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Income Support for the Unemployed in Hungary

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INCOME SUPPORT FOR THE UNEMPLOYED IN HUNGARY

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Abstract

Much of current comment on unemployment compensation schemes in Eastern Europe appears to be based on consideration of only a limited range of the parameters in these schemes and with little attention paid to other sources of income support for the unemployed. Such an approach is inadequate and may give a misleading picture of both living standards and incentives to work. The paper considers in detail the functioning in principle of the income support system for the unemployed in Hungary. Some aspects of the functioning in practice of the central element - unemployment compensation - is then analysed using data from administrative sources. Payments do not appear to be particularly generous. The potential use of these data in econometric duration analysis is outlined.

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1. Introduction

Unemployment compensation has an important role to play in the economic transformation of Eastern Europe as the countries of the region face up to substantial open unemployment and re-structuring of their labour markets. It is correspondingly important therefore that emerging systems of income support for the unemployed are subject to careful scrutiny. Are living standards of the unemployed adequate? Do the new unemployment benefit schemes create disincentives to work? Are there aspects of the benefits which help the operation of the labour market?

Much of the comment on the emerging benefit schemes seems to reflect an unfortunate aspect of the debate on these issues in the West: there is a tendency to draw conclusions based on inadequate evidence of the operation of systems of income support for the unemployed. It is not sufficient to merely look at the nominal replacement rate and duration of benefit which apply to an unemployed person who qualifies for unemployment compensation. And yet this seems to be the extent of the evidence on which some analysts of Eastern European labour markets now base their conclusions.

Experience in Western countries has shown that it is essential to consider the operation in practice of unemployment benefit schemes. How these work on the ground may differ considerably from that suggested by social security manuals. This has implications for coverage and actual benefit levels paid. The existence of other benefit schemes which may provide some income support to the unemployed needs to be taken into account, as do other sources of income together with the incomes of the families of the unemployed and the personal income tax system. The conclusions which are drawn about the level of income support for the unemployed and the likely impact of unemployment compensation on behaviour may be substantially altered when all these factors are taken into account. Support may appear either more or less generous than previously seemed the case.[1]

In this paper I look at some of these important aspects of income

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[1] Even then it might be argued that it is only with robust econometric evidence of the impact of benefits in Eastern Europe that reliable conclusions could be drawn; the many differences between OECD and Eastern European labour markets mean that considerable caution is needed if extrapolating from evidence relating to the former. And the paucity of robust evidence in much of the OECD area is a reminder that reliable estimates in Eastern Europe may be hard to obtain. (This evidence is reviewed in Atkinson and Micklewright, forthcoming).

support for the unemployed in Eastern Europe. How do benefit systems work in practice? What other incomes are available to the unemployed? One of my principal aims is *assess the information* on which the continuing debate on unemployment compensation in Eastern Europe should be based.

I consider income support for the unemployed in just one country, Hungary. This choice is determined by three factors. First of all, Hungary was (as far as I can ascertain) the first Eastern European country to introduce a proper unemployment benefit scheme, this occurring in January 1989.[2] The Hungarian experience therefore covers nearly three years. Much of this has been in the context of a very low level of official unemployment but as Figure 1 shows the latter part of the period has seen unemployment accelerate rapidly to reach a figure of 5 percent by August 1991 (the distinction between official and unregistered unemployment is discussed later).[3] Secondly, the operation of the Hungarian benefit system has generated a rich source of administrative data on unemployment spells. I try to demonstrate how these data can reveal important information about the process of unemployment and the payment of unemployment benefit in Hungary. The data give only part of the picture but it is important that they are exploited at a time when concrete information is at a premium. Thirdly, a completely new unemployment benefit scheme was passed into law by the Hungarian parliament in Spring 1991. Does this reform of the existing scheme provide lessons - positive or negative - for other Eastern European countries? Was there sufficient evidence at the time on income support for the unemployed in Hungary to ensure that this major reform dealt with the existing problems?

Section 2 describes the 1989 and 1991 Hungarian unemployment benefit systems and other relevant sources of income for the unemployed in Hungary. The purpose of this section is to show the range of factors influencing incomes in Hungary which need to be taken into account and to discuss how the income support system for the unemployed should work in principle. Section 3 provides some information on how the central element of this system, unemployment benefit, actually has worked in practice. I discuss the numbers of unemployed who qualify for benefit, the actual levels of benefit paid, the

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[2] Ferge (1991) notes that earlier schemes listed in standard international reference works on social security did not function as genuine unemployment benefit systems.

[3] The composition of registered unemployment in Hungary is discussed in Hars et al (1991).

administration of the system, and the duration and reasons for termination of spells of benefit receipt. Section 4 concludes. The paper does not include analysis of household survey data on the incomes of the unemployed nor do I provide any econometric evidence; the phenomena of unemployment and unemployment benefit are too recent in Eastern Europe for the necessary data to be readily available. But I do discuss how the administrative data on benefit spells collected in Hungary could be used in econometric analysis were they to be released.

I concentrate on unemployment compensation to the exclusion of any discussion of "active" labour market measures such as re-training and job creation schemes. These too need careful evaluation for which there is insufficient space in this paper.[4]

2. The Income Support System for the Unemployed

The starting point for any current analysis of income support for the unemployed in Hungary is the 1989 and 1991 unemployment compensation schemes. Some of the principal features of these are given in Tables 1 and 2. In essence, the 1989 scheme paid at most two years of benefit to someone who had spent at least half of the previous three years in employment. Benefits in both the first - Unemployment Benefit (UB) - and second years - Temporary Allowance (TA) - were related to past earnings and were not subject to a means-test. Funding of both benefits was from the state budget. The 1991 scheme (which came into effect in July) represents a change to an explicit system of Unemployment Insurance (UI) funded through contributions from both workers and employers, benefit again being related to past earnings. In addition a new flat-rate benefit is introduced for young entrants to the labour force.

