

The Relationship Between the Globalization and the Employment, in Particular the North Hungarian region

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Abstract

I am going to take a closer look at the regional aspects of employment policy and globalization, with special regard to the North Hungarian region, which is currently one of the most significant social issues.

It is globalization that was seen as a major challenge the European Union had to face at the end of the 20th century and the beginning of the 21st century at the Torino Summit of the European Council. It refers to the world-wide strengthening process of economic integration the drivers of which are as follows: acceleration of technological development and the formation of information society; liberalization of international trade and capital movements, deregulation.

I held the employment situation of the North Hungarian Region especially important as this region is my living place and it is well-known that it is one of the less developed regions of Hungary. It is considerably behind the national average both in terms of economic and employment point of view. At the same time, however, some degree of discrepancy may be observed among the counties which I am going to take a closer look at in the subsequent paragraphs.

Key words: globalization, regional employment, employment policy, unemployment

JEL Classification: J21

1. Introduction

I am going to take a closer look at the regional aspects of employment policy, with special regard to the North Hungarian region, which is currently one of the most significant social issues. For this purpose I clarify the concept of employment policy, I overview the development of the trends of employment strategy in Europe and Hungary and, as part of it, the employment situation in Hungary and the region.

2. Appearance and development of employment policy in Europe – a historical overview

The appearance of the social area dates back to the Treaty of Paris (1951) which declared the establishment of the European Coal and Steel Community. The employment policy was

displayed under a separate title, which indicates the utmost importance of the topic, although the regulations included only those relating to collection of information and consultation mechanism. The Treaty of Rome (1957), which established the European Economic Community, has a regulation concerning social policy, however, social policy has different meanings in different countries, making a uniform term for it would have been somewhat difficult. Article No. 136 of the Treaty contains a provision according to which member states agree that the improvement of employees' life and working conditions have to be urged and the differences among them should be diminished via maintaining development. According to the treaty parties both Common Market and the harmonisation of procedures, laws, regulations and public administration procedures stipulated by the Treaty result in this sort of development which facilitates the harmonisation of social safety systems [1].

There was no considerable change in the area of social policy in the 1957-1972 period, the free flow of labour force had a central emphasis. Unemployment was non-existent within the boundaries of the European Community due to the neo-liberal measures, thus the development of social measures stopped. The significance of the European Social Charta (1961) of the European Council is undisputed [2].

A demand arose for a comprehensive social policy that may bring deeper changes in 1972 before the Paris Summit. The heads of states agreed upon strengthening the social dimension as well with active programs via further-developing the Common Market. The first Social Action program of the Community was accepted 1974 as a result of the intensive work started by the European Committee in 1971. The action program encompasses three main areas:

- A. Improving of employment
- B. Improving life and working conditions
- C. Establishing a wide-ranging dialogue in making the economic and social decisions of the Community [1].

The documents on social issues in the 1974-1986 period were different from those the previous period. While previously the free labour flow had been in the centre of interest, by the 1970ies several and more multifaceted laws were created. The Single European Act (1986) revised the founding treaties in a single document. The economic and social cohesion is an area that was included in the primary law at that time apart from the social dialogue between employers and employees. The Community Charter of the Fundamental Social Rights of Workers came into life in 1989. The Single European Act had not solved the social issues, it left them open. The basic dilemma concerning the Charter was whether the EC social right was to be matched with the minimum or maximum provisions ensured in the specific member states.

England exerted effect on the Maastricht Treaty (1992), the regulations concerning social policy were put forth in a separate document due to their negative attitude. The treaty came into force in November 1993, we can talk about European Union ever since. The White Book (Growth, Competitiveness and Employment) was also accepted in 1993. Employment was the number one social problem in 1990. The next step was the Green Book (1993) and White Book (1994) on Social Policy. The White Book consisted of 10 chapters that outlined the action programmes. A new, more concise version of the recommendations of the former White Book was accepted as the "Essen Priorities" at the Essen Conference in 1994. Making it work was sought to be

implemented through the employment policies of the member states in the lack of a common employment policy. The implementations, however, did not bring about a substantive step forward in the situation of employment.

The employment part of the Amsterdam Treaty (1997) had been heavily disputed before its acceptance. Sweden suggested that the Community's goal was reaching total employment, whereas according to England and Germany employment was not to be part of the amending treaty. The chapter on employment was finally included in the Treaty as a result of the political changes which was then accepted. European Council conferences were held every year, due to the Treaty, where the annual employment guidelines were discussed.

