EMPLOYMENT AND TRAINING
PAPERS

20

Youth unemployment in Hungary and Poland

Maarten Keune

Employment and Training Department
International Labour Office Geneva

ISBN 92-2-111286-1
ISSN 1020-5322

First published 1998

Printed by the International Labour Office, Geneva, Switzerland

Foreword

This paper represents a contribution to the ILO's Action Programme on Youth Unemployment being undertaken in the 1996-97 biennium. The Action Programme is intended to: (i) raise awareness amongst constituents concerning the problems associated with the labour market entry of young people; (ii) to improve their understanding of the advantages and disadvantages of the principal policy and programme options for tackling the problem of youth unemployment; and thus, (iii) enhance the capacity of member States to design and implement policies and programmes for promoting youth employment. The Action Programme includes country case studies from all over the world as well as policy reviews concentrating on specific topics within the ambit of the youth unemployment "problem". The country case studies will be used as the basis for the major output of the Programme, a comparative report on youth unemployment and youth employment policy outlining the implications of the different available policy options.

Youth unemployment has increasingly been getting attention in transition countries. More and more it becomes clear that young people are experiencing great difficulties in conquering a position on the labour market and there is fear that large groups of young people will be excluded from employment from the start of their career. In this paper we will present an overview of the labour market situation of young people in two transition countries, Hungary and Poland, with particular attention to youth unemployment and the respective attempts to address this phenomenon. In section 1 general labour market developments in the two countries will be discussed, followed by the youth labour market (section 2), a discussion of the policies implemented in the two countries (section 3) and some concluding remarks.

Gek-Boo Ng
Chief
Employment and Labour Market Policies Branch

Contents

Tables

1. General labour market developments

In this section an overview will be presented of the labour market developments in Hungary and Poland in the now seven years old transition period. Before doing so some words should be said, however, about the general economic conditions in the two countries. *Table 1* presents the annual growth rates of GDP since the start of transition. Both countries suffered severe economic crisis at the start of the transition period, the worst years, with GDP decreases of more than 11 per cent, being 1990 for Poland and 1991 for Hungary.

Table 1. GDP growth rates, Hungary and Poland, 1990-1996

	1990	1991	1992	1993	1994	1995	1996	1996 (1989=100)
Hungary	-3.5	-11.9	-3.1	-0.6	2.9	1.5	1.0	86.6
Poland	-11.6	-7.0	2.6	3.8	5.2	7.0	6.0	104.5

Source: Hungarian Central Statistical Office; *European Economy Supplement C, No.2 June 1997*, European Commission, Luxembourg.

This decline was caused by a series of factors, mainly the loss of export markets due to the break-up of the CMEA, declining domestic demand both for investment and consumer goods and competition from imports. In terms of GDP Poland recovered relatively rapidly from this economic shock. GDP started to grow again in 1992 and growth has been getting stronger and stronger over the years and in 1996 Polish GDP surpassed its 1989 level.[1] However, this relative success is also due to the fact that Poland already experienced economic decline in the eighties. Meanwhile, in Hungary growth started only in 1994 and has been very modest since. In 1996 Hungarian GDP is still 13.4 per cent under its level of 7 years ago. These dramatic economic changes have had equally dramatic effects on the labour market.

1.1 Employment and sectoral developments

Since the start of transition a dramatic reduction of (formal) employment has been taking place in the two countries, mainly due to declining production following adverse developments in external and domestic demand, rationalisation of production, etc. In Hungary, employment has been declining continuously since 1989 (see *Table 2*) and total employment at the start of 1996 was only 72.2 per cent of the corresponding figure on 1 January 1989, meaning a loss of more than 1.5 million jobs in a country with some 10.2 million inhabitants. In Poland the decline in this period was less dramatic but still very strong, at the end of 1995 employment was at 86.1 per cent of the end-1989 level. Also, in 1994 for the first time a slight increase in employment can be observed and in 1995-1996 it further increased, be it very modestly.

[1] In fact, Poland is the only Central and East European country to do so, all others are some 10 per cent or more below their 1989 level.

Table 2. Employment and participation rates, Hungary and Poland, 1989-1996

	Hungary			Poland		
	Employment ('000)	Previous year = 100	Participation rate (%)	Employment ('000)	Previous year = 100	Participation rate (%)
1989	5505.0	-	85.3	17389.4	-	-
1990	5471.9	99.4	85.3	16145.4	92.8	-
1991	5303.9	96.9	84.0	15442.6	95.6	84.9
1992	4796.2	90.4	81.7	15010.9	97.2	83.2
1993	4352.0	90.7	79.5	14761.2	98.3	82.4
1994	4136.4	95.0	76.0	14924.0	101.1	78.8
1995	4045.2	97.8	73.0	14967.9	100.3	n.a.
1996	3974.3	98.2	71.9	15103.0	100.9	n.a.

Notes: Poland is end-of-year data except for 1996 which corresponds to the November LFS.
Hungary is start-of-year data.
Participation rate = labour force as share of working age population.
Source: Central Statistical Offices.

In both countries the decline in employment has been accompanied by strongly decreasing participation rates. Employment losses have not only been translated in increasing unemployment (see section 1.2) but there have also been important outflows to inactivity. This effect should not be underestimated as illustrated by the Hungarian example where participation declined from 85.3 per cent to 71.9 per cent, or by 13.4 percentage points between 1990-1996. This is partially due to the fact that a substantial number of employed pensioners, often the first persons to be laid of in downsizing enterprises, went from employment into inactivity. However, also the number of inactive persons in working age increased from 949,100 to 1,686,700 between 1990 and 1995, among other things because of early retirements, frequently used as alternatives for lay-offs, and because of increasing student numbers in education. [2]

The employment and participation declines have had distinct gender dimensions. The share of women in total employment changed only slightly in both countries: in Hungary from 48.6 per cent in 1989 to 47.5 per cent in 1996; and in Poland from 45.1 per cent in May 1992 to 45.2 in May 1996. [3] However, when taking the Hungarian example again, the participation rate of men declined by 10.9 percentage points between 1989 and 1996 (from 84.7 per cent to 73.8 per cent) while the female participation rate dropped much faster, from 85.8 per cent to 69.9 per cent in the same period, equal to 15.9 percentage points.

Especially in Hungary the industrial structure of employment has been changing profoundly (*see Table 3*). In the context of the strongly declining total employment it is no surprise that in most sectors the absolute number of employed went down. Only in trade and in consumer and business services employment increased in the period 1989-1996, a clear

[2] See: ILO-CEET. 1997. *Hungary: Employment and Sustainable Livelihoods*, ILO-CEET, Budapest.

[3] Data from Central Statistical Offices.

result of the changing economy, characterised by the growing importance of the service sector. Agriculture and industry have been the sectors where the most employment has been lost. Over the 7 years employment declined by 652,100 in agriculture and by 718,300 in industry and together they account for almost all employment losses in the transition period.

Table 3. Hungary, structure of employment, 1989-1996*

	1989		1996	
	No. ('000)	Share (%)	No. ('000)	Share (%)
Industry	1661.7	30.2	943.4	23.7
Construction	364.6	6.6	218.3	5.5
Agriculture and forestry	986.1	17.9	334.0	8.4
Transport, telecommunication	433.0	7.9	334.0	8.4
Trade	622.7	11.3	695.0	17.4
Water Supply	88.3	1.6	40.3	1.0
Consumer and business services+	299.5	5.4	441.9	11.1
Health, social, cultural services	767.9	13.9	707.3	17.8
Public administration and other public services	281.2	5.2	267.6	6.7
Total	5505.0	100	3974.3	100

+ Including "other material activities".
*The classification used in 1989 are used in this table for comparability. New categories are in use now in accordance with the European Classification of Activities.
Source: Labour Force Accounts.

When looking at the share of the different sectors in employment obviously the share of agriculture and industry declined strongly and trade and consumer and business services increased their participation. However, also the share of health, social and cultural services increased by almost 4 percentage points, and the share of public administration grew from 5.2 per cent to 6.7 per cent, and increase of 28.8 per cent.

As a result of all these changes the structure of Hungarian employment is very much approaching the structure common in OECD countries. This is quite different in Poland as can be seen in *Table 4*. The most remarkable difference is the enormous size of the agricultural sector in Poland, responsible for 26.1 per cent of employment, compared to 8.4 per cent for Hungary[4]. Agriculture is in fact larger than industry in terms of employment, be it only slightly.

[4] The data in tables 3 and 4 are not fully comparable because of the different classifications used.

Table 4. Employment structure, Poland, 1995

	Number ('000)	Share (%)
Agriculture, forestry and fishing	3848.6	26.1
Industry	3765.9	25.6
Construction	840.8	5.7
Trade and repair	1858.3	12.6
Hotels and restaurants	193.5	1.3
Transport, storage and communication	844.8	5.7
Financial services	256.1	1.7
Real estate and business activity	563.7	3.8
Public administration	384.8	2.6
Education	852.2	5.8
Health care and social work	1011.0	6.9
Other public, social and personal services	324.5	2.2
Total	14735.2	100

Note: Data are average for the year.
Source: Labour Force Survey.

In general, when the same classification of branches is used the share of all branches except for agriculture and industry is larger in Hungary than in Poland. Interesting differences are for example the relative size of public administration, accounting for 2.6 per cent of employment in Poland while for Hungary this figure is 7.0 per cent and also education is quite a bit larger in Hungary, 8.7 per cent compared to 5.8 per cent in Poland. A specific feature of interest is the share of employment in the public and private sector. Privatisation has been viewed as one of the major instruments in the transition to a market economy and has become an objective in itself. In Hungary, in 1995 the share of the public sector (public organisations, state enterprises and local government enterprises) fell to 47 per cent of total employment and the share of employment in co-operatives to 4 per cent. Private sector employment reached 37 per cent in the same year and the share of the mixed sector 12 per cent. [5]

In Poland (*see Table 5*) private sector employment accounted for 62.4 per cent of total employment in 1995. The participation of the private sector was especially high in agriculture, construction, trade and repair, and hotels and restaurants, all with a share of over 80 per cent. Interesting is that in industry the public and private sector were still equally important [6] and that the public sector was dominating the financial services. Although in both countries the tendency is clearly towards a growing private sector, the public sector is still quite large and diminishing slower than many expected.

[5] ILO-CEET (1997) op. cit.

[6] In manufacturing the share of the public sector was 40.0 per cent, however in mining and quarrying it was 96.9 per cent and in electricity, gas and water supply 96.3 per cent.