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[4] There exists a view that governments should concentrate resources on schemes to provide training, employment opportunities or grants for new businesses and should provide only a minimum level of unemployment benefit. But the type of active labour market measure and the operation on the ground are important. In 1989 the Hungarian government set-up a scheme providing loans for new businesses to unemployed persons at zero interest for the first four years. The scheme was abandoned in mid-1990 amid allegations that it was being exploited by members of the outgoing Communist administration and that it was encouraging persons to register as unemployed solely to qualify for the loan.

i) Benefit levels and entitlement periods

The two features of the 1989 scheme which appear to have attracted the most attention are the benefit-earnings replacement rates and the duration of benefit entitlement. In principle, the initial replacement rate of 70 percent of earnings applies in both the 1989 and 1991 schemes to fresh claims initiated through lay-off. How should one judge this level of earnings replacement? Jackman and Layard (1990) describe it as "relatively high" (p.10), an implicit comparison appearing to be made with replacement rates in Western countries. For those who face being made redundant a high replacement rate can be thought of as playing a positive economic role, since it provides an incentive to workers to accept the redundancy and allow re-structuring to take place; concern about disincentives to return to work should be about the ratio of benefit to *prospective* rather than past earnings. However, the principal point I wish to make is that a uni-dimensional comparison is quite insufficient; other differences between countries need to be taken into account when comparing replacement rates.

One of these is the tax treatment of earnings and benefits. In Germany, for example, the initial replacement rate for a claimant qualifying for UI is 63 percent but this is applied to previous earnings net of income tax with benefit then being untaxed. Benefits in Hungary on the other hand are calculated as a percent of gross earnings and then are subject to income tax. The progressive personal income tax (introduced in 1988) implies that the average tax rate applied to unemployment benefit may be lower than that on previous earnings. In this case the net replacement rate will rise above 70 percent. In fact this will always be the case since a lower rate of social insurance deductions applies to unemployment benefit than to earnings (see Tables 1 and 2). Moreover, the substantial changes that have occurred to the rate structure of the personal income tax system since its introduction in 1988 together with the different rate of social insurance deductions applied to unemployment benefit under the 1991 scheme (a zero rate) mean that the initial "net" replacement rate is not the same under the 1989 and 1991 schemes, unlike the "gross" rate of 70 percent.[5] Consideration of the deductions applied to benefits and earnings imply that effective replacement of earnings in the Hungarian unemployment compensation scheme is in fact

[5] In 1989 there were 8 marginal income tax rates (including zero); in 1990 there were 5.

greater than has been realised by some commentators.

The failure to consider the lack of indexing of gross earnings in the benefit calculations implies the opposite. Benefit in Hungary is calculated on the basis of average monthly earnings with the last employer. Where the last job was held for the previous 12 months, it is the average throughout this period which apparently applies with no indexing for wage movements either before or during the unemployment spell.[6] This has implications for both living standards during unemployment and the ratio of benefit to prospective earnings. The difference from a situation where earnings are indexed (or where benefit is based on earnings in a short period immediately prior to unemployment, as in some Western European schemes) may be significant even for those claimants who enter unemployment direct from employment. The absence of any indexing has a negative impact on effective earnings replacement, the purchasing power of the benefit being lower than suggested by the gross replacement rates. Average industrial wages in the first six months of 1991 were 35 percent above their level in the equivalent period in 1990; consumer prices rose by 17 percent in 1989, by 29 percent in 1990, and at an annual rate of 36 percent in the first six months of 1991 (Kozponti Statisztikai Hivatal, 1991, pp.19 and 39). Inflation at this level results in a substantial erosion of the purchasing power of unemployment benefits and lower ratios of benefit to prospective earnings than would be suggested by the parameters of the scheme. And as a result the simple comparison of the gross replacement rate in Hungary with that in other countries may again be misleading.

Discussion of the adequacy of income support or the incentives to work implied by the benefit formula is complicated by the existence of a *minimum* level of benefit and by the special provisions which surround this. The (gross) minimum benefit payable is linked to the prevailing minimum wage in both the 1991 scheme and in the previous system (1990 only). Since the minimum wage has been raised several times a year during 1989-91 (see Table 3) this means that benefit paid under the provisions relating to the minimum level has been periodically indexed. Indeed, there have been real increases in benefit levels linked to the minimum wage; the average level of the minimum wage in 1990 was 35 percent higher than in 1989 (weighting the figures in

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[6] If the time with the last employer was less than 12 months then it is the monthly average over the period for which the job was held which is relevant.

Table 3 by the number of months for which each figure applied) compared to the figure of 29 percent for prices noted above.

In principle, benefit was subject to a floor of 80 percent of the minimum wage in 1990 and 100 percent from 1991. This might appear to imply that the floor under the 1991 scheme for all those persons with previous earnings less than or equal to 1.43 times the minimum wage will be the prevailing minimum wage. The numbers of persons potentially affected would appear to be large: some 22 percent of full-time employees in September 1990 fell into this category - see Table 4 (8,000 forints per month is 1.43 times the minimum wage of 5,600 forints for September 1990 shown in Table 3). In practice however, this calculation is misleading since under the provisions determining minimum benefit, if the previous average earnings which are taken as a basis for the calculation fall *below* the prevailing minimum wage, benefit is set equal to that previous average earnings level. This provision may apply not infrequently since the minimum wage is periodically adjusted but previous earnings are not indexed when calculating benefit.[7] Although these benefit payments are also adjusted (proportionately) in line with increases in the minimum wage the absolute level of benefit is clearly less.