- 1997. Luxembourg Employment Summit (the community employment guidelines of 1988 were accepted)
- 1998. Cardiff Summit (the employment guidelines of 1988 were evaluated)
- 1999. Vienna Summit (the employment guidelines of 1999 were accepted)
- 1999. Berlin Summit (the basic principles of the reforms of the Structural Funds were accepted)

The European Employment Pact was accepted at the Cologne Summit in 1999, the most important objective of which was enhancing employment and the sustainable economic growth. The Pact set three objectives for the member states.

1. Improving the interplay between the fundamental areas of economic policy: budget and monetary policies
2. Continuous and efficient implementation of the Employment Strategy
3. Enhancing competitiveness

The conference of the European Council held on 23-24 March 2000 had a great significance since it can be seen as the starting point of the Lisbon process that put social policy at the same level with other policies and took the first step towards introducing the open method of coordination. The closing document of the summit views the economic, employment and social challenges in a single framework and answered them via setting a new strategic goal for the coming decade. The priority of the community summit held in Stockholm on 23-24 March 2001 was defined as “creating total employment in a competitive Union”. In order to achieve total employment the Council outlined the level of employment to be reached by January 2005: the average employment had to reach 67% and women's employment had to reach 57%, the implementation of which should be ensured by the member states, with regard to their special conditions, by means of their National Development Plans

The next European Summit was held in Göteborg on 15-16 June 2001 where the main topic of the debates were the environmental issues of the sustainable development, the social policy issues were limited to the sustainability and the provision of medical and social services for elderly people. An extra summit was convened due the attack against the World Trade Centre in 2001 following the Göteborg Summit which was dedicated to the fight against terrorism. The Laeken Summit was held in September 2001 where the economic recession following the terrorist attacks exerted a depressing influence upon the participants of the Summit. However, the Lisbon process was not stopped by these events either. An agreement could be successfully reached by the Summit about the protection and information of employees, the concept of guidelines concerning

the protection of bankrupted employers and the expansion of coordination measures over persons coming from third world states in the area of social security. The first report came out in the meantime about policies aiming at social integration, as well as the sustainability and the possible directions of development of pension systems [3].

3. Impacts of globalization on Hungarian labour market

“Economic globalization can be defined as the growing integration of national economic systems, including greater trade in goods and services; movements in capital and integration of financial markets; and movement of labour.” [4]

It is globalization that was seen as a major challenge the European Union had to face at the end of the 20th century and the beginning of the 21st century at the Torino Summit of the European Council. It refers to the world-wide strengthening process of economic integration the drivers of which are as follows:

- acceleration of technological development and the formation of information society;
- liberalization of international trade and capital movements
- deregulation (less role played by the state in economic life)

These three factors strengthen one another. The technical-technological development fosters the expansion of international trade, whereas the international trade facilitates the dissemination of the results of technological developments. Deregulation, in turn, fosters the discovery of new technologies and contributes to the demolition of trade barriers. And finally: the technological development makes it possible that the business sphere and individuals can make themselves independent of the regulations at national levels. The world-wide liberalization of capital movements is an extraordinarily important element of globalization that brings about an increased growth of foreign working capital investments.

Globalization is a neutral concept that creates some framework conditions and development impulses, although, undoubtedly, competition will grow and the autonomy of action of the national monetary and economic policies will weaken as a result of the demolition of barriers in the movement of information, commodities and capital. The consequences of globalization largely depend on the economic actors. However, it is important to notice that globalization is not limited to phenomena that can be described with economic indicators: it is also associated with basic ideological, economic-philosophical and political phenomena and a sort of conservative revolution.

Unemployment and the loss of jobs in developed countries is quite commonly associated with globalization. The main arguments that the impact of globalization is negative are as follows:

- Multinationals have exported jobs from developed countries to developing countries through foreign investments and outward production in special economic zones.
- Through trade liberalization, governments have encouraged the replacement of domestically produced goods with goods produced abroad.
- The increased application of technology, especially in globally operating companies, can reduce the use of and dependence on labour. [5]

It is not easy to identify the impact of globalisation on the labour market because its movements are influenced many factors simultaneously. The main question is, on the one hand, what Hungary can learn from the tendencies present in the world economy and, on the other hand, what general processes they will induce in Hungary. The long term effects of working capital investments have become more visible in Hungary as well. The inflow of foreign capital was not regarded as obviously positive, in terms of employment, at the beginning either. Globalisation has undoubtedly contributed to the increase of the often transitional migration of the qualified workforce in the world economy. It follows from the accession to the European Union that Hungary is going to participate more intensively in these sort of processes than previously.