Table 5. Public and private sector employment in Poland, 1995

	Number ('000)	Share within sector (%)
Agriculture, forestry and fishing	4045.9	
- public sector	135.9	3.4
- private sector	3910.0	96.6
Industry	3728.8	
- public sector	1845.0	49.5
- private sector	1883.8	50.5
Construction	827.4	
- public sector	157.8	19.1
- private sector	669.6	80.9
Trade and repair	1903.1	
- public sector	111.6	5.7
- private sector	1791.4	94.3
Hotels and restaurants	185.9	
- public sector	29.0	15.6
- private sector	156.9	84.4
Transport, storage and communication	838.1	
- public sector	614.4	73.3
- private sector	223.7	26.7
Financial services	268.2	
- public sector	170.7	63.6
- private sector	97.5	36.4
Real estate and business activity	554.3	
- public sector	203.2	36.7
- private sector	351.1	63.3
Public administration	381.3	
- public sector	381.0	99.9
- private sector	0.3	0.1
Education	896.4	
- public sector	871.6	97.2
- private sector	24.8	2.8
Health care and social work	1003.4	
- public sector	962.6	95.9
- private sector	40.8	4.1
Other public, social and personal services	335.1	
- public sector	140.3	41.9
- private sector	194.8	58.1
Total	14967.9	
- public sector	5623.2	37.6
- private sector	9344.7	62.4

Note: End-of-year data.
Source: Year Book of Statistics.

1.2 Unemployment

Naturally, the above discussed developments have resulted in unemployment, a phenomenon virtually unknown during the previous system [7] and in both countries it started to rise quickly after 1989. Registered unemployment reached its peak in Hungary in February 1993, with the unemployment rate being 13.7 per cent, representing 705.000 unemployed. Afterwards it declined again slowly until June 1995 when it reached 10.1 per cent and later it stabilised between 10.2 per cent and 11.5 per cent. As shown in *Table 6*, Labour Force Survey (LFS) unemployment, calculating unemployment figures according to the ILO definition, has normally been slightly below registered unemployment but it has been following a similar trend.

Table 6. Unemployment data from the register and the LFS, Hungary, 1992-1996

	Registered unemployment	LFS*
May 1992	9.7	9.1
November 1992	11.9	9.7
May 1993	13.4	11.2
November 1993	12.2	10.9
May 1994	11.7	10.1
November 1994	10.4	9.7
May 1995	11.3	11.4
November 1995	10.4	10.7
May 1996	10.7	9.9

* 'May' means the second quarter of the respective year in the case of the LFS while 'November' stands for the fourth quarter.
Source: National Labour Centre and CSO.

The turnover of unemployment in Hungary has been very low with average monthly inflows of below 1 per cent of the labour force in the past four years and monthly outflows of below 5 per cent of the register in 1992-94 and 8.6 per cent in 1995. This has led to a growth of the average unemployment duration. In 1992 53 per cent of unemployed were registered for less than 6 months, a number which rapidly decreased to reach 32 per cent in 1995. In the latter year long-term unemployment (longer than 1 year) had grown to 50.6 per cent.

Contrary to most other Central and East European countries unemployment in Hungary has been lower for women than for men. Looking at LFS data, the female unemployment rate has been persistently lower than the male rate and in 1995 male unemployment was 11.3 per cent compared to 7.5 per cent for women. This lower rate for Hungarian women has several reasons, among them their more rapidly declining participation rate, the fact that industries dominated by male workers have suffered more from the economic crisis in the country than those dominated by women, the increasing importance of the service sector, and

[7] Not completely, though. In both countries open unemployment began to emerge already in the second half of the eighties.

because women are more willing to accept low wages, insecure jobs and inferior working conditions. [8]

Characteristic of unemployment in Hungary is the exceptionally high unemployment rate for the Gypsy (Roma) community, amounting to for example 38 per cent in 1993. The Roma's were often the first to be laid off when enterprises started to downsize, have a much lower average education level than the rest of the Hungarian population and are also actively being discriminated against.

Table 7. Regional unemployment rates in Hungary, 1990-1996 (31 December of respective years)

County	1990	1991	1992	1993	1994	1995	1996*
Budapest	0.3	2.6	5.7	6.3	5.4	5.7	5.7
Baranya	2.0	9.1	13.5	12.3	11.1	11.6	12.3
Bács-Kiskun	1.5	11.3	15.6	14.8	11.4	10.1	11.0
Békés	2.0	12.6	16.4	15.2	14.2	12.9	14.2
Borsod-Abaúj-Zemplén	3.5	13.9	18.6	19.9	15.6	16.6	18.2
Csongrád	1.5	8.3	11.7	11.1	9.7	9.0	9.3
Fejér	1.9	7.7	11.8	11.9	10.4	10.2	10.3
Gyôr-Moson-Sopron	1.0	5.7	8.0	7.8	6.9	6.5	7.5
Hajdú-Bihar	1.5	9.4	14.4	16.3	14.2	13.7	15.6
Heves	2.7	10.8	14.8	13.8	12.3	12.4	13.7
Komárom-Esztergom	1.2	8.3	14.0	13.4	11.4	10.7	12.3
Nógrád	4.2	16.1	19.0	19.7	15.5	15.4	16.6
Pest	1.0	8.4	11.1	9.6	7.2	7.4	7.8
Somogy	2.4	8.9	11.1	11.3	10.5	11.9	12.5
Szabolcs-Szatmár-Bereg	4.5	16.4	22.4	18.7	18.5	18.8	19.2
Jász-Nagykun-Szolnok	2.3	12.9	17.4	16.1	14.5	14.5	14.8
Tolna	2.7	11.7	14.2	13.8	12.1	11.7	13.6
Vas	0.6	5.9	8.4	8.8	7.3	7.1	7.5
Veszprém	1.6	9.0	11.7	11.5	10.3	10.0	9.7
Zala	1.4	6.8	9.3	9.9	9.1	9.4	9.9
Total	1.7	8.5	12.3	12.1	10.4	10.4	11.0

* September 1996.
Source: The Ministry of Labour.

A last feature of unemployment in Hungary is its uneven distribution among the various regions (*see Table 7*). The unemployment rate in Budapest was 5.7 per cent in 1996 while in the highest unemployment county it was 3.4 times higher (19.2 per cent). Moreover, counties with a relatively high unemployment rate in 1992 continue to have high unemployment in 1996 and do not seem to be able to substantially reduce the gap with the

[8] ILO-CEET (1997) op.cit.

leading areas of the country. When analysing smaller areas the differences in unemployment are even more pronounced and they have been remarkably stable since 1990. [9]

In Poland, although employment losses were more limited than in Hungary and economic recovery started earlier in the decade, registered unemployment peaked later and at a higher level. The highest unemployment rate, 16.7 per cent (2.950.000 persons), was reached in the first quarter of 1994, a year later than in Hungary. Afterwards, it declined slowly but continuously and at the end of 1996 the unemployment rate was 13.6 per cent (*see Table 8*). Polish Labour Force Survey unemployment has been differing substantially from registered unemployment in some instances. In November 1992 LFS unemployment stood at 13.7 per cent compared to 13.6 per cent for registered unemployment at the end of the same year. However, at the end of 1994 registered unemployment stood at 16.0 per cent while LFS unemployment had remained much lower, 13.9 per cent in November of that year. This may have to do with problems of over-registration due to unclear regulations particularly concerning deregistration of persons finding a job or leaving the labour force. [10]

Table 8. Unemployment in Poland, 1990-1996 (as of 31 December)

	1990	1991	1992	1993	1994	1995	1996
Total	1126.1	2155.6	2509.3	2889.6	2838	2628.8	2359.5
- Men	552.4	1021.5	1170.5	1382.3	1343	1180.2	983.9
- Women	573.7	1134.1	1338.8	1507.3	1495	1448.6	1375.6
Unemployment rate	6.3	11.8	13.6	16.4	16	14.9	13.6

Source: Year Books of Statistics, data of National Labour Office.

Table 8 also shows that female unemployment has consistently been higher than male unemployment and the share of women in total unemployment climbed to 58.3 per cent in 1996. Data from the Labour Force Survey show that unemployment for men moved between 11.4 per cent and 15.0 per cent in the period 1992-1995, while for women the lower and upper limits in the same period were 14.0 per cent and 17.0 per cent. According to Góra, the labour market position of women is much worse than that of men. Their inflow rate into unemployment is on the same scale as for men (2.1 per cent and 2.4 per cent respectively in 1994) but outflow rates are much lower (30.5 per cent for males and 26.4 per cent for females in 1994) while the outflow-to jobs rate is even worse in comparison, 20.4 per cent for men in 1994 and 13.2 per cent for women in the same year. [11] Concerning long-term unemployment, at the end of 1995 982,174 persons or 37.4 per cent of registered unemployed had been looking for a job for more than one year. At the end of 1996 long-term unemployment had decreased in absolute terms to 968,653 but in relative terms is had grown to 41.0 per cent of unemployed. [12] This is still much lower than in Hungary, probably because the Polish economy managed to halt and even reverse the decline in employment.

[9] For a comprehensive analysis of regional unemployment differences and their background see: Fazekas, K. and E. Ozsvald. 1997. 'Transition and regional policy: the case of Hungary' in: Keune, M. (ed.) 1997. *Local/regional development and employment promotion in Central and Eastern Europe*, ILO-CEET, Budapest (forthcoming).

[10] See for example: Góra, M. 1997. 'Employment policies and programmes in Poland', in: Godfrey, M. and P. Richards (eds.). 1997. *Employment policies and programmes in Central and Eastern Europe*, ILO, Geneva.

[11] Góra, M. 1997.

[12] Date of the National Labour Office.

Concerning the regional differences in Poland similar observations can be made as in the case of Hungary. In some regions (e.g. certain large cities) unemployment has been far under the national average from the outset of transition and has remained much below this average until today (*see Table 9*). On the other hand, in regions like Olsztynskie and Suwalskie unemployment has been high from the start and has remained far above the national average.

Table 9. Unemployment rates in selected regions, Poland, 1990-1996

Region	1990	1996
Warszawskie	2.1	4.3
Krakowskie	3.4	6.4
Poznanskie	3.5	6.2
Koszalinskie	9.5	25.1
Olsztynskie	10.2	23.8
Suwalskie	11.5	25.4
Poland	6.1	13.6

Source: National Labour Office.

Before concluding this section mention must be made of the informal sector. Since the start of transition in both countries there has been an enormous increase in unrecorded activities. Estimates of the contribution of this sector to GDP range from some 20 per cent to 35 per cent. Whatever its exact magnitude, the informal sector has had strong implications for the labour market as well. Estimating this impact is rather difficult, though, and no reliable surveys are available. Informal activities often consist of second (part-time) jobs, of working a private plot or small trade.

2. Youth on the labour market

In this section we will analyse the developments on the youth labour market during the transition period and take a closer look at the background and determinants of youth unemployment. The term youth refers in principle to the population group of between 15-24 years old and whenever possible, further distinction will be made between teenagers (15-19) and young adults (20-24). Also the groups of school leavers and new entrants to the labour market will get specific attention although they do not always consist 100 per cent of young people. However, because the available statistical material does not always permit the use of these categories, alternative groupings will be presented in some cases.