Figure 2 summarises the provisions relating to the UB and UI formulae in 1990 and 1991. Benefit is shown on the vertical axis and earnings on the horizontal axis, both as a percent of the minimum wage (all calculations refer to gross amounts). The solid line shows the benefit-earnings schedule in 1991; the dashed line indicates the 1990 schedule where there was any difference. The schedule depicted is that which applies in the first half of the entitlement period to benefit (and in the case of the 1990 scheme to a person entering unemployment through layoff). The 1991 schedule has two flat segments implying fixed levels of benefit. These are when previous earnings are between 1.0 and 1.43 times and above 4.29 times the current minimum wage (the latter situation resulting in benefit at the maximum level). There are two positively sloped segments during which benefit is 100 percent or 70 percent of previous average earnings. The distribution of actual benefit

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[7] Current wages can also be less than the prevailing minimum (Tables 3 and 4 suggest that this was true for some 5 percent of full-time employees in September 1990). One reason for this is that the minimum relates to the situation where all performance targets are met. When orders are low, manual workers paid by result could legally be paid less than the minimum. I am grateful to Maria Lado for discussion on these and other points relating to the minimum level of benefit.

payments across these four possible segments is an empirical question which remains to be established. It is worth noting that the 1991 scheme removed what appears to have been an anomaly in the 1990 scheme. A strict interpretation of the rules applying in 1990 given in Table 1 suggests that benefit *fell* when previous earnings rose above the current minimum level and did not reach the earlier level again until previous earnings reached 1.43 times the current minimum. Whether these arrangements were actually applied in practice is unclear to me.

The second aspect of the Hungarian scheme which has attracted critical attention among Western analysts is the duration of benefit entitlement. There is a view among some writers that the duration of benefit has more effect on incentives than its level (e.g. Jackman et al, 1990) although the evidence produced in support of this claim is far from conclusive (with the exception of some high quality results based on principally US microdata - see Atkinson and Micklewright, forthcoming). The total of two years of benefit under the 1989 scheme might be thought to have resulted in a disincentive problem. Two points need however to be borne in mind. First, the duration of entitlement should not be seen as a separate issue from the benefit level; the formal reduction in the replacement rate over the benefit period in Hungary is important to bear in mind as is the lack of benefit indexing. Secondly, the treatment of those persons recurrently unemployed is important. Entitlement to UB under the 1989 scheme was to 12 months *in a three year period* and not to 12 months in the case of each claim satisfying the conditions for benefit.[8] A person who had a spell of 9 months of UB receipt in the 1989 scheme would be able to draw UB for a total of only 3 more months in the next two and a quarter years; entitlement would therefore soon expire if subsequent unemployment occurred.

ii) Other parameters of the 1989 and 1991 schemes

There are several other important aspects of the unemployment benefit schemes in Hungary besides the benefit rates and entitlement periods. An aspect of unemployment schemes which is frequently overlooked by economists is the administrative sanctions against "voluntary" unemployment which may be present. Both the 1989 and 1991 schemes allow for sanctions against those

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[8] Although I have been unable to establish the details I understand that some similar arrangement exists in the 1991 scheme.

whom the authorities believe are not making sufficient efforts to find work. Benefit can be withheld from those who "fail to co-operate" with the employment centre where they are registered, and the wording of the relevant legislation suggests that the interpretation of these circumstances could be broad. Benefit is again discontinued if the claimant "refuses a suitable job or training possibility" suggested by the employment centre. In the 1991 scheme a job is considered suitable if the wage is equal to the unemployment benefit; this implies that in principle an individual cannot set his or her reservation wage greater than the level of unemployment benefit without fear of disqualification, something not allowed for in the standard treatment of unemployment benefit in the theory of job search (Atkinson and Micklewright, forthcoming). These sanctions may of course be much less easy to apply in a time of high unemployment when greater demands are placed on the time of employment centre staff but their existence cannot simply be ignored.

Sanctions may also be applied at the time of the initial claim. The decision to voluntarily quit work and enter unemployment or to shirk on the job in such a manner to risk being fired can be expected to be influenced under the 1991 scheme by the regulations suspending entitlement to benefit for 3 months. No such regulations applied in the 1989 scheme which simply paid a slightly lower rate of benefit. Judgement as to the appropriate penalty for voluntary unemployment is difficult without concrete evidence as to the impact of the previous provisions. The knowledge that voluntary quitting does not lead to denial of benefit may increase the incentive for the unemployed to take jobs which may turn out to be unsuitable. This may be important in the present period of rapid labour market change when the "quality" of new jobs being generated is uncertain. For this reason, the 1991 change is not necessarily an improvement.

The eligibility conditions for benefit (which were relaxed by the 1991 scheme) are discussed further in the next section. Finally, although the funding of unemployment compensation is not central to the main purpose of this paper, the difference in arrangements between the 1989 and 1991 schemes is sufficiently important to be worthy of comment. Payments from both workers and employers in the latter are made into a "Solidarity Fund" which may have some important psychological value and may help to de-stigmatise benefit receipt. It also implies re-distribution from those in safe to risky jobs although the same is true of funding from progressive personal income tax via the state budget. A separately identified employer contribution would allow

a system of experience-rating, as in the US, in which the employers' payments are (positively) related to their past lay-off behaviour, although such a move should be avoided for the foreseeable future since it could be expected to discourage enterprise re-structuring.[9]

iii) Other sources of income support

The discussion to this point has focused on the explicit unemployment benefits that a person entering unemployment may or may not receive under the unemployment compensation schemes introduced in 1989 and 1991. But both adequacy of income support and incentives to work will be affected by other sources of income available to unemployed people.[10] In several respects these are very different to those in Western labour markets.

