in the 4<sup>th</sup> Quarter than a year earlier.

Table 9

**Labour cost index, 4<sup>th</sup> Quarter 2012**

Section	(%)		
	Income from work	Social costs	Labour costs
Industry (B–E)	108.6	109.7	108.8
Construction (F)	102.4	104.9	102.9
Wholesale and retail trade, transportation and storage, food service activities, real estate activities, business services (G–N)	106.9	108.0	107.1
Industry, construction and services (excluding public services) (B–N)	107.3	108.6	107.6
Public services (O–S)	100.3	103.4	100.8
National economy excluding agriculture (B–S)	105.5	107.2	105.8

In the different economic sections, the increase of social costs was more or less higher than that of income from work, although compulsory social security contributions payable by employers remained unchanged. The reason for this is that within total income from work, the proportion of other income from work declined in almost each economic section, and as the contribution to be paid by corporations for these income elements was lower than that to be paid for earnings, the index of social costs containing also contributions grew.

According to the data of the four quarters, labour costs in Hungary (disregarding people working in agriculture) increased by 5.9% in 2012; within them, income from work increased by 5.7%. In sections predominated by the business sector, labour costs were 6.8% higher than in the previous year.

Table 10

**Labour cost index, 2012**

(arithmetic mean of indices in Quarters 1–4)

(%)			
Section	Income from work	Social costs	Labour costs
Industry (B–E)	106.8	107.6	107.0
Construction (F)	103.2	104.7	103.5
Wholesale and retail trade, transportation and storage, food service activities, real estate activities, business services (G–N)	106.9	107.9	107.1
Industry, construction and services (excluding public services) (B–N)	106.6	107.5	106.8
Public services (O–S)	103.4	104.4	103.6
National economy excluding agriculture (B–S)	105.7	106.6	105.9

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