2.1 Demographic developments and economic activity

Due to the post-war baby-booms, in both countries the share of young people in the population has been increasing during the transition period, in Hungary from 13.9 per cent in 1990 to 15.8 per cent in 1996 and in Poland from 14.0 per cent in 1990 to 15.4 per cent in 1995. [13] As a result, the size of the working age population has been on the increase and also the number of entrants into the labour market has been growing.[14] In Hungary the number of entrants is expected to decline in the second half of this decade, especially because the number of teenagers will decline (*see Table 10*) while in Poland the increase will continue. In the year 2000 the population between 15 and 24 years in Hungary is projected to be some 104,000 lower than in 1994,[15] while in Poland it will increase by some 443,000 (or 7.3 per cent) between 1995 and 2000, adding to the tension on the labour market (*see Table 11*).

Table 10. Youth population and young economically active population (1994, 2000, 2010) in Hungary

		Economically active		Population	
		15-19 years	20-24 years	15-19 years	20-24 years
1994	Male	106.8	287.7	452.4	372.4
	Female	76.0	174.4	430.3	354.3
	Total	182.8	462.1	882.7	726.7
2000	Male	61.0	324.2	334.0	435.4
	Female	44.1	198.4	320.0	416.4
	Total	105.1	522.6	654.0	851.8
2010	Male	57.2	232.3	312.9	312.0
	Female	41.2	142.7	298.9	299.6
	Total	98.4	375.0	611.8	611.6

Source: Hablicsek et al., 1995.

[13] Data for Hungary from the Census 1990 an the Microcensus 1996; for Poland, see table 12.

[14] As of 1997 in Hungary also the gradual increases in the retirement age play a role here. Until January 1997 the retirement age was 60 for men and 55 for women. This will be gradually increased and as of 2009 the retirement age for both sexes will be 62. In Poland such increases are under discussion but no increase has been decided yet.

[15] As can be see in table 10 the teenage population is expected to decline by some 229,000 while the young adult population will increase by 125,000. After the year 2000 the decline in teenage population is expected to slow down while the young adult population will rapidly shrink to 611,600 in 2010. In this year the youth population is expected to be at 76.0 per cent of its 1994 size.

Table 11. Youth in total population - state and prognosis, Poland

Years	Total population	Youth 15-24 years		
		Thousands	% in total	Dynamic to 1978
		Total		
1985	37357.3	5208.1	13.9	81.8
1990	38585.3	5388.5	14.0	84.7
1995	39620.6	6106.9	15.4	96.0
2000	40650.6	6550.0	16.1	103.0
		Men		
1985	18210.4	2666.0	14.6	81.8
1990	18802.3	2750.1	14.6	84.3
1995	19298.2	3116.7	16.2	95.6
2000	19788.7	3346.6	16.9	102.6
		Women		
1985	19146.9	2542.1	13.3	81.9
1990	19783.0	2638.4	13.3	85.0
1995	20322.4	2990.2	14.7	96.4
2000	20861.9	3203.4	15.4	103.3

Source: Prognosis of population of 2000, the Main Statistical Office, 1994.

The changes in the absolute and relative size of the youth population have been accompanied by declining economic activity of youth as shown in *Tables 12* and *13*. In Hungary, in 1995 43.1 per cent of the age group between 15-24 years old was considered economically active, compared to 47.2 per cent in 1993, quite a change in such a short period of time. In the same period economic activity of teenagers declined from 21.8 per cent to 17.7 per cent, and the decline was especially strong for teenage women, 6.2 percentage points compared to 2.3 percentage points for male teenagers. For the age group 20-24 economic activity fell from 77.4 per cent to 73.7 per cent and although the decline was slightly stronger for males their activity rate remained higher than that of female young adults.

In Poland the percentage of economically active youth has been following similar trends but with lower rates than in Hungary. Between 1992 and 1995 the share of economically active dropped from 43.0 per cent to 38.2 per cent with the male rate declining by 5.4 per cent and the female rate by 4.1 per cent. The difference between male and female activity rates is much larger in Poland than in Hungary, 7.7 percentage points compared to 3.8 percentage points respectively in 1995. The declining share of economically active youth can be traced back to several factors which will be examined in more detail later in this section. The main factors in this respect are demographic developments, an increasing participation in education, the discouraging effect of the depressed over-all labour market situation and the particular difficulties for young people to find a job.

Table 12. Economic activity of youth population by sex (per cent), Hungary, 1993-95

	1993	1995
15-19		
Male	22.3	20.0
Female	21.4	15.2
Total	21.8	17.7
20-24		
Male	79.3	75.0
Female	75.5	72.3
Total	77.4	73.7
15-24		
Male	48.2	44.9
Female	46.2	41.1
Total	47.2	43.1

Source: LFS.

Table 13. Economic activity of youth - by sex and age (per cent), Poland

Specification	1992	1995
Total	43.0	38.2
15-17 years	12.4	3.8
18-24 years	59.0	51.5
Men	47.5	42.1
15-17 years	13.9	4.6
18-24 years	65.9	57.2
Women	38.5	34.4
15-17 years	10.8	2.9
18-24 years	52.4	45.9

Source: Yearbook of Statistics.

There has been a distinct change in the industrial structure of youth employment during the transition period. The main trends in Hungary are very much in line with the developments in the economy in general, the share of agriculture in youth employment has been declining sharply while services have increased their share (*see Table 14*). For the age group of 114-19 years, which saw its total number of employed decline by 57.9 per cent, the share of agriculture in total employment declined from 12.4 per cent to 6.6 per cent between 1990 and 1996 (compared to 8.2 per cent for total employment) and in absolute terms it was cut to less than a quarter of the 1990 level. Employment in manufacturing was more than halved in these 6 years, however, its share in total employment of this age group increased slightly from 32.7 per cent to 34.5 per cent, much higher than in total employment (23.3 per cent in 1996). Several services achieved large increases in their share of employment for this age group in the period under analysis, for example, trade and repair increased from 14.4 per cent in 1990 to 20.6 per cent in 1996 (compared to a share of 14.1 per cent in total employment) and hotels and restaurants from 3.7 per cent to

7.6 per cent (3.4 per cent for total employment). For the age group 20-29 trends have been comparable, although with a few important exceptions including the much more moderate decrease of total employment (9.4 per cent), the slight decrease of manufacturing in total employment (from 26.2 per cent to 24.3 per cent) and the fact that almost all service industries grew both in relative and absolute terms with financial services almost tripling its participation from 1.0 per cent to 2.7 per cent.

Table 14. Number of young persons in employment by industries in 1990-1996, Hungary

	1990		1994		1996	
	14-19	20-29	14-19	20-29	14-19	20-29
Agriculture, hunting, fishing, forestry	32,600	131,552	10,407	48,730	7,133	53,706
Mining and quarrying	3,120	19,842	1,473	8,078	458	6,323
Manufacturing	84,040	255,294	48,817	197,215	37,387	215,050
Electric, gas, steam and water supply	4,520	22,860	2,287	16,931	776	18,035
Construction	21,631	72,049	13,371	55,014	7,841	52,643
Wholesale and retail trade, repair motor vehicles	36,716	110,399	31,876	122,721	22,306	146,074
Hotels and restaurants	9,616	27,328	13,036	35,435	8,250	38,495
Transport, warehousing, telecom	20,956	97,476	7,874	73,488	5,272	83,734
Financial services	2,545	10,006	2,027	16,478	1,398	24,275
Real estate, renting and other business activities	4,969	29,286	5,641	30,252	1,605	37,120
Public administration, social security	5,994	52,700	3,201	62,095	2,871	60,345
Education	6,904	55,576	6,142	52,666	2,310	48,291
Health and social services	14,725	50,295	11,267	42,220	6,170	53,616
Other public and personal services	9,015	40,815	7,647	42,420	4,638	47,638
Total	257,351	975,478	165,066	803,743	108,415	885,345

Source: Census 1990, Pilot survey 1994, Microcensus 1996.

Another important difference is that employment for the lower age category keeps declining in the six year period, while for the 20-29 age group employment recovers and actually increases by 81,600 between 1994-1996, although total employment was still shrinking.[16] These differences are probably mainly due to demographic developments and the faster increasing participation of the lower age group in education. The position on the labour market of this age group has been improving and indeed their employment grew in virtually all industries in this two-year period with the exception for mining, construction, education and public administration. The fastest growth for this age group has invariable been in services, particularly financial services (47.3 per cent in these two years), health and social services (27.0 per cent), real estate, renting and business activities (22.7 per cent), and trade

[16] According to Labour Force Account data from CSO total employment fell from 4,136,400 in 1994 to 3,974,300 in 1996, a loss of 162,100 jobs.

and repair (19.0 per cent). At the same time for the age group 14-19 employment kept declining in all sectors in this period.

Table 15 gives the age structure of employment in Poland at the end of 1996. Youth employment shows quite a different industrial structure than in Hungary, comparable to the differences between the general employment situation in the two countries, most notably the relatively large size of agriculture. The structure of Polish youth employment differs in some aspects from the general Polish employment structure though.

Table 15. Employment by age and sections according to the NACE - November 1996 (LFS) (per cent), Poland

Specification	Total	Age						
		15-24	25-29	30-34	35-44	45-54	55-59	60 <
Total	100	100	100	100	100	100	100	100
From total:								
Permanent work	94.9	86.0	95.0	96.4	97.0	96.2	93.6	90.0
Casually work	5.1	14.0	5.0	3.6	3.0	3.8	6.4	10.0
From total:								
Agriculture, hunting and forestry	21.2	18.5	13.4	16.4	16.7	20.1	35.6	70.0
Manufacturing	20.9	25.6	24.4	20.8	21.5	21.0	15.2	5.8
Construction	6.4	8.1	6.0	6.0	6.9	6.7	5.2	1.9
Trade and repair	12.8	20.9	14.2	13.4	13.1	10.4	9.8	4.5
Transport, storage and communication	6.1	3.4	6.3	5.9	7.0	7.1	6.0	2.0
Education	6.5	2.2	7.0	8.3	6.6	8.1	7.3	3.6
Health care and social work	6.9	4.0	7.0	8.6	7.8	7.0	5.8	3.0

Source: Economic Activity of Population in Poland (Labour Force Survey), The Main *Statistical Book.*

Youth employment in agriculture is almost 3 per cent lower than the average (18.5 per cent and 21.2 per cent respectively) while employment in manufacturing is much higher (25.6 per cent for youth compared to 20.9 per cent in total employment) and the difference in the share working in trade and repair is even bigger, 20.9 per cent of employed youth work in this industry compared to 12.8 per cent of total employed. Moreover, in some of the other service sectors youth employment is relatively low, e.g. only 2.2 per cent of young people work in education compared to 6.5 per cent of total employed and in health care and social work the respective figures are 4.0 per cent and 6.9 per cent. An important reason for this may be the low wage levels in agriculture, education and social work, making these sectors unattractive for young people.