First, a prominent feature of the Hungarian labour market is the occurrence of second jobs. Survey data for 1989 indicate that (i) some 60 percent of households had a small agricultural plot, (ii) in 36 percent of households at least one individual had income from a second job, and (iii) 12 percent of households reported "invisible" income from tips, illegal jobs etc; the monthly averages of gross income in 1989 from these sources for those households in receipt were 2,825, 4,454, and 2,430 forints respectively which may be compared with a figure for average gross earnings in "first" jobs of 10,458 forints (Kupa and Fajth, 1990, Table 2.6/a and Appendix Table 8). Both the proportions of households with such income and the average amounts in payment rose with the level of household per capita income (the exception was the incidence of agricultural plots). This suggests that the importance of second economy income to households experiencing unemployment will depend on from where in the income distribution the unemployed are drawn. If the claimant has a second job which continues during unemployment, then this will contribute to living standards while unemployed and the ratio of total income received to that when fully employed is higher relative to the situation where there is no second job. On the other hand, if the second job is associated

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[9] The contribution rates in the 1991 scheme appear to be unsustainably low on any reasonable prediction of the future course of unemployment.

[10] The standard job search model requires an assumption of risk aversion or utility from leisure before income unaffected by employment status enters the calculations (e.g. Atkinson and Micklewright, 1985, chapter 5).

with the first economy workplace, unemployment may lead to the loss of both jobs and living standards when unemployed will be determined by unemployment benefit alone; the drop in income in this case will be greater than if no second job was held.

Critical here is the treatment of second job income in the rules of the unemployment compensation system. This seems unclear. On the one hand the legislation introducing the 1991 scheme notes that benefit is to be paid only to the "unemployed" defined as a person "engaged in no other work done for remuneration" (Act IV of 1991 on Employment Promotion and Provision for Unemployed Persons, Article 58). On the other disqualification from benefit in the case of "gainful activity" (Article 28) is applied only if the income from this exceeds the minimum wage (there is no tapered cut-off). This would appear to be very permissive and there is in addition that work which is not reported to the benefit authorities and goes undetected.[11]

Consideration of second jobs shows how important it is to have household survey data recording all the incomes of unemployed persons. The same applies to incomes of (or in respect of) other household members. The presence of other persons in the claimant's household may influence the unemployed person's living standards either way. Where an unemployed person has a spouse who is employed, per capita household income may be higher, depending on the level of the spouse's earnings. If the spouse has any income then the *ratio* of household income with one partner unemployed to that where both work will always be higher than the unemployed partner's benefit/earnings ratio alone. The high incidence of two-earner families, with both partners in full-time work, in Hungary (as in other Eastern European countries) needs to be borne in mind. This again is a difference from most OECD countries where participation rates of married women are typically lower.

The presence of children in the households of the unemployed is a reminder that the unemployment benefit system must not be viewed in isolation from other parts of the social security system. An important source of income security for the Hungarian unemployed with children is provided by universal family allowance, payable in respect of every child up to the end of schooling. In September 1990, the monthly payment for a two-parent family

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[11] The problem of the treatment of subsidiary income arises in other Eastern European countries. Gora (1991) notes that persons in the large class of "peasant-workers" in Poland who combine wage employment with working their own land are not entitled to unemployment benefit if they lose their job.

with two children represented 38 percent of median gross monthly earnings.[12] This level of support is very generous (relative to wages) in comparison to that provided by similar schemes in many Western European countries (although the continuation of payments in the future at this sort of level cannot be taken for granted). The effect of the family allowance is to raise the household income replacement rate, since the payment is unconditional on the employment status of the parents.

On the other hand, means-tested social assistance benefit of last resort is restrictive in Hungary, and does not appear to be a scheme on which the unemployed who have exhausted benefit or who do not qualify could expect to rely.[13] This situation also contrasts with that in much of Western Europe (but is similar to that in the US) where means-tested social assistance is more widely available for the unemployed (in the UK it is the most important source of income support for the unemployed stock).

As an example of the difference that consideration of the family can make to the picture of income support, assume that an unemployed man receives 5,000 forints (net) per month in unemployment compensation, with previous net earnings of 7,000 Forints (assuming away the lack of indexing). If he has a wife earning 5,000 Forints then the household income replacement ratio rises from 71 percent to 83 percent. With two children and a family allowance of 4,140 Forints (in the first half of 1990), the replacement rate rises to 88 percent.

These sorts of calculations are illustrative of the possible differences which household composition and other sources of income can make. However, they are not a sufficient basis on which to judge policy reform. It may be that the participation rate of wives of unemployed men is lower than average, as in OECD countries (Micklewright and Giannelli, 1991). The joint distribution of wages of two earner families needs to be considered. Second economy income could alter the picture either way. Experience in OECD economies has shown the importance of using survey microdata on a representative sample of the unemployed containing full information on their

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[12] Family Allowance for such a family was raised in August 1990 to 4,340 forints per month (figure supplied by Ministry of Social Welfare). Median gross earnings for full-time workers in September 1990 was 11,290 forints per month (interpolated linearly from Table 3).

[13] Some details concerning receipt are given in World Bank (1991) and Zam (1991).

family and household characteristics and the different income sources (e.g. Atkinson and Micklewright 1985, Moylan et al 1984). The collection of household survey data on the unemployed in Hungary to aid assessment of the income support system must be seen as a matter of urgency.