4. Comparison the employment situation in Hungary and in the North Hungarian region

I intend to introduce the employment policy and the employment situations over the past several years, and then I wish to highlight the Hungarian aspects. I interpret workforce as part of the factors influencing the endogenous supply side of economic growth [6].

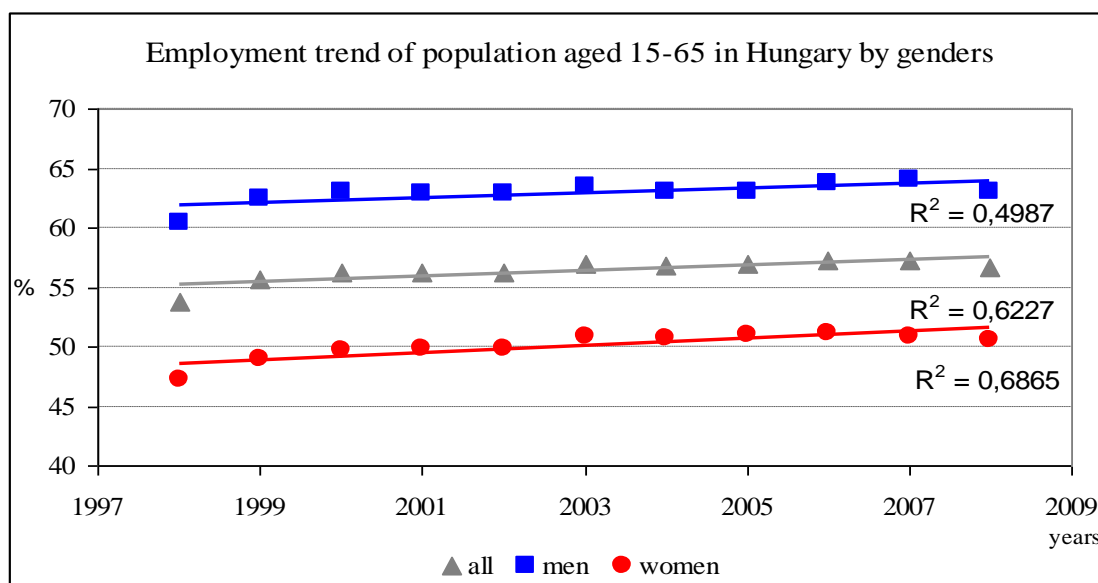


Figure 1: Employment trend of population aged 15-65 in Hungary by genders

Source: Own compilation on the basis of the labour survey time series (data obtained from the Central Statistical Office, Hungary)

Fluctuations can be observed in the Hungarian employment rates with highs and lows. The proportion of employed men is almost 15% higher than women in every period in the survey. Women's employment rate was 45,4% in 1998 which can be regarded as low compared to men's. In their case it was 59,7%. The total employment figures continuously grew up to 2000. This value decreased 0.1% by 2001 comparing to the previous year's 56,3%. The rate increased again to 57,0% in 2003 which showed a 0,2% decline by the year after. The rate was 57,3% in 2006 and 2007 and it dropped to 56.7% by 2008. A similar tendency can be observed in the case of

both women and men. I joined a trend direct on the dates, we could see the difference between the steepness (Figure 1).

There was no essential change regarding the labour market situation between 2005 and 2007. Hungarian employment situation is characterized by low level of employment (57,3% in 2007), average level of unemployment (7,4%), and high level of inactivity when compared to the EU. Rate of employment is higher in case of men (64%) than women, which is in line with EU routine, at the same time this rate lags behind the EU average (72,5%) more than in case of women. Regarding the wage differences between men and women: according to EU statistics, gross average income of men was 11% higher than that of the women in 2005-2006 in Hungary. With this 11% difference, Hungary is among those in favourable situation within EU member states, since the gross wage difference between men and women was 15% in 2006 in EU 27 countries.

