



Possibilities of labour market integration in Hungary

Long-term unemployed, youth and older job seekers

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September 2019

Executive summary in English

This research, titled “Methodological research for the more effective services of the special target groups of the National Employment Service” has been conducted for the **Ministry of National Economy (and its successor, the Ministry of Finance)**, in the context of GINOP-5.1.1-15-2015-00001 and VEKOP-8.1.1-15-2015-00001 “Road to the labour market” priority projects. The aim of the research has been twofold: first, to compile a report on the research; second, to compile a paper with concrete methodological suggestions. These aims are aligned with both the Youth Guarantee Programme and the 2016/C 67/01 Council recommendation on the integration of the long-term unemployed into the labour market.

The main objective of this research report was to assess the tools that are used by the Hungarian public employment service (PES) staff during their work with the priority target groups (youth under 25, older unemployed over 50 and long-term unemployed), and their efficiency. In order to paint the fullest picture available, we relied on various methods: interviews, data analysis on aggregated data, analysis of processes and methods.

The main findings concerning the circumstances of the priority target groups are the following:

- Young jobseekers under 25, older unemployed over 50 and long-term unemployed face significant disadvantages in the Hungarian labour market – statistics, literature and expert interviews confirmed that these target groups need special support and services.
- The main drivers behind the disadvantaged state of **youth** are low levels of education, employer discrimination and strict employment protection legislation.

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Many young people have little to no job experience; their knowledge and expectations concerning job opportunities or wages are often unrealistic.

- Inactivity is on the rise among **those above 50-55 years**. Many have low education or outdated degrees, and have problems with getting new jobs after losing the previous one. Some of them may have higher wage expectations (due to their job experiences) than what can be aligned with the labour market.
- According to a previous research, the main factors contributing to **long-term unemployment** are the following: low levels of education, longer unemployed periods beforehand, entitlement to means-tested unemployment allowance (FHT), being over 55, disability, insufficient previous work experience. People living in small settlements and disadvantaged districts are more likely to become long-term unemployed.

These target groups need more and more complex support, while jobcentre caseworkers do not have more resources to help them. Counterfactual impact evaluations and other assessments conducted in Europe provide evidence that **complex programmes combining multiple measures** are the most effective for these target groups. The main findings of the literature are the following:

- **Trainings alone are seldom effective for young jobseekers** – though combined with other measures they can be successful, especially on-the-job trainings. Still, our research found that usually only trainings are offered to young people.
- **Trainings can be effective for older unemployed**, but only if the education methods can be tailor-made to the special needs of the target group. According to the Hungarian PES staff interviews, it is often difficult to motivate this target group to participate in trainings, though; thus oftentimes they are not targeted by these programmes.
- Single measures cannot be effective **in the case of long-term unemployed; only intensive, long and complex programmes that combine multiple active measures (including services) can be helpful for this target group**. Coordination of social and employment services are also of key importance.

Services responding to individual differences and needs are crucial in case of priority target groups. There are large individual differences in these groups, thus any successful service and support needs to respond to these individual needs. There is no universal good practice.

It is more feasible to specify the probability of long-term unemployment utilising a nuanced profiling system rather than an age-based one; therefore high-risk job seekers can be directed towards different services immediately, and a more thorough diagnostics can be created.

Concerning services provided to priority target groups the following recommendations can be made:

- Successful service-providing should be based on the assessment of individual needs.
- Complex service bundles are the most effective solutions in the case of the highest-risk job seekers.
- There are positive international and mixed Hungarian experiences concerning mentoring services; nonetheless, there is a certain need for personalised help in priority target groups. However, the availability of these services depends on the current European Union funding opportunities, thus need-based and long-term service-providing is precarious.
- Psychological and mental health services would be of great importance in these target groups – however, in many districts, there are no such services available due to lack of (human and other) resources. Expanding the scope of these services would be imperative.
- Due to the separation of caseworker, counselling and mentoring responsibilities among PES staff, clients are migrating between many of the PES staff; responsibilities and competencies are not clearly distinguished, information is not shared effectively. It would be beneficial to hire specialised caseworkers with lower caseloads, assigned to long-term unemployed or other jobseekers with complex problems.
- The GINOP 5.1.5 programme has valuable experiences in outsourcing services to private providers. It would be most beneficial to conduct a counterfactual impact evaluation on the programme and utilise its results during future programme design.

- Ensuring that returning clients have a dedicated own caseworker is an essential part of creating the clients' trust in employment services.
- In many cases, PES caseworkers and counsellors do not have up-to-date information on social services. We suggest that guides, handbooks and trainings on social services should be provided for PES staff.
- The interviews suggest that there is very limited or no cooperation among social and employment services. A national level strategy for service coordination would be very beneficial – a well-planned research project (including a pilot programme) should be issued to support this new strategy.
- There are many complaints about the excessive administrative burdens among PES staff. We suggest that there should be an exploratory research on the possibilities of the reduction of these burdens.

Concerning the next Programming Period, we suggest designing the following labour market programmes:

- One, a programme targeting profiling category number 2, focusing on training and/or wage subsidies;
- Two, a complex and personalised programme targeting disadvantaged groups, where the different active labour market measures are combined and tailored to the needs of the participants. This programme should be carefully targeted to a more narrow target group (those in need).
- We suggest that a separate programme for disabled jobseekers (regardless of eligibility to rehabilitation allowance) should be designed.

European Union programmes have a large (though sometimes detrimental) impact on how active labour market programmes are provided and how clients are directed to different programmes. In many cases, the available measures are not provided according to the actual needs of job seekers but are rather driven by the programme-designing mechanisms (which usually respond to outdated needs).

- It has been mentioned by many interviewees that there is a lack of compatibility between the strict output indicators of the projects and the nature of the job counselling. There is a need for greater flexibility, since many times there are

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(unforeseen) shifts and changes in the needs and circumstances of the clients during the mentoring or consulting period. Most programmes cannot abide to these kind of changes.

- Cream-skimming is a recurrent issue. Fear among PES staff of not meeting the predefined targets discourages the involvement of those the most in need of the programmes.
- Another problem is the difficulty to 'fill up' the required number of participants to certain EU-funded programmes. Many caseworkers do not involve jobseekers to measures based on the needs of the clients, but instead direct them to programmes that are 'of need of participants' (e.g. trainings starting immediately that require a minimum quota).

There is also a distinct need for **trainings and cross-district knowledge exchanges** among the PES staff.