3. Unemployment Benefit in Practice

Some aspects of the unemployment compensation system can be assessed using data collected as part of the administration of benefit payments. It is particularly important to exploit such data during the early years of a new benefit scheme. A good example of this is provided by the investigations of the British Ministry of Labour in the inter-war period in which the record of unemployment benefit claims over a number of years was examined for a one percent sample of the labour force. This showed clearly the inadequacy of the original system of unemployment insurance in Britain set up in the 1920s.

In the case of Hungary, the National Labour Centre (NLC), which is responsible for the payment of unemployment benefit and the administration of the employment service, collects detailed information on each spell of unemployment compensation receipt. This information is stored in computerised form, first on PCs at the local employment offices and then in centralised records. This procedure has been followed from the first introduction of unemployment compensation in January 1989 and is a reflection of the development of the employment service in earlier years (registration of unemployed job seekers first began in 1986). I refer to this source as the "benefit spell" data in what follows. The process of job matching and benefit calculation requires details of each claimant's age, sex, partial work history, previous job earnings, occupation and skills; these are recorded for each successful claim for unemployment compensation together with the level of benefit payment. When the spell of benefit is finished a code is added to the computer record indicating the reason for the end of payment e.g. new job, retirement, death, disqualification.[14]

The NLC benefit spell data represent a rich source, providing information on important aspects of the complete population of spells of

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[14] The NLC publishes a monthly bulletin which draws on these data together with information from the unemployment register. I refer to this bulletin in the references as NLC (1991).

unemployment in which unemployment compensation was paid. This section draws heavily on these data. The source has two principal drawbacks. The first is the restriction to successful benefit claims; there is no information on spells of unemployment in which no unemployment compensation is paid. The second is the limited range of information; since the NLC benefit spell data is an administrative register, a range of information relating to claimants' households is missing which would be necessary for a full appraisal of the adequacy and behavioral impact of the income support system - even one restricted to those unemployed who do receive benefits.

In this section I analyse NLC benefit spell data from 1989 and 1990 which provide information on the operation of the 1989 unemployment compensation scheme. The section is in three parts. First, I look at the *coverage* of unemployment compensation; what proportion of the unemployed received benefits under the 1989 scheme? Secondly, information on the *level of payments* made in the system is analysed; how generous has unemployment compensation been in practice? Thirdly, the labour market *exit states* from spells of unemployment compensation receipt are considered; how do spells of benefit receipt finish in Hungary?

i) coverage of unemployment compensation

Taken at face value the available national statistics on benefit coverage appear quite encouraging. For example, in December 1990, the numbers of persons receiving unemployment compensation under the terms of the 1989 scheme (UB or TA) represented 78 percent of the total registered unemployed (Table 5). Not only is this figure high by international standards but the numbers of those unemployed without benefit include some who are receiving training allowances (such persons would normally be excluded from the official count of unemployment in Western countries).[15] (Reasons for the lack of benefit among other registered unemployed are discussed below.) There are two sets of reasons however why some caution is needed when interpreting what seems to be a reasonably optimistic picture of coverage of registered unemployment. Both may be expected to be of general importance in the labour

[15] The data sources for the count of registrants and of benefit recipients are in fact separate in Hungary and despite official procedures being to the contrary benefit recipients may not always form a sub-set of registrants (Hars and Nagy, 1991).

markets of other Eastern European economies in transition.

First, the high coverage is of the officially *registered* unemployed, rather than the total of those persons looking for work. Those unemployed who do not register with the employment service to claim benefit will not enter the figures. The distinction between unemployment defined on an administrative criterion of registration and a behavioral criterion of search has been shown to be important in the OECD area. It is possible that the benefit coverage of searchers is little different from that of the registered unemployed. This appears to be the case in Britain; the two totals of the unemployed are very similar (there are large numbers of registered unemployed who are not actively searching for work but there are similar numbers searching who are not registered (Micklewright, 1990)). The picture in Hungary in 1990 appears to have been very different. Evidence from the population census held in January 1990 shows that the number of persons who considered themselves unemployed at that time exceeded the numbers officially registered by a factor of five: 110,000 in the census (Lado et al, 1991, p.12) compared to 23,000 registered. The wording of the relevant questions on unemployment in the census was apparently simple and the results cannot be considered as reliable as those given by the more sophisticated design of questions in household interview labour force surveys used in OECD countries (see OECD, 1987, chapter 5). This is one reason why the initiative of the Hungarian CSO to start such surveys in 1991 is so welcome.[16]

The ratio of registered to unregistered unemployment may well be higher in late 1991 than suggested by the 1990 census results: it seems unlikely that the true unemployment rate was over 20 percent in August 1991. Nevertheless the problems of unregistered unemployment and a failure to claim benefits are likely to persist to some degree. Why does this occur? One problem concerns the way claims to benefit are handled. The research by Nagy (1991) suggests that in 1989 there were significant numbers of unemployed persons in Hungary who despite being eligible for unemployment compensation under the 1989 scheme did not in fact receive benefits. Nagy investigated in detail the entitlements and claims of a sample of persons who had spent time registered

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[16] The CSO conducted a one-off labour force survey of some 30,000 households during April-June 1991 and the intention is to conduct a regular survey with a quarterly rotating sample starting in 1992. A number of authors have rightly argued the need for measures of unemployment in Eastern European countries based on a job search criterion as would be permitted by labour force surveys (e.g. Estrin and Pissarides 1991, Gregory 1991).

as looking for work at eight employment offices in an area of above-average unemployment in mid-1989. He concluded that only a little over one quarter of those 376 persons in his sample who appeared to have a satisfactory work history for UB had actually made a successful claim.