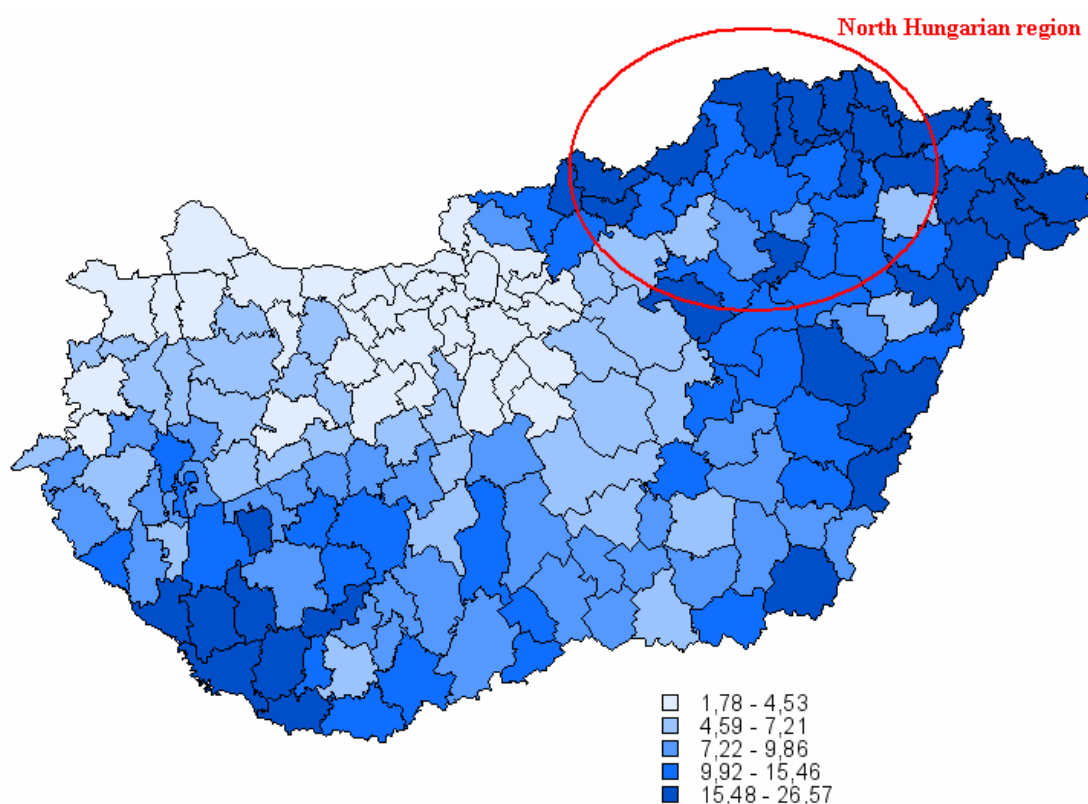


Figure 2: Unemployment rate (%) in Hungary – micro regions in 2007

Source: MTA-Erőforrástérkép

One reason for the low employment is that the perspectives for getting jobs is unfavourable, the level of education of individuals is low and the, so called, atypical employment forms are relatively not so widespread in Hungary as in other member states of the Union. The most outstanding change has taken place at the two opposite ends of the employment age. The employment of young people has further decreased – especially because of the longer time spent in education – whereas that of elder employees is gradually, although slowly, increasing (33,1% in 2007). The change of the retiring age and the employment conditions is a fundamental factor in the case of elder people. The unemployment in Hungary has decreased in the past years, its rate is

close to the Union average. The permanent unemployment has slightly grown since 2005, differently from EU members (47,1% in 2007); it endangers predominantly the elder age groups, most of them, independently of age and gender, have low levels of education. A peculiarity of the Hungarian labour market is that the proportion of permanently unemployed people had been higher up to the end of 2006, however it changed in 2007. The rate of inactivity is higher than the Union average in most age groups of the population, except for men aged 25-29 and women aged 40-54. 11,8% of the population aged 18-59 and 15% of children aged 0-17 lived in households in 2007 where no family or household member had a breadwinning job and, in this way, their basic and calculable source of subsistence was social or other income. These figures are among the highest in the Union. “One source of Hungary’s economic and social problems should be sought in the operation of the state finances, in its high deficit among others. There are disequilibria in spite of the proportionately high incomes, which is due to the intolerably high expenditures.” [7]

I held the employment situation of the North Hungarian Region especially important as this region is my living place and it is well-known that it is one of the less developed regions of Hungary. It is considerably behind the national average both in terms of economic and employment point of view. At the same time, however, some degree of discrepancy may be observed among the counties which I am going to take a closer look at in the subsequent paragraphs.