Summarising, the industrial structure of youth employment has to a large extent followed the developments in overall employment in both countries, however, some striking differences can be observed. They include the lesser importance of agriculture in the employment of young people and a higher than average participation in manufacturing. Young people are also strongly over-represented in certain service sectors, especially trade and repair.

2.2 Youth unemployment

The transition period has seen a rapid deterioration of the labour market position of young people reflected in high unemployment, particularly concerning teenagers. The strong decline of employment has made entering the very tight labour market extremely difficult for young people, worsening their situation in comparison with most of the rest of the labour force. Demographic developments have further aggravated this situation as the number of young entrants in the labour market increased in the first half of the 1990s.

In Hungary, unemployment of the age group 15-24 rose quickly in the first years of this decade to reach 119,800 or 16 per cent in 1992 and climbed further to its highest level in 1993, 141,300 or 19.2 per cent (*see Table 16*). For both years this is some 1.7 times the overall unemployment rate. After 1993 youth unemployment started to decline both in absolute and relative terms to reach 101,900 or 14.1 per cent in the forth quarter of 1996. Its developments clearly follow the same pattern as general unemployment figures, the unemployment rate for young people remained around 1.7 times the overall rate and the share of young people in total unemployment has been fluctuating around 27 per cent during 1992-1996 (*see Table 17*), although both figures decreased slightly at the end of 1996.

Table 16. Teenager and young adult unemployment, based on the LFS, Hungary

Year		Teenager (15-19 years of age)		Young adult (20-24 years of age)		Total (15-24 years of age)	
		Number Thousand	Rate (%)	Number Thousand	Rate (%)	Number Thousand	Rate (%)
1992	Female	21.6	23.7	22.6	8.4	-	-
	Male	28.7	28.2	46.9	16.2	-	-
	Total	50.3	26.1	69.5	12.4	119.8	16.0
1993	Female	24.7	28.1	26.5	10.1	-	-
	Male	33.8	35.0	56.3	19.5	-	-
	Total	58.5	31.7	82.8	15.0	141.3	19.2
1994	Female	19.7	24.6	25.4	10.0	-	-
	Male	28.5	30.9	51.5	18.1	-	-
	Total	48.2	28.0	76.9	14.3	125.1	17.6
1995	Female	16.8	25.9	22.0	8.6	-	-
	Male	28.8	32.3	46.7	16.8	-	-
	Total	45.6	29.6	68.7	12.9	114.3	16.7
1996*	Female	16.9	22.9	19.6	7.2	36.5	10.6
	Male	25.3	27.9	40.1	13.9	65.4	17.2
	Total	42.2	25.7	59.7	10.6	101.9	14.1

* 4th quarter of the year.
Source: Labour Force Survey.

There are large differences between teenagers and young adults. Teenage unemployment has been constantly at a double rate or more of young adult unemployment (with the exception of 1994), and 2.5 to 3 times higher than the total unemployment rate. Apart from this also teenage unemployment more or less followed the fluctuations in total unemployment and reached its peak in 1993. The unemployment rate for young adults has been only a few

percentage points higher than average unemployment and contrary to teenage unemployment it has been declining continuously since 1993.

Table 17. Share of young people among all the unemployed (per cent) in Hungary

		Teenager (15-19)	Young adult (20-24)	Total
	Total	11.3	15.6	26.9
1992	Male	10.8	17.6	28.4
	Female	12.1	12.7	24.8
	Total	11.3	16.0	27.3
1993	Male	10.7	17.8	28.5
	Female	12.2	13.1	25.3
	Total	10.7	17.0	27.7
1994	Male	10.4	18.7	29.1
	Female	11.2	14.4	25.6
	Total	10.9	16.5	27.4
1995	Male	11.0	17.9	28.9
	Female	10.8	14.2	25.0
1996	Total	10.5	14.9	25.4

Source: Labour Force Survey, 1992-1996.

Again *Table 17* shows that the share of both age groups in total unemployment have been quite stable, around 11 per cent for teenagers and between 15-17 per cent for young adults. This clearly shows their dependence on the general labour market developments, particularly general unemployment fluctuations, be it at a substantial higher level, especially when teenagers are concerned. Similar as in total unemployment the unemployment rate for young women has persistently been lower than the male rate, for teenage women it has been between 4.5 and 7 percentage points lower in 1992-1996 and for young adult women it has been only slightly more than half the rate of their male colleagues. In fact, young women have had unemployment rates below the general unemployment level throughout the transition period.

Table 18 shows the distribution of Hungarian youth unemployment by duration of job search for the age groups 15-19 and 20-29 in 1994 and 1996. Compared to overall long-term unemployment in 1996 (50.6 per cent), the rate for young people is clearly lower in both years. In 1994 it was 15.7 per cent for teenagers and 33.6 per cent for young people between 20-29 while in 1996 the respective figures were 23.3 per cent and 32.4 per cent. The increase in teenage long-term unemployment is quite strong though and also the increase of the percentage of teenage unemployed looking for a job between 6-12 months is worrying especially because total teenage unemployment has been declining in this same period. This suggests that there is an increasing group of teenagers that has started their career as unemployed, excluded from employment from the moment of entry into the labour market without being able to reverse this situation. However, part of it can probably be explained by teenagers that have unsuccessfully tried to enter the university and register as unemployed while waiting to try again in the following year.

Table 18. Distribution of youth unemployment by duration of job search, 1994-1996, Hungary (per cent)

Age cohorts	Duration of job search					
	Less than 1 month	1-5 months	6-12 months	13-18 months	19-24 months	More than two years
			1994			
14-19	62.6*		21.7	7.8	2.2	5.7
20-29	40.6*		25.8	11.3	8.2	14.1
			1996			
15-19	7.7		30.9	38.1	7.6	6.9
20-29	7.7		30.9	29.0	9.6	6.6

* Refers to less than 6 months.
Note: There is a 1 year difference in the lower age limits of the youngest age groups in the two years.
Source: Pilot survey 1994, Micro-census 1996.

In Poland youth unemployment also quickly emerged after the start of transition but it went far beyond the Hungarian levels. In 1992, the unemployment rate of young adults was 26.1 per cent and that of teenagers even 36.4 per cent (*Table 19*). Together they accounted for 28.2 per cent of all unemployed. In 1994 the number of unemployed young people was only slightly higher than two years earlier. As a result, the rate for young adults increased mildly to 27.6 per cent (still double the general unemployment rate of 13.9 per cent), however, for teenagers it jumped further to 45.3 per cent (3.3 times the general rate) and the share of young people in total unemployment rose to 30.2 per cent. After 1994 youth unemployment decreased substantially in absolute numbers, however, the share in total unemployment remained 30.2 per cent.

For teenage men the absolute number of unemployed has continuously been higher than that for teenage women, however, for the latter the unemployment rate has been much higher. For young adults the female rate has also been higher and in 1994 and 1996 they also had higher absolute numbers of unemployed. Urban youth unemployment has consistently been higher than rural youth unemployment although at least in absolute terms the difference is getting smaller quickly.

In this context it is interesting to see what has happened to the employment rate of the young population *(Table 20)*. Between 1992 and 1995 the share of the young population actually in employment fell by 4.5 percentage points, from 31.8 per cent to 27.3 per cent. The fall was especially strong for the age group 15-17 (from 11.3 per cent to 3.3 per cent) mainly because of an increased participation in education. In urban areas, where youth unemployment is much higher, the employment rate is substantially lower than in rural areas, although it started a slight recovery as of 1994 while the rural employment rate for young people continued to decline. The differences between the rural and urban youth employment rate is again getting smaller and smaller.

Table 19. Unemployment by categories and age (Labour Force Survey) - November, Poland

Specification		Total	Age						
			15-19	20-24	25-29	30-34	35-44	45-54	55 <
Unemployment ('000)									
Total	1992	2394	235	440	358	355	631	261	112
	1994	2375	239	479	321	342	630	275	88
	1996	1961	162	430	252	254	530	262	71
Men	1992	1172	124	224	182	146	299	125	73
	1994	1135	122	237	148	150	298	132	50
	1996	911	94	199	120	102	229	124	45
Women	1992	1221	112	215	176	209	333	136	40
	1994	1240	118	243	173	193	333	143	37
	1996	1050	69	231	132	152	302	138	26
Urban	1992	1686	137	282	236	246	480	203	102
	1994	1542	132	279	203	209	449	197	73
	1996	1254	88	241	152	148	368	193	62
Rural	1992	708	99	158	122	109	151	58	10
	1994	834	106	201	118	133	181	78	15
	1996	707	74	188	100	106	162	68	9
Rate of unemployment (%)									
Total	1992	13.7	36.4	26.1	16.9	13.1	11.3	9.1	5.9
	1994	13.9	45.3	27.6	16.3	14.7	11.2	8.6	5.0
Men	1992	12.4	32.7	24.9	14.8	9.8	10.3	8.4	6.8
	1994	12.3	39.9	25.7	13.1	11.8	10.2	8.1	5.0
Women	1992	15.2	41.9	27.4	19.7	17.3	12.5	9.8	4.8
	1994	15.7	53.2	29.8	20.5	18.4	12.3	9.2	5.0
Urban	1992	15.8	44.2	28.8	18.7	14.3	12.6	11.0	13.8
	1994	14.8	54.5	29.6	17.7	14.7	11.9	9.2	9.9
Rural	1992	10.3	29.4	22.3	14.2	11.0	8.5	5.7	0.9
	1994	12.4	37.1	25.3	14.3	14.7	9.8	7.5	1.5

Note: Data about rate of unemployment in each group in 1996 not published yet.
Source: Economic Activity of Population in Poland (Labour Force Survey), The Main *Statistical Office*.

Table 20. Employment rate of youth - by age and location, Poland, 1992-1995

Specification	1992	1993	1994	1995
Total	31.8	27.4	27.8	27.3
15-17 years	11.3	7.8	5.1	3.3
18-24 years	42.5	38.2	37.0	36.5
Urban area	24.5	20.7	21.8	22.4
Rural area	44.9	38.1	37.1	35.2

Source: Yearbook of Statistics.

Table 21 presents the distribution of youth unemployment in Poland by duration of job search. From the age group 15-24, 32.5 per cent was considered long-term unemployed on 31 December 1996, compared to 41.0 per cent of total unemployed. One year before only 28 per cent of unemployed youth belonged to this category while long-term unemployment among the total unemployed population was 37.4 per cent. In both years the long-term unemployment rate is thus quite a bit lower for the young than for the total unemployed population, however, the youth long-term unemployment rate increased slightly faster.