The most important cause of non-receipt among those apparently eligible was the failure to make a formal claim: some 85 percent of formal claims were in fact successful. It might be thought that the low rate of claims was due to ignorance of the existence of unemployment benefit in what was the first year of the scheme's existence. However, Nagy concluded that the failure to make a claim was not in general due to lack of information on the part of the unemployed. On the contrary, the employment office clerks recorded large numbers of unemployed as having expressed a need for unemployment benefit. But,

> "Asking for aid and applying for it are two totally different things. Whether a request becomes a written application depends decisively on the clerks: they are supposed to provide and collect the forms, they are to turn an oral request into an official case. Our experiences prompt us to say that benefit applications are preceded by a selection based on several arguments" (Nagy, 1991).

In other words, employment office clerks, it is argued by Nagy, systematically discouraged eligible unemployed individuals from claiming benefit.

There is a clear potential for administrative mistakes in the early phase of the first unemployment compensation scheme in a transition economy; it takes time for local office staff to become familiar with the rules. However, error free of any motive is likely to be both Type I and II. Nagy's investigations in Hungary suggest that local staff in 1989 were erring more in one direction and making substantial Type I error; this appeared to be due to a combination of their own view of the purpose of the employment office (finding jobs and providing benefit only as a last resort) coupled with a prejudice against the unemployed.

A negative official attitude towards unemployment at the "sharp-end" of the benefit system may, where it exists, be primarily a feature of the initial period of labour market change in transition economies. It is at least to be hoped so, although "hassle" and stigma are features of social security in OECD economies too and a certain amount of such error is likely to be remain in the

social security system of any country.[17] The employment service in Hungary has expanded significantly since mid-1989 and staff recruitment and training have received careful attention. Nevertheless, Nagy's findings for Hungary are a reminder that unemployment benefit systems often may not follow the "rule-book" operation that many who comment on their impact assume.

The second reason for caution when viewing the coverage figures stems from the type of unemployment at the time. The apparently high coverage of unemployment benefit (UB) at the end of 1990 in part reflects the small amounts of long-term and recurrent unemployment so far experienced in Hungary. These types of unemployment will erode coverage through exhaustion of entitlement to limited duration benefit. Both have been prominent features of the experience of unemployment in the "mature" labour markets of OECD economies; those unemployed over a year represented more than 40 percent of the unemployed stock in 1987 in all but two European Community countries (CEC, 1989, p.119); one-half of the male inflow into registered unemployment in the UK in Autumn 1978 had a spell of registered unemployment in the previous 12 months (Moylan et al, 1984, p.24). Both factors have contributed to the low coverage by unemployment insurance in several countries: in Britain and West Germany, only one-quarter and two-fifths respectively of the registered unemployed stock were in receipt of insurance benefit in 1988 (Micklewright, 1991, Table 1).

The very small number of people receiving the Temporary Allowance (see Table 5) is evidence of the low level of long-term unemployment in Hungary at the end of 1990; Temporary Allowance was paid under the 1989 scheme only to those exhausting the one year of UB entitlement. The NLC benefit spell data suggest that recurrent unemployment has also been much less common so far in Hungary than in Western countries: only 5 percent of those receiving any unemployment compensation during the two years 1989-90 did so on more than one occasion (the figure varies across the country - see Table 6). The emergence of a significant amount of long-term unemployment can be expected as those workers with characteristics which are less attractive to employers struggle

[17] Some 17 percent of a sample of claims to social assistance in the UK in 1975 were found to contain some kind of administrative error (Supplementary Benefits Commission, 1976, p.14).

to find new work.[18] The creation of new private sector firms, some of which will fail, may be expected to increase the amount of recurrent unemployment, as will the development of temporary jobs, a prominent feature of Western European labour markets.[19] The stance of employment law is important here; recurrent unemployment may also be expected to be more frequent if there is little protection against dismissal.

How do the 1989 and 1991 schemes compare in terms of the proportion of the unemployed who will be covered by unemployment compensation? The NLC does not at present appear to collect data that gives a breakdown of the different reasons for non-receipt of benefits (which is a cause for concern). However, it seems likely that the most important reason is the lack of an adequate employment record; the 1989 scheme offered no support to the person who could not satisfy the work history requirement of 18 months employment in the previous three years.

The 1991 scheme should significantly increase the proportion of the inflow to unemployment qualifying for benefit. The new career entrant's benefit represents a major addition to the income support system, although the three month waiting period for benefit should be noted. The fact that the benefit is not related to parental income represents an important new principle in a social security system in which relatives' duty to maintain has traditionally been emphasised. The minimum employment requirement for UI of one year in the previous four also represents an easing of the eligibility requirements compared to those for the 1989 UB scheme. However, if long-term unemployment is concentrated on those with poorer employment histories, the 1991 scheme will fail to substitute for the cover provided by the system it replaces; the total of two years of entitlement previously provided by UB and TA is only available under the 1991 scheme to those with a history of continuous work in the four years prior to unemployment. As far as recurrent unemployment is concerned, I am not clear whether the previous arrangement limiting the total duration of benefit within a period of years (12 months over 3 years in the 1989 scheme) will continue to apply. If not, exhaustion

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[18] Of course, some would argue that the emergence of long-term unemployment In Eastern Europe will depend principally on the unemployment benefit systems themselves via any disincentives to work that they generate (Jackman and Layard, 1990).