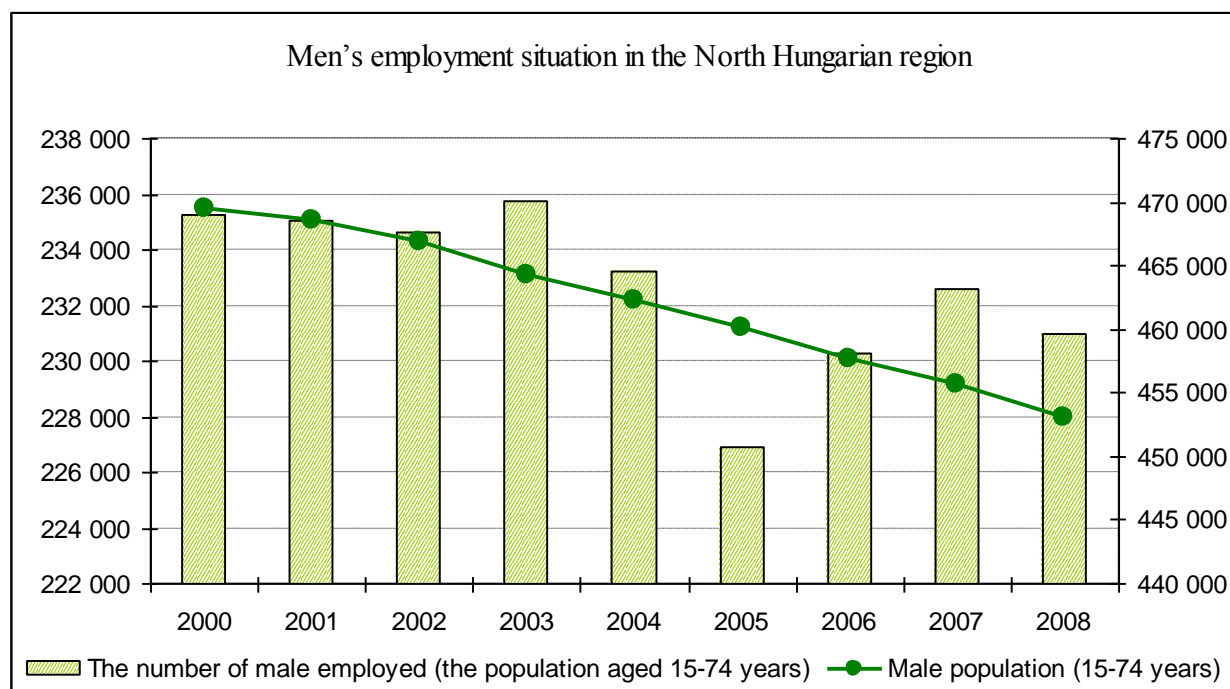


Figure 3: Men’s employment situation in the North-Hungarian Region (persons)

Source: Own compilation on the basis of CSO data

It is worth examining the trend of the number of the employed people in the North-Hungarian Region. I analysed the data-series between 2000 and 2007 and I relate the number of employed men to the male population within the population aged 15-74. The number of the male population clearly indicates a decreasing tendency, which is unfavourable from the point of view

of the population loss. The evolution of the employment situation shows a more interesting picture, the tendency is not even. The highest value was measured in 2003 (235.764 persons) and the bottom was in 2005 when only 49,3% of the male population was employed (226.904 persons). It grew in 2007 but it did not reach the initial state of the survey period. On the whole, the number of employed people decreased by 2630 between 2000 and 2007 (Figure 3).