Table 21. Distribution of youth unemployment by duration of job search, 1996, Poland (per cent)

Age cohorts	Duration of job search 1996					
	Less than 1 month	1-3 months	3-6 months	6-12 months	12-24 months	More than two years
15-17	13.6	18.4	40.7	17.5	7.9	1.9
18-24	8.2	16.3	21.8	21.3	21.9	10.5

Source: National Labour Office.

2.3 Education, employment and unemployment

Education deserves special attention when discussing labour market developments in transition countries and particularly when looking at youth unemployment. The change of political and economic system, rapid restructuring of the economy and the subsequent changes in the quantity and quality of labour demand have a strong effect on the success on the labour market of the population groups with different types of education. Complementary to this the education profile of the population may well influence the rate of investment and job creation.

Table 22 gives an idea of the rapid changes of the educational profile of new entrants to the labour force in Hungary in the period 1990-1995, the main trend being an increase in the average educational level of new entrants. The share of entrants with basic education or less has been falling rapidly to account for 15.3 per cent in 1995, compared to 34,0 per cent in 1990. This is an extremely positive trend although 15.3 per cent is still quite high. On the contrary, the share of entrants with higher education increased from 10.6 per cent to 13.8 per cent and that of entrants with secondary education from 18.8 per cent to 30.2 per cent in the same period.

The apprentice schools, three-year vocational schools preparing skilled workers without giving the right to continue with higher education, are still responsible for the largest group of entrants, even though this is often claimed to be the school type least adapted to the new economic and social circumstances. However, since 1994 the number of entrants coming from apprentice schools is declining rapidly and this trend is expected to continue.[17]

Table 23 gives an overview of the success of the various school types on the labour market. First of all, it clearly shows the declining employment opportunities for persons with only basic education or less with employment for these two categories declining respectively from 1,029,400 to 809,500 and from 142,100 to 47,700 in the period 1992-1995. Unemployment rose meanwhile to 15.2 per cent for persons with only basic education and to 26.2 per cent for those with unfinished basic education. Employment for people with apprentice school

[17] The apprentice schools used to be closely linked to the large state industrial enterprises. The fall in the number of apprentices directly reflects the collapse of production, the shrinking state enterprise sector and bankruptcy of state or former state industrial enterprises, the outdated character of some of the skills provided by the apprentice schools and the resulting gloomy employment prospects of its graduates. See: ILO-CEET, 1997, op.cit.

increased slightly in this period, however, their unemployment rate increased to 13.4 per cent, more than 3 percentage points above the average rate. All other school types remained far under the average unemployment rate with the exception of the very small group of persons with vocational secondary school education. Especially persons with higher education are doing very well on the labour market.

Table 22. New entrants to the labour force by highest completed education, Hungary, 1990-1995

Highest completed education*	Year			
	1990 ('000)	1993 ('000)	1994 ('000)	1995 ('000)
Graduates higher education	16.2	16.8	19.1	20.9
Graduates from secondary school or drop-outs from higher education of whom	28.7	50.7	48.4	45.9
Grammar school graduates	7.5	17.4	17.8	17.1
Vocational sec. school graduates	16.5	26.7	19.7	16.4
Technical school graduates	4.7	6.6	10.9	12.4
Apprentice school certificate holders	51.6	60.0	56.4	50.9
Other vocational school graduates	4.2	9.2	9.0	10.8
No further education after basic education or drop-outs from secondary education	41.4	32.8	28.1	18.3
Did not complete basic education before reaching age 16	10.3	6.8	6.6	5.0
Total	152.4	176.3	170.3	151.8

Note: Graduates of full-time grades excluding the ones that continue education.
Source: Central Statistical Office.

Table 23. Employed, unemployed and unemployment rate by highest level of education, 1992-1995

	Employed 1992 (x 1,000)	Unemployed 1992 (x 1,000)	Unemployment rate 1992 %	Employed 1995 (x 1,000)	Unemployed 1995 (x 1,000)	Unemployment rate 1995 %
Less than 8 grades of primary school	142.1	30.2	17.5	47.7	16.9	26.2
Primary school	1029.4	166.2	13.9	809.5	145.3	15.2
Apprentice school	1029.0	134.7	11.6	1051.6	147.8	13.4
Vocational sec. school	49.1	6.7	12.0	42.9	5.0	10.4
Grammar school	482.6	37.1	7.1	407.5	32.8	7.4
Other secondary school	709.6	53.4	7.0	704.6	51.7	6.8
College	330.7	9.5	2.8	334.9	12.5	3.6
University	253.2	6.4	2.5	224.1	4.5	2.0
Total	4025.7	444.2	9.9	3622.8	416.5	10.3

Source: Based on LFS.

Table 24. Unemployment rate by education, 1990-1996, Hungary (per cent)

Educational attainment		1990	1992	1993	1994	1995	1996
	Male		19.1	27.6	23.9	26.9	33.6
Less than primary school	Female		15.9	27.1	27.3	25.2	28.6
	Total	1.7	17.5	27.4	25.4	26.2	31.5
	Male		15.9	19.2	18.1	18.2	17.4
Primary school	Female		12.0	13.4	13.1	12.1	11.7
	Total	0.7	13.9	16.4	15.6	15.2	14.6
	Male		11.9	15.0	13.4	13.0	12.0
Vocational school	Female		10.7	12.8	10.9	10.3	11.0
	Total	0.7	11.6	14.3	12.7	12.3	11.7
	Male		7.6	9.7	7.9	7.0	6.8
Secondary school	Female		6.6	8.1	7.7	7.1	7.6
	Total	0.5	7.1	8.9	7.8	7.1	7.2
	Male		3.2	2.9	3.9	3.1	2.6
Higher education	Female		2.0	3.2	2.0	2.8	2.9
	Total	0.2	2.7	3.0	3.1	2.9	2.7

Source: Census 1990 and Labour Force Survey, 1992-1996

For the lower school types the differences in unemployment between the sexes follow the overall trend of male unemployment being higher than female unemployment (*see Table 24*). Especially for the groups with basic education or less the difference is very big, some 5-5.5 percentage points. Again this is (partially) a reflection of the high employment losses in the typical "male" industries which used to employ large numbers of low-skilled or unskilled men. For vocational school, secondary school and higher education the male and female rates are much closer to each other, and for the latter two the female rate is even slightly higher.

Also in Poland the educational profile of school-leavers is changing rapidly (*see Table 25*). The share of school-leavers with university doubled between 1989 and 1994 while the share of school-leavers with only primary education plummeted from 12.7 per cent in 1989 to 5.1 per cent in 1994. The share of basic vocational education declined slightly in this period while the share of general secondary education and post-secondary education increased slowly. This trend of increasing education is generally very positive, however, the share of school-leavers coming from basic vocational schools remains very high and together with school-leavers with only primary education they still account for more than 50 per cent of school-leavers in 1994.

Table 26 gives an idea of the position on the labour market of the various education types in Poland. The pattern coincides largely with the above described tendencies in Hungary. Clearly the employment rate is lower when education is lower, and the employment rate for persons with university education is almost double that of people with only primary education. For unemployment the relation is just the reverse, the lower education, the higher unemployment. A complementary trend can be observed for the inactivity rate, very low for persons with high education and gradually increasing when education gets lower, underlining the weaker position on the labour market of the lower educated.

Table 25. School-leavers according to the level of education, Poland, 1989-1994

Year of leaving school	Total	University	Post-secondary	Vocational secondary	General secondary	Basic vocational	Primary
1989	100	5.3	4.5	23.8	7.1	46.6	12.7
1990	100	7.1	5.9	22.9	5.9	46.3	11.6
1991	100	7.5	4.2	23.4	5.6	46.5	12.8
1992	100	11.2	5.2	24.1	6.5	43.2	9.7
1993	100	9.0	6.6	21.9	8.4	45.2	8.7
1994	100	10.5	7.1	23.7	8.6	45.2	5.1

Source: Central Statistical Office.

Table 27 gives an overview of Polish unemployment by educational levels. In the period 1992-1996 the educational structure of unemployment has not changed too much, the share of primary and less education in total unemployment increased slightly from 31.2 per cent to 33.8 per cent while the share of most other categories declined slightly during the same period. It should be noted that the share of unemployed with only basic vocational education or lower has constantly been around 70 per cent of total unemployment.

Table 26. Current status on the labour market, Poland

Specification	Total	Status on the labour market		
		Employed	Unemployed	Inactive
Year of school-leaving				
1989	100	67.7	15.3	16.9
1990	100	65.8	17.8	16.1
1991	100	63.2	24.8	12.0
1992	100	59.8	24.3	15.9
1993	100	57.5	31.4	11.1
1994	100	41.8	47.2	11.0
Education				
University	100	88.4	7.9	3.7
Post-secondary	100	69.0	19.8	11.1
Vocational secondary	100	63.2	24.9	11.9
General secondary	100	48.4	31.6	20.0
Basic vocational	100	55.2	32.0	12.8
Primary	100	44.9	24.9	30.2

Source: Central Statistical Office.

Table 27. Unemployment by education in Poland, 1992-1996 ('000 and per cent)

	1992		1993		1994		1995		1996	
	No.	%	No.	%	No.	%	No.	%	No.	%
Primary and lower	782.4	31.2	931.5	32.2	907.5	32.0	845.0	32.1	797.6	33.8
Basic vocational	964.6	38.4	1131.2	39.1	1118.3	39.4	1025.0	39.0	907.7	38.5
General secondary	177.9	7.1	193.2	6.7	194.4	6.8	188.2	7.2	151.7	6.4
Secondary vocational	527.9	21.0	581.5	20.1	570.2	20.1	531.6	20.2	471.0	20.0
University	56.6	2.3	52.1	1.8	47.6	1.7	38.9	1.5	31.4	1.3
Total	2509.3	100	2889.6	100	2838.0	100	2628.8	100	2359.5	100

Source: National Labour Office.

The distribution of unemployment by education for registered unemployed school leavers shows some important differences when compared with total unemployment (*see Table 28*). The share of persons with only basic education or less is quite insignificant for school leavers in 1994 and 1995 (0.5 per cent and 1.2 per cent respectively compared to 32.0 and 32.1 for the total unemployed), mainly because of the tendency to continue education after primary school instead of entering the labour market.[18] The share of all other education types is consequently higher, especially the rate for general secondary school which is almost three times the rate for total unemployment, also reflecting a tendency of an increasing share of the young population finishing this school type providing the possibility of entering higher education. Just as in Hungary, the earlier described tendency of increasing education in Poland is very positive, however, the potentially positive effect on youth unemployment may take some years to materialise and further depends on the depth and speed of restructuring of the economy and the resulting changes in demand.