[19] The growth in private sector firms in Hungary in 1989-90 is documented in Cukor and Kovari (1991).

of entitlement may come about through repeated short spells of unemployment as well as single long spells. In short therefore, the long-term changes in coverage as a result of the 1991 changes are less clear. More generally, the switch to a system in which, conditional on satisfying the eligibility conditions for benefit, the period of UI entitlement depends on the employment record (broadly speaking one month of benefit for every two months of previous employment) seems an unnecessary change. It is in line with practice in some OECD countries (although not all, for example Sweden and the UK have benefit periods which are the same for all eligible claimants) but this is not a persuasive argument in favour.

ii) Benefit levels paid

The absolute levels of unemployment compensation paid are relevant to the discussion of both living standards and incentives for the unemployed. What levels of benefits, in practice, are actually paid out? Table 7 gives some information on the distribution and mean values of gross benefit amounts paid out to all those persons receiving unemployment compensation for at least one day at some time during 1990 (the information is given in terms of monthly rates).

What may these figures be compared with? As far as *incentives to work* are concerned one yardstick is the minimum (gross) wage which in theory should be the floor for wage offers. A weighted average of the different rates applicable during 1990 gives a figure of just over 5,000 forints (Table 3). Table 7 shows that half of all UB payments and the vast majority of all TA payments were beneath this level; it appears that there were large numbers of unemployed persons during 1990 who were receiving gross benefit payments at or below the minimum level of wages that they would have been legally entitled to in the event of a job offer. The distribution of wage offers is of course unobserved. We do however have information about the distribution of earnings in payment; the situation in September 1990 was shown earlier in Table 4. The minimum wage at this time was 5,600 forints, exactly half of the median monthly wage (interpolating linearly within the relevant range); it appears that perhaps half of the unemployed received gross benefits of half the median wage or less.

Against this it should be noted that the discussion in Section 2 is relevant here; there are the different rates of deductions from benefits and

wages to be considered. And the legal minimum may be ignored by some employers implying that the incentive problem may be greater than a focus on this yardstick suggests. Nevertheless, it does not seem to be the case that the majority of the unemployed in 1990 were receiving benefits which came close to the wages that they might reasonably expect to receive in work.

As far as *living standards* of the unemployed are concerned, the obvious yardstick is the figure for the subsistence minimum monthly income calculated by the CSO (these calculations have been made since the early 1980s, see Salamin, 1991). This figure is intended to indicate a level of income

> "rendering possible merely to satisfy the very modest necessities conventionally qualified as essential to ensure continuous living" (Hungarian CSO, Statistical Yearbook 1988, [English-Russian edition] p.312).

The minimum is calculated for a number of different family types. The 1990 summary figure averaging across different family types was 5,900 forints of net per capita income (Cukor and Kovari, 1991, p.182). Table 7 shows that the average gross Unemployment Benefit in 1990 almost exactly equalled this level; the average Temporary Allowance figure fell short by some 30 percent. Although the picture may be modified by consideration of other sources of income available to the unemployed, these figures suggest that in practice many unemployed people in Hungary receive benefit payments that provide them with only a modest standard of living. They call into question arguments such as that of Holzmann (1990) that the unemployment compensation scheme is "rather generous" (p.9).

iii) Spells of Benefit Receipt

The typical discussion of the impact of unemployment benefit on the labour market assumes that all spells of unemployment finish in employment. This in turn dictates the incentive to leave unemployment which people have in mind: the incentive to take up employment. How do spells finish in Hungary? The NLC benefit spell data provide a partial answer to this question; for those unemployed persons who do receive unemployment compensation the data record the reason for the spell of benefit ending. During 1989-90 some 14 percent of spells of Unemployment Benefit with a termination date falling in these two years ended with exhaustion of entitlement (this figure applies equally to men and women). These spells do

not presumably represent unemployment which has actually finished; in the terminology of the econometric literature on unemployment duration the spells are "right-censored" (e.g. Kiefer, 1988). (The same may of course apply to some of the other causes of spell termination.) In general the exhaustion of UB would have triggered entitlement to Temporary Allowance. The importance of each reason for the end of the remaining 86 percent of spells of UB is given in Table 8, distinguishing spells by the total duration of benefit receipt and by the sex of the claimant (the very small number of spells lasting beyond a year and not ceasing in exhaustion have been excluded).

The median completed duration of UB receipt *among these* spells appears to have been just under 3 months for both sexes. This figure must not be interpreted as the expected duration of UB receipt, still less of unemployment, both of which will be higher: Table 8 excludes both those UB spells ending in exhaustion of entitlement and all those spells in the stock of unemployed at the end of 1990.[20]

Overall about two-thirds of spells ended with the individual obtaining employment or entering a government employment scheme (events which unfortunately cannot be separated in the data). The proportion is slightly higher for men and for both sexes is higher for shorter spells of benefit receipt; 72 percent of male spells of up to 1 month long end in employment compared to 58 percent of spells of over 6-11 months. There is some suggestion therefore that the exit probabilities to different states are determined in different ways although this cannot be concluded with certainty from tabulated data. The cause of termination of about half of the remaining spells is unknown, this being somewhat more common for women; some of these spells may end in employment not notified to the NLC, some may end in withdrawal from the labour force. If these spells are excluded from the calculation the proportion of spells ending in employment or a government scheme rises to about 80 percent for both sexes.

An exit from the benefit register to employment was therefore certainly the most important cause of termination of spells of unemployment benefit in Hungary in 1989-90. However, this leaves a fifth of spells which ended for other known reasons, leaving aside those that ended in exhaustion of

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[20] The same comment applies to another figure which has been quite widely reported: the mean duration of benefit receipt for all those experiencing some unemployment in the year (e.g. Hars et al, 1991, p.171, Kozponti Statisztikai Hivatal, 1991a, p.8). This is a mean calculated across both left- and right-censored spells as well as uncensored spells.

entitlement and those where the cause of termination was not recorded. Amongst other things, their existence is a reminder that any discussion of the process of leaving unemployment needs to distinguish the state to which exit occurs.