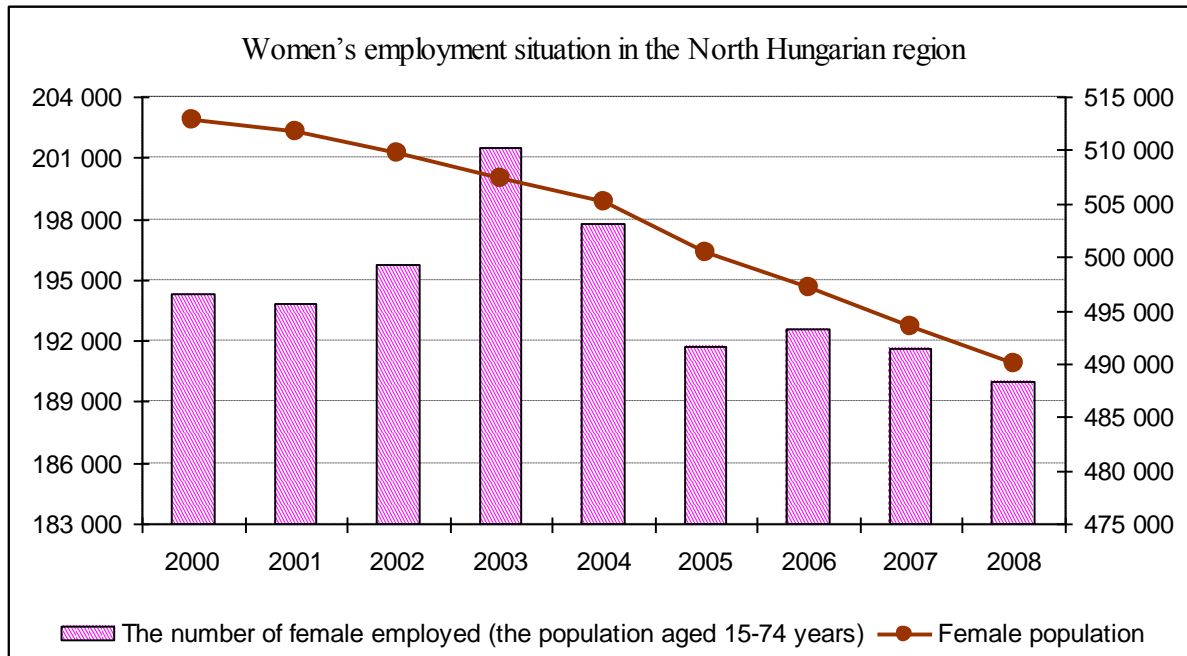


Figure 4: Women's employment situation in the North-Hungarian Region (persons)

Source: Own compilation on the basis of CSO data

The same can be reported in the case of women as in the case of men in the North-Hungarian Region. The female population has also decreased: from the initial 512.880 to 493.473 people, which means a decline of 3,8%. The same tendency can be observed here as with men in terms of the number of employed people: it was the highest in 2003 (201.480 persons), whereas the bottom was in 2005 (191.772 persons). The female population is bigger than male, however, the number of employed people is lower in the case of women.