Table 28. Registered unemployed school leavers by educational level, Poland, 31. XII

	1994 (No.)	1994 (%)	1995 (No.)	1995 (%)
Primary and lower	993	0.5	2,676	1.2
Basic vocational	84,078	39.9	75,035	34.4
General secondary	41,293	19.6	48,694	22.4
Secondary vocational	76,352	36.3	83,333	38.3
Higher education	7,808	3.7	8,093	3.7
Total	210,524	100	217,831	100

Source: National Labour Office

[18] Data for 1996 are not presented here because of problems of comparability. As unemployment benefits for school leavers were abolished as of March 1996 the number of registered unemployed school leavers plunged.

2.4 Conclusions

There is no doubt that the situation of young people on the labour market has become rather precarious during the transition period in both countries and especially in Poland where youth unemployment has been higher than in Hungary while youth participation rates have been lower. The youth unemployment rate has persistently been higher than the rate for total unemployment and particularly teenage unemployment rates have reached very high levels. Apart from persisting high unemployment, also the economic activity rate of young people has been declining. In Hungary, young men are more affected by unemployment while in Poland young women show higher unemployment rates. Young people with lower education are more affected by unemployment than those with higher education. Noticeable changes have been taking place in the industrial structure of youth employment. However, although youth unemployment is substantially higher than average unemployment and several differences can be identified concerning specific features of their labour market situation, in general developments on the youth labour market are very much following general labour market tendencies.

The level of youth unemployment is influenced by several factors. In general, the main factors explaining youth unemployment are the same as the ones explaining general unemployment. However, there are a number of factors particularly influencing youth unemployment. First of all demographic developments have caused the youth population to increase and as a result the number of young entrants on the labour market have been growing. In Poland this disadvantageous development will continue for quite some time while in Hungary it is supposed to reverse in the second half of the 1990s. On the other hand, youth economic activity has been declining, partially because of the discouraging effect of the general labour market situation but more importantly because of increasing participation in education. The fact that youth unemployment in both countries exploded shortly after the start of transition and grew far beyond average unemployment indicates that entrance into a depressed labour market is simply difficult, especially in the first years of transition when employment declined strongly and employers were not thinking of hiring new people but rather about whom to dismiss.[19] The general depressed nature of the labour market has in this way had particular negative effects on the chances of the young population. It also shows that education has not been properly adjusted to the new demand for skills and many young people acquire skills not required by employers.

It could be argued that the transition period, causing dramatic changes in the industrial, size and ownership structure of the economy with profound effects on the labour market as well, could become an advantageous period for young people who might more easily adapt to the new circumstances, have the advantage of enjoying new types of education with adjusted curricula, etc. However, for the time being this effect has not been strong enough to improve their relative situation on the labour market. According to Fóti, in the case of Hungary this may be traced back to the still moderate job-creating capacity of the private sector.[20] As she explains: "...although ...the new private sector seems to prefer young people, its job-creating capacity is limited by those macro-economic constraints which especially the small and medium-sized enterprises have to face. These constraints include lack of capital, high interest rates, infrastructural shortcomings, high taxation, etc.". This raises questions about the possibilities to address the high level of youth unemployment only with labour market policies. It rather suggests the best way to fight youth unemployment is through the

[19] The obligation of paying severance payment may be one reason that older workers were not substituted by younger ones.

[20] Fóti, K. 1997. Youth unemployment in Hungary, mimeo.

general promotion of economic restructuring, growth and employment creation. Apart from that, education is an important policy area. It should be avoided that more young people enter the labour market with very low and/or obsolete education, knowledge and skills, almost without a chance to get employment. For the moment there are still school leavers with basic education or less entering the labour market, although fortunately their numbers are declining, and still large groups of young people choose the "wrong" schools and professions, for example some of the narrowly specialised and often obsolete apprentice schools turning out graduates doomed to start their career as unemployed.

There is no question, however, about the importance of addressing the youth unemployment problem which should be a priority objective of labour market policies, general economic policy and education among others. Apart from the individual hardship the young unemployed suffer, the society also pays a high price if large groups of young people become marginalised and excluded from the labour market at this young age. Unemployment may exclude them from regular employment forever as they may be getting involved in informal or illegal activities without being able or willing to get a regular job in a later stage.

3. Policies addressing youth unemployment

In this section we will take a look at the policies addressing the youth unemployment problem, mainly labour market policies, as they have been implemented in the transition period in Hungary and Poland. From the outset it should be stated that the experience with specific policies for young people is still only a few years old and it would be too soon to really want to evaluate the various initiatives started in the two countries.

3.1 Hungary[21]

Labour market policies were initiated in Hungary already in the early eighties with the introduction of several retraining schemes and by the late eighties a number of active labour market policies had been introduced, including communal work programmes, start-up loans, job-creation measures, etc. Unemployment benefits were introduced in 1986 when labour departments of local governments were assigned the tasks of registering the unemployed, assisting them in finding a job and providing them with income support.

In March 1991, the Act on Employment and Provision for the Unemployed (or Employment Act) was adopted (I) setting out regulations for the labour market (together with the amended Labour Code and acts regulating industrial relations); (ii) stipulating the rights and obligations of job seekers to be assisted in their search for a job and/or with improvement of their employability, and to get income support; (iii) stipulating the structure and responsibilities of labour market institutions;[22] and (iv) defining the range of labour market policies and their sources for financing. Since then the Act has been amended several times to adjust to the changing needs of the labour market and the economy in general.

Until the end of 1995 labour market policies were financed from two separate funds, the Employment Fund (covering active labour market policies and part of early pensions) and the Solidarity Fund (covering unemployment benefits, the administrative costs of the National Employment Service and pre-pension costs, among others), which were later merged into the Labour Market Fund. *Table 29* provides some data on labour market expenditure. Between 1992 and 1995 expenditure on labour market policies declined from 2.8 per cent of GDP to 1.4 per cent of GDP. The share of labour market expenditures spent on passive measures has been falling in this period, from 79.9 per cent to 71.9 per cent, while the share of active measures first increased to 21.3 per cent in 1994 to shrink again to 18.6 per cent in 1995.

[21] This section is to a large extent based on ILO-CEET (1997).

[22] The new network of labour market institutions consists of the Ministry of Labour, the National Labour Centre, 19 County Labour Centres and one City Labour Centre of Budapest, and local labour offices. Since 1991, regional Human Resources Development and Training Centres were established with the task to organise and provide labour market training. The Ministry of Labour is assigned to monitor, analyse and forecast developments in the labour market, supervise the network of labour market centres, design employment policy and labour market measures and evaluate their effectiveness. It also represents the Government in tripartite labour conciliation bodies. The tasks of the National Labour Centre are to co-ordinate the activities of regional labour centres, operate the computerised labour market information system and regularly publish relevant information, and co-operate with the Ministry on the elaboration and evaluation of the employment programmes. The County Labour Centres exercise administrative control over the activity of local labour offices, make decisions about the extent and concrete shape of labour market policies to be implemented in the county and also provide some services like vocational guidance, etc. Local labour offices (179 in mid-1996) are executing agencies dealing directly with unemployed persons. They register job seekers and provide them with employment services, are in contact with employers, etc. Apart from this structure there are a number of other public funds and institutions involved in employment promotion.

Table 29. Expenditure on labour market policies, 1992 - 1995 (shares in total expenditure if not otherwise stated)

Indicator	1992	1993	1994	1995
Total expenditure in mil HUF	82802	98977	79729	74241
As % in GDP	2.8	2.8	1.8	1.4
Active measures (%)	14.9	15.6	21.3	18.6
of which				
Job creation	3.2	1.7	2.2	1.0
Training and retraining	3.3	3.7	5.1	4.7
Public works	2.0	3.1	5.6	5.9
Subsidised employment	0.4	1.2	2.9	2.8
Employment companies and other employment promotion measures	1.3	1.7	1.7	2.0
Promotion of short-timework	0.5	0.1	0.1	0.0
Assistance to business start-ups	2.9	1.6	1.0	0.3
Crisis management	0.9	0.6	1.2	1.0
Other measures	0.5	1.9	1.5	0.9
Passive measures (%)	79.9	79.0	70.6	71.9
of which				
Income support	78.1	75.4	62.5	57.5
Early retirement, pre-pension costs	1.8	3.6	8.1	14.4
Administrative costs (%)	5.2	5.4	8.0	9.5
Employment Fund	15.8	16.4	22.3	20.4
Solidarity Fund	84.2	83.6	77.7	79.6

Source: Ministry of Labour.

3.1.1 Unemployment compensation in Hungary

In the beginning of the transition period unemployment benefits were quite generous as it was believed that transition would be a rather smooth process with moderate unemployment, however, this assumption soon proved to be unrealistic when unemployment started to accelerate. The Employment Act of March 1991 stipulated the new conditions for receiving unemployment benefits and for the determination of the level of benefits. In 1992, a means-tested unemployment assistance system came into force for unemployed who's unemployment benefits have expired. During the following years numerous amendments have been made to the regulations concerning these types of benefits.[23] *Table 30* gives an overview of the share of the unemployed receiving unemployment benefits and unemployment assistance. Clearly there has been a shift from the former to the latter and in September 1996 only 30.1 per cent of unemployed received unemployment benefits while 43.5 per cent received unemployment assistance.

Concerning young people, the Employment Act established a special unemployment benefit for school-leavers. It applied initially to graduates from day-time secondary school or higher education graduates having finished school within the last two years, and included a waiting period of three months. Duration of the benefit was a maximum of 6 months and it amounted to 75 per cent of the minimum wage. The criteria for disqualifying for the benefit were the same as those for general unemployment benefits: starting a job, entering training, non-co-operation with the labour offices or refusing a suitable job or training. In 1992 some

[23] For a complete overview of the Hungarian unemployment benefit system 1989-1996, see Annex, table 1.

minor changes were made in the eligibility criteria for school-leavers' benefits and in the disqualification criteria.[24] Finally, in 1996 the school-leavers unemployment benefit was abolished completely, partially because of financial motives and partially to put more emphasis on active measures of subsidised employment and on-the-job training (see section 3.1.2).

Table 30. Proportions of recipients of unemployment benefits and unemployment assistance in total unemployment, Hungary, 1990-1996 (in per cent)

Period	Share of unemployment benefit recipients	Share of unemployment assistance recipients
December 1990	77.6	-
December 1991	76.8	-
December 1992	71.9	6.2
December 1993	51.7	22.4
December 1994	36.9	39.8
December 1995	40.1	38.9
September 1996	30.1	43.5

Source: National Labour Centre.

Table 31 gives an overview of the number of recipients of the various forms of unemployment compensation in the period 1989-1995. The number of persons receiving unemployment benefits rose rapidly to 476.962 in 1992 and declined in the following years to just under 200,000 in 1994 and 1995, among other things because of the large amount of unemployed expiring their entitlement. At the same time the number of receivers of unemployment assistance increased rapidly to about the same number in 1995. The number of school-leavers benefit receivers grew rapidly after coming into existence in 1991 but never surpassed the 37,000.

Table 31. Number of persons receiving unemployment compensation

	1989 (4th Q.)	1990 (Dec.)	1991 (Dec.)	1992 (Dec.)	1993 (Dec.)	1994 (Dec.)	1995 (Dec.)
Unemployment insurance benefit receivers	12,064	61,693	312,077	476,962	326,618	191,593	198,903
School-leavers' benefit receivers	-	-	16,281	27,402	33,158	33,698	36,970
Means-tested unemployment assistance receivers	-	-	-	42,000	141,400	206,656	193,022
U rate	< 1	1,7	8,5	12,3	12,1	10.4	10.4

Source: National Labour Market Centre.

[24] See Annex, table 1.

3.1.2 Active labour market policies in Hungary

As mentioned earlier, active labour market policies in Hungary go back to the beginning of the eighties. By the beginning of the 1990s a full range of policies was in place, with some 230,000-290,000 persons participating in some kind of active programme yearly (*see Table 32*). Substantial changes have taken place in the number of participants in the various programmes. Training and retraining has been the only programme that has absorbed a large share of participants during the whole period 1992-1995, moving between 26 per cent and 35 per cent. Crisis management in the form of financial assistance to enterprises in temporary financial troubles, mainly applied in (potential) high-unemployment regions, was the second most important programme in 1992 but in the following years it declined rapidly. On the contrary, public works and subsidised employment were still quite small programmes in 1992 but progressively grew in the following three years to become the biggest and third biggest programme respectively.

Table 32. Number and composition of participants in active employment programmes*, 1992-95 (shares in total participation in per cent if not otherwise stated)

Type of programme	1992	1993	1994	1995
Job creation schemes	4.4	4.2	2.1	1.1
Training and retraining	26.0	35.4	32.3	26.8
Public works	9.0	20.2	24.0	40.2
Subsidised employment	5.0	12.1	16.4	16.7
Employment companies and other employment promotion measures	1.7	4.4	3.4	4.0
Promotion of short-teamwork	12.2	4.2	3.2	1.3
Assistance in business start-ups	17.2	16.8	14.5	3.4
Crisis management	24.5	2.8	6.9	3.4
Other measures	0	0	1.3	2.9
Number of participants(in thousand)	233.0	252.1	290.7	252.2

Source: Ministry of Labour.
* The figures include all persons taking part in the respective programmes in the given year regardless of the length of their participation.

Until 1993 there were hardly any active measures exclusively designed for young people.[25] Nevertheless, young people have had an important participation in labour market programmes, as they are considered a priority target group. Especially in labour market training the share of young people has constantly been high in the period 1992-1995, around 30 per cent (*Table 33*). This type of assistance has been deemed very important to dampen the negative effect of people entering the labour market with obsolete knowledge and skills. However, it seems training policies reach mainly persons with secondary or higher education or with a vocational certificate, while those with the most disadvantaged position on the labour market and most in need of training, typically the unskilled or semi-skilled, make only quite a small share of trainees.[26] It should also be clear that labour market training for young

[25] Fóti (1997) op. cit.

[26] ILO-CEET, (1997) op cit.

people is really a substitute for insufficient quality or quantity of education, underlining the need for educational reforms. In travel assistance, referring to the coverage of travel costs by the Employment Fund and aimed at increasing mobility, participation of young people has been around 13 per cent in the years 1994-1995 but in absolute numbers it has been quite insignificant.[27] In absolute terms many more young persons benefited from the various types of wage subsidies (around 6,600 in 1994 and 1995) and from participation in public works (close to 4,000 in 1994 and close to 3,000 in 1995). Again concerning these two types of labour market programmes the persons most benefiting are those with a vocational certificate or with secondary education, because employers prefer to hire skilled and/or higher educated people (in the case of wage subsidies) or because the programme often demands the General Certificate of Secondary Education (especially public works in the field of social and cultural services). Wage subsidies are generally given to employers creating additional employment for long-term unemployed defined as three months registered unemployment for school leavers and six months for others.

Table 33. Youth participation in labour market programmes in 1992-1995 (School leavers' number and share in labour market programmes)

Year	Labour market training		Wage subsidy		Public work		Travel assistance	
	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)
1992	18,241	30.2	-	-	-	-	-	-
1993	25,310	28.4	-	-	-	-	-	-
1994	29,419	32.9	6,585	-	3,912	5.6	376	13.9
1995	22,477	31.6	6,600	-	2,951	4.9	570	12.3

Source: National Labour Centre, Budapest, 1992-1995

Table 34 gives more information on the participation of young people in training, the most important labour market programme. The labour centres finance two types of training: training programmes they organise themselves for groups (in co-operation with for example the regional Human Resources Development and Training Centres), and individual participation in training (through training allowances). During the period 1992-1995 the support to individuals has been gaining importance and its share in the total number of trainees increased from 13.0 per cent in 1992 to 38.4 per cent in 1995. Persons under 18 years of age made up 9.1 per cent of the total number of young people participating in labour market training in 1995, down from 15.4 per cent in 1993.

School leavers are one of the target groups of the National Employment Foundation, established in 1992 by the Ministry of Labour with the aim to address issues falling outside the Employment Act, in particular experimental or innovative labour market programmes.[28] After two years of more diverse activities, as of 1994 the Foundation provides only two types of assistance: support to job creation activities concerning its target groups and special labour market services like counselling, information services, etc. In the first half of 1994 the

[27] From February 1, 1994 the employee's and employer's travel costs may be paid from the Employment Fund when a person is hired who has been registered as unemployed for 3 months (in case of school leavers) or 6 months (in case of others).

[28] See: Frey, M. November 1995. *New job creating initiatives outside the mainstream labour market in Hungary*, National Report for the Council of Europe Study Group of Co-ordinated Research in the Employment Field 1995/96. Labour Research Institute, Budapest.

Foundation helped saving or creating more than 6,000 jobs, mainly through wage subsidies, and expenditures amounted to some 4.16 million dollars.[29]

Table 34. Youth participation in training, Hungary, 1992-1995

Year		Training for gaining qualifications			Other kind of training			Total		Grand total
		In groups	Individual	Total	In groups	Individual	Total	In groups	Individual	
1992	School leavers	13,641	2,200	15,841	2,237	163	2,400	15,878	2,363	18,241
1993	School leavers	16,554	6,734	23,288	1,630	392	2,022	18,184	7,126	25,310
	Under 18	2,905	-	2,905	991	-	991	3,896	-	3,896
1994	School leavers	18,187	8,043	26,230	2,734	455	3,189	20,921	8,489	29,419
	Under 18	2,867	-	2,867	905	-	905	3,772	-	3,772
1995	School leavers	10,727	7,966	18,693	3,126	658	3,784	13,853	8,624	22,477
	Under 18	1,543	-	1,543	506	-	506	2,049	-	2,049

Source: National Labour Centre, Budapest, 1992-1995

Since 1993, when the youth unemployment problem became more urgent and visible, several specific initiatives aimed at curbing this alarming tendency have been introduced. In 1993 the government introduced a special youth unemployment action programme named "Give a Chance". One of the programme's main functions was the improvement of the information supply on labour market conditions and opportunities, on labour legislation and on the services of the labour centres. The local labour offices were charged with executing these tasks, together with the regional training centres, and they provided information to school leavers, employers and parents. In 1993 82 per cent of school leavers were covered by the programme. Also, 4,352 young persons attended career orientation courses in that year. In general, the local labour offices started to give more attention to the involvement of school leavers in the various labour market programmes and started to give priority to searching for employment opportunities for young people. They intensified their contacts with local enterprises on this issue and also provided them with information on the conditions for receiving financial support for employing school leavers. Within the framework of the programme new apprentice schemes for school leavers were developed in co-operation with various ministries, mainly for skilled young people.

Also the Employment Act promotes labour market policies for young people. It states that the labour market institutions are also responsible for students finishing their education after leaving primary school and 16-18 year old secondary school drop-outs and are obliged to assist their participation in training. This assistance may take the form of an income

[29] Fóti (1997) op. cit.

replacing benefit or of the payment of training costs (fees, travel costs, counselling related to training, etc.).[30]

Probably the most important change in policies for unemployed young people took place in 1996 when unemployment benefit for school leavers was abolished (see 3.1.1) and were replaced by the School Leavers Employment Programme in a move to give assistance to young unemployed a more active character. The Programme applies to registered unemployed persons under 25 years old who finished their studies not more than one and a half year ago (the age limit is 30 in case of university graduates) and is based on an individual "Work Plan" they elaborate together with the local labour office. The main instrument of the Programme is a wage subsidy paid to employers that employ unemployed school leavers, its level depending on the educational level of the job.[31] The duration of the subsidy can be 270-360 days and the employer should make the commitment to employ the person for at least an additional 3 months. The programme is primarily aimed at giving young people working practice and contact with the labour market. Employers are not obliged to provide further training.[32] There are several sub-components of this Programme: young people can get a temporary (subsidised) job; if needed, they can be trained for this job; and employers may get a subsidy to give young people a job after training.

Co-operation with the National Employment Foundation is envisaged under the Programme, increasing the support to local initiatives concerning training and employment projects, primarily for those with low educational levels. Also measures further increasing regional mobility of youth and support to young skilled persons starting entrepreneurial activities should be part of the programme.

Outside the scope of labour market policies but very important for the number of young people entering the labour market are policies related to education. As discussed in section 3.3 the number of persons with only primary or less education entering the labour market is going down steadily while the participation in higher education is going up. This is not just the result of changes in the decision making pattern of young people wanting to increase their chances on the labour market through more education or wanting to postpone their entrance to the labour market because of its depressed nature, but also of a clear policy by the Ministry of Education to increase participation. Moreover, several attempts have been made to adapt the content of education to the changing socio-economic conditions in the country. The Ministry of Labour, responsible for the content of vocational education, aims to increase the flexibility and adaptability of students by gearing school-based vocational education more and more towards vocational guidance and general vocational training, leaving specialised vocational training to be provided increasingly in enterprises. It issued the National Vocational Training List containing the vocational qualifications recognised by the state, and is trying to adjust training programmes to the new economic situation. Also, the co-operation with the social partners on vocational education and training is increasingly promoted. Still, one of the weaknesses of the educational system remains the fact that the relation between education and the economy has been seriously weakened, especially in the case of the apprentice schools. The economic restructuring process has caused a shift from the location of apprentice training from the enterprise to the school and the number of factory workshops available for practical training, traditionally dominated by the large state enterprises, fell from 3,039 in 1990-91 to 1,617 in 1994-95.

[30] See table 34 for information on the participation of this age group in training activities.

[31] In the case of non-profit organisations also the various social contributions can be reimbursed.