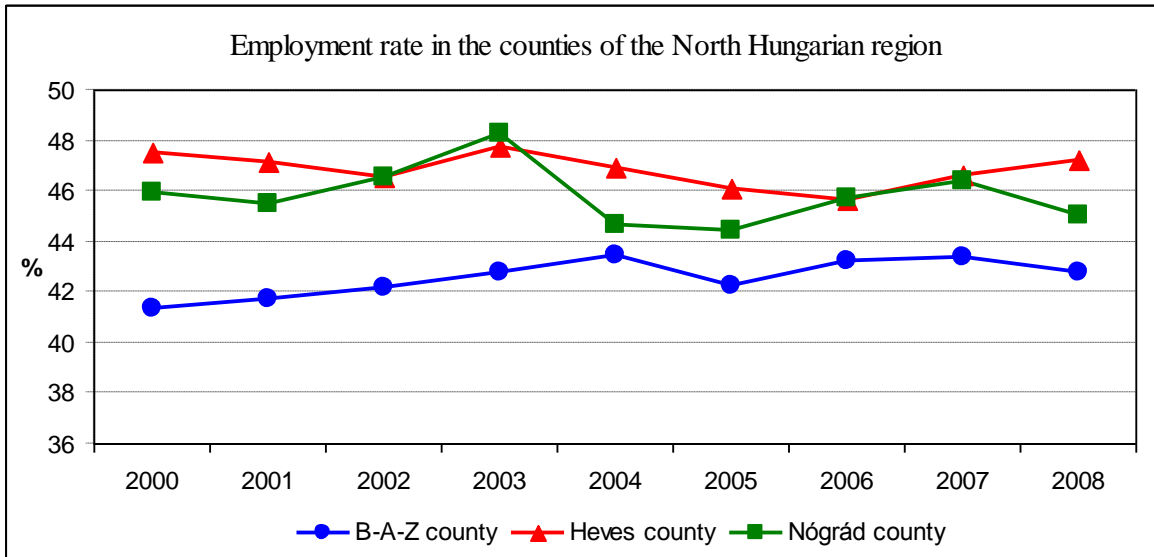


Figure 5: Employment rate in the counties of the North Hungarian region

Source: Own compilation on the basis of CSO data

The tendency of the employment rate is similar in the three regions of the North Hungarian Region. The lowest rate of employment can be observed in Borsod-Abaúj-Zemplén County: it was 43,4% in 2007. In the same year the rate was 46,6% in Heves County and 46,4% in Nógrád County. At the same time, numerically, the most employed people are in Borsod-Abaúj-Zemplén County compared to the other counties of the region. The total number of employed people was 235.058 persons in 2007. In Heves and Nógrád counties the corresponding figures were 113.619 persons and 75.618 persons respectively in that year.

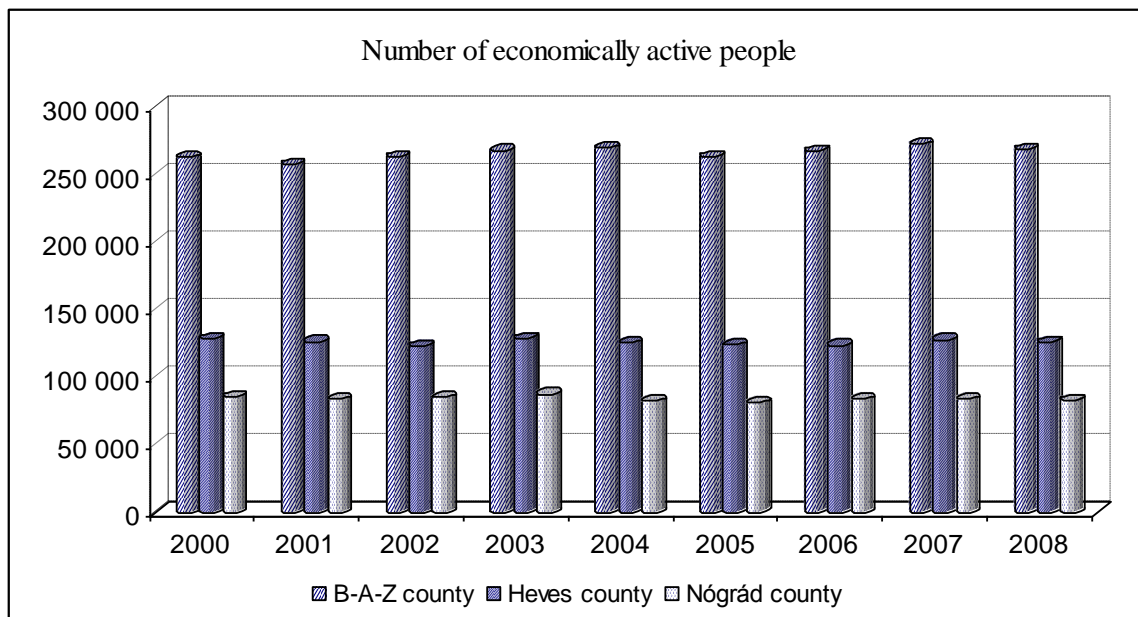


Figure 6: Number of economically active people (within the population aged 15-74)

Source: Own compilation on the basis of CSO data

It is outstanding that the number of the economically active people (employed plus unemployed people) is the highest in Borsod-Abaúj-Zemplén county (because the number of population is the highest in this county). In 2007 there were 272.525 economically inactive persons in Borsod-Abaúj-Zemplén county, whereas the corresponding figures were 127.641 and 83.542 in Heves and Nógrád counties respectively. A slow growth can be observed in Heves and Borsod-Abaúj-Zemplén counties in absolute terms, with periods of declines and growths, between 2000 and 2008.

4. Conclusion

In this study I have overviewed the most important EU-declarations and the trends of employment outlined in them. I argue that nowadays special needs to be paid to the development of employment. Employment policy and putting it into practice have to be dealt with. Hungary lags behind the Union average in terms of employment. This lag is especially significant in the case of elderly people, women and disabled people.

My recommendations for enhancing regional employment are as follows:

- taking over the employment practice of those European Union member states in better conditions as samples and adapting them to the special Hungarian conditions.
- applying the EU trends, with special regard to atypical employment, in the Hungarian practice
- establishing further programs, within the boundaries of possibilities, to support the employment of unemployed people, while keeping the existing programs

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