[32] See: Fóti (1997) op. cit.

3.2 Poland

The Polish labour market is based on four pillars[33]: (I) two basic acts on employment and unemployment approved in December 1989 and amended in several occasions in the following years; (ii) administrative and management machinery; (iii) a network of Labour Offices and tripartite Employment Councils; (iv) and the Labour Fund to finance labour market programmes. The National Labour Office and the network of voivodship labour offices and regional labour offices are subordinate to the Ministry of Labour and Social Policy and are responsible for labour market programmes. The Employment Councils, also having a national, voivodship and regional level division, bring together trade unions and their confederations, employers' organisations, state administration and local governments, and they have an advisory function on the promotion of employment, labour market programmes and counteracting unemployment. They can, however, also take a lead role in initiating employment programmes. The Labour Fund is financed by two sources, a contribution by the employers amounting to 3 per cent of wages and a subsidy from the State. Since 1990 the Labour Fund has slowly been growing compared to GDP, from 0.7 per cent to 2.2 per cent (*Table 35*). The State contribution to the Fund covers around 60 per cent of its total value.

Table 35. Social expenditure as per cent of GDP, Poland, 1990-1995

	1990	1991	1992	1993	1994	1995
GDP	100	100	100	100	100	100
Share in GDP (%)						
1. Social insurance fund	7.0	10.7	12.8	13.1	13.6	13.7
- pensions			11.8	11.9	12.4	12.5
- other			1.1	1.1	1.2	1.1
2. Non-contributory benefits	0.9	1.2	1.3	1.1	1.2	1.3
3. Individual farmers benefit	1.6	2.2	2.4	2.5	2.8	2.8
4. Labour Fund	0.7	1.7	2	2	2.1	2.2
5. Family allowances	1.5	1.9	1.9	1.4	1.3	1.0
6. Social assistance	0.5	0.6	0.8	0.8	0.8	0.8
Total	12.2	18.4	21.2	20.9	21.7	21.7

Note: 1995 is estimate.
Source: Ministry of Labour.

3.2.1 Unemployment benefits in Poland

Passive labour market policies absorb the lion share of the Labour Fund. Since 1991 the share of expenditure on unemployment benefits has been around 85 per cent of total expenditure of the Fund, mainly because of the high number of entitled persons. While in 1990 and 1991 79 per cent of unemployed were entitled to benefits, this percentage dropped dramatically to 52.3 per cent in 1992 and 48.3 per cent in 1993. Later it went up again for two years and in 1996 it decreased again to 53.5 per cent (*see Table 36*).

[33] See: Kabaj, M. (1996)

Concerning unemployment benefits for young people, in January 1990 a rather generous school leavers benefit was introduced. For graduates from higher education the benefit amounted to 200 per cent of minimum wage during first three months, 150 per cent of minimum wage during next three months and 100 per cent of minimum wage up to 12 months. For graduates of vocational schools it was 150 per cent of minimum wage during first three months and 100 per cent of minimum wage up to 12 months. Secondary school leavers were initially not entitled to benefits but became so in September 1990. However, when unemployment started to rise the benefit was scaled down gradually and finally abolished in March 1996.[34]

Table 36. Unemployed not entitled to benefits, Poland, 1990-1996

	Unemployed		
	Total unemployed	Not entitled to benefits	
	('000)	No. ('000)	%
1990	1126.1	234.4	21.0
1991	2155.6	452.6	21.0
1992	2509.3	1197.7	47.7
1993	2889.6	1495.3	51.7
1994	2838.0	1415.3	49.9
1995	2628.8	1079.9	41.1
1996	2508.3	1165.7	46.5

Source: Ministry of Labour.

3.2.2 Active labour market policies in Poland

Poland has a broad set of active labour market policies, the main ones being training and retraining, intervention works and public works. Intervention works (or job subsidies) have been receiving the highest amount of funds in 1991-1995 (*see Table 37*). Public works, initiated only in 1992, rapidly grew to become the second most important active programme. The share spent on training increased until 1993 to slowly decline afterwards, while the share spent on start-up loans declined from 2.9 per cent in 1991 to 1.05 per cent in 1995.[35]

In general, young unemployed are considered as a priority target group for active labour market policies because of the precarious position. Important specifically for young people are apprentice subsidies. Subsidies to the salaries of apprentices are not considered part of active labour market measures in Poland and there have even been plans to move this item out of the Labour Fund.[36] Their share in the Labour Fund has been falling during 1991-1995 and constituted 2.8 per cent in 1995 down from 8.93 per cent in 1991. Intervention works also cover by far the largest number of people while the number of people involved in training or retraining is very low, only around 0.5 per cent of all unemployed in 1995 (*see Table 38*). The total number of persons involved in the three programmes mentioned does not get much higher than 7 per cent of all unemployed.

[34] Like in Hungary this was part of an attempt to give school leavers programmes a more active character (see 3.2.2).

[35] In 1990, at the beginning of transition, the expenditure structure was very different. Active labour market policies accounted for 32.06 per cent of Labour Fund expenditure with start-up loans being the biggest programme, absorbing 25.99 per cent of the total Labour Fund. The share of intervention works in the total sum was 5.65 per cent and of training and retraining 0.43 per cent while public works were not used yet. Salaries for apprentices made up 13.86 per cent of the Fund's expenditure in 1990.

[36] Góra, M. 1997. 'Employment policies and programmes in Poland' in: Godfrey, M. and Richards, P. *Employment policies and programmes in Central and Eastern Europe*, ILO Geneva. Poland is the only country in Central and Eastern Europe where apprenticeships can (partially) be financed from the Labour Fund.

Table 37. Labour fund expenditure structure, Poland, 1991-1995

	1991	1992	1993	1994	1995
Unemployment benefits	82.05	86.29	83.91	83.76	84.7
Active labour market programmes	6.97	4.7	11.11	12.79	11.9
- training and retraining	0.66	0.85	1.41	1.34	1.01
- intervention works	3.33	2.06	4.28	5.5	0.66
- public works	-	0.76	3.75	4.72	4.01
- loans	2.97	1.04	1.67	1.24	1.05
Salaries for apprentices	8.93	7.84	4.14	2.85	2.8
Other	2.05	1.17	0.83	0.6	0.6
Total	100	100	100	100	100

Source Ministry of Labour.

Table 38. Participants in labour market programmes at end of month, Poland, 1995-1996 ('000)

	Total registered unemployed	Persons in training or retraining	Persons at intervention works	Persons employed in public works
March 1995	2753.8	13.2	98.4	28.4
Sept. 1995	2657.2	11.9	102.4	68
March 1996	2726	15.8	78.2	20.0
Sept. 1996	2341	9.8	73.7	55.1

Source: Ministry of Labour.

There have been several special active programmes prepared for young people during the transition period but apart from the apprenticeship programme only few were actually implemented until 1995 when the government approved the Youth Unemployment Counteracting Programme (or Promotion of Youth Vocational Activity Programme). According to the programme problems concerning employment and unemployment of young people should be considered as an integral part of the general economic problems. Fighting youth unemployment should be done mainly by promotion vocational activity through a combination of short-term measures, generally in the form of local level solutions through co-operation between employment services, educational inspectorates and other labour market partners (e.g. training and retraining), and long-term systemic changes (such as a vocational education reform). It clearly recognises that the youth unemployment problem should be a policy priority not only for the Ministry of Labour but also for other relevant ministries, the social partners and local governments.

The programme is based on the following principles:

- preference of work over unemployment, especially concerning the first job;
- preference of salary over benefits;
- preference of active measures over protective measures;
- preference of training over unemployment.

The Programme aims at profound reform and modernisation of the education system including increasing secondary education, giving vocational education a more general orientation, improving vocational counselling, improving labour market information and strengthening the involvement of among others the social partners in education.[37] Especially the role of employers in defining the content of vocational education is supposed to be strengthened. Labour offices should increase their contacts with enterprises and promote the placement of young unemployed. The Programme further proposed to reform the school leavers benefit system to increase incentives for job-searching and simultaneously strengthen vocational activity. It argued that financial means spent on school leavers benefits should rather be used to reward their participation in active programmes.[38] This reward amounts to up to 50 per cent of minimum wage and can be paid up to 12 months. It can be used to finance a trainee wage for young unemployed when the employer ensures training during 12 months covering at least 50 per cent of working time; scholarships for combined training and education; training grants; and stimulation of volunteer work. Apart from this the Programme includes an obligation for State institutions to directly increase employment for young people trough the reservation of one-third of their vacancies for them.

In June 1997 the first evaluation of the Programme will be presented to the parliament. Preliminary results indicate a high participation of school leavers in active labour market programmes. They also suggest that the involvement of the social partners is unsatisfactory until now and that the budget institutions have not been able to comply with the one-third rule. The real results of this comprehensive and long-term Programme can only be judged after several years.

[37] For an overview of the actions planned under the Programme see Annex table 2.

[38] This has led to the abolishment of the school leavers benefit as mentioned in 3.2.1.

4. Concluding remarks

There has been an increasing recognition of the need to attend the youth unemployment problem in the two countries discussed in this paper. Without any doubt young people have rapidly become one of the more vulnerable groups on the labour market although their position is much worse in Poland than in Hungary. Recently in both countries the approach towards youth unemployment has become much more an active one, replacing passive policies by active ways of providing young people with additional training, financing first work experiences and intensifying vocational guidance and labour market services. Also, in both countries much emphasis is put on reforming the education system as an instrument to improve the chances of young people to find employment. Still, for the time being the most important labour market programmes for young people (or the programmes in which their participation is high) focus largely on training, which in their case is to a large extent a substitute for insufficient education, indicating that the reform of education is not proceeding as fast as may be required.

Moreover, while it seems in Hungary the youth unemployment problem is quite well under control, in Poland, taking into account the extent of its youth unemployment and the projected demographic developments, much more effort seems to be necessary if further aggravation of this problem is to be avoided. The fact that employment is growing only very modestly and that the number of new entrants is, and will remain high, makes the labour market prospects for young people look gloomy. Therefore, it seems necessary to extent youth policies and strengthen the commitment of the various actors involved, especially the social partners. This refers especially to the need to further re-establish the links between vocational schools and enterprises. Also, policies should be based on controllable results and the parties involved should fulfil their obligations (like in the case of the budget institutions that are supposed to fill one-third of their vacancies with young people).

However, it has become clear that youth unemployment is strongly dependent on general labour market developments and ultimately on the speed and sustainability of economic restructuring, economic growth, employment creation and educational reforms. Successes in all these areas are needed to really alleviate the problems faced by the young. Labour market policies also play an important role, however, in the present economic circumstances their impact is likely to remain limited. Initiatives aimed at improving the position of young people should cross the borders of the various ministries or departments in a much broader sense than at the moment and youth unemployment should become a priority target of general socio-economic policy.