Particularly noteworthy is the termination of a spell of UB due to disqualification for "failure to co-operate" with the local employment office attempting to find the claimant work. This accounted for 7 percent of all terminations shown in Table 8. Of course, the numbers may be interpreted in a variety of ways. On the one hand it might be argued that they show a significant minority of the unemployed in Hungary to be failing to conduct job search and it is possible that the numbers actually disqualified represent the mere tip of an ice-berg. On the other hand it could be argued that the data show the threat of disqualification to be a significant one with likely consequences for other individuals' behaviour. One certainly can conclude at least that the administrative sanctions which exist in the Hungarian benefit system against "voluntary unemployment" do not go unused; individuals entering unemployment in 1989-90 could not rely on being able to draw benefits with no checks made on their behaviour, as is often assumed in much popular and academic debate about unemployment compensation. In addition to disqualification for "failure to co-operate" the benefit of a small number of claimants (about 1 percent of the total) was terminated since the individual had earned income of more than the minimum wage. Whether there are many instances of employment while receiving benefit that go undetected (or unreported) is a moot question; the high incidence of second jobs in Hungary was described in Section 2.

Exit to government re-training programmes also account for 6-7 percent of exits from benefit in Table 8, the probability of this type of exit rising with the duration of benefit receipt. This is a form of exit which, like employment, is one which the Hungarian government wishes to encourage; the 1991 unemployment compensation scheme has a number of provisions in this respect. The same is true of exit to retirement, the 1991 scheme bringing in early retirement provisions for those individuals who have been unemployed 6 months and who are within 3 years of retirement age. These are exit states whose importance may increase in the future. Their existence is a reminder that the incentives that the government must concern itself with extend beyond just that of taking up new work.

How might the NLC benefit spell data be used more widely to inform

analysis of and policy towards the unemployed? The analysis of recurrent unemployment is one example. Another would be the estimation of microeconometric models of unemployment duration using a sample of the individual spell data. The data contain, or could be organised so as to contain, complete records of the unemployment benefits received within benefit spells - amounts, entitlement periods etc - together with a number of relevant personal characteristics such as sex, age, occupation, past earnings etc. There is a big literature from the OECD area on which such analysis could draw (reviewed in Kiefer 1988); some of it uses data drawn from administrative registers, for example the work by Katz and Meyer (1990) who consider the impact of variations in the entitlement period of unemployment benefit on the length of time people stay unemployed. The code indicating the reason for termination of a spell would allow a "competing-risks" model, in which the determinants of the separate exit probabilities to different states - employment, training schemes, disqualification etc - are estimated. An example of this type of model is provided by Edin (1989).

The results from microeconometric models would produce information on how the probability of leaving unemployment varies with personal characteristics, such as age, and the parameters of the benefit system. Experience in the OECD area suggests that the impact of the benefit system would be hard to determine with precision (Atkinson and Micklewright, forthcoming) but the attempt would still be worthwhile. Even more information could be derived from a specially designed survey of unemployment. This could collect information on relevant characteristics of the unemployed *and* of their families; it would be possible to attach detailed information on the receipt of benefits for each individual in the sample survey from the NLC benefit spell records (an example of a study using a merged data set of this sort is that by Narendranathan et al, 1985).

4. Conclusions

In this paper I have explored some of the issues and data sources relevant to a proper analysis of both living standards and incentives for the unemployed in Hungary. The issues include the operation in practice of unemployment compensation, the impact of the tax system, the existence of other social security schemes, the question of second economy jobs, and the

incomes of other family members. It is not sufficient to restrict attention to a limited range of parameters of the unemployment compensation scheme as revealed in a social security manual. And the impact of these parameters, such as the provisions for minimum levels of benefit, need careful consideration. As far as data are concerned, a principal theme of the paper has been the need for more information to be collected about the incomes and other circumstances of unemployed persons' households. This would be best achieved through sample surveys, preferably conducted by an organisation independent of the Ministry of Labour, such as the CSO or a private surveying firm. I have also argued for more use to be made of existing information based on administrative sources. I demonstrated some of the features of these data; this revealed a benefit system which in practice works in a way which may surprise some commentators. For example, around half of the unemployed receiving benefit in 1990 appear to have had payments at a level equal or below the lowest legal wage offer. The average benefit payment was roughly equal to the official minimum subsistence income level. Viewed in this way, unemployment compensation in Hungary does not appear particularly generous. Spells of unemployment benefit typically end in work but the importance of other reasons for termination, including disqualification, should not be overlooked. Suggestions were made for how these data could be used in econometric analysis, were the microdata to be made available.

At the same time some comment has been offered on the 1991 unemployment benefit scheme which represented a substantial reform of the previous scheme introduced in 1989. In some respects the 1991 scheme represents a significant improvement. The proportion of the inflow into unemployment covered by unemployment benefits should rise although it is less clear that coverage of the stock will improve as the structure of unemployment in Hungary begins to "mature" with the development of significant long-term and recurrent unemployment.

One conclusion about the 1991 reform is again a methodological one. It seems to me impossible that this reform could have been based on adequate knowledge of what the 1989 scheme did or did not achieve; certainly there would have been insufficient household survey data on the unemployed at the time and my belief is that the laudable amount of administrative data collected by the National Labour Centre had been severely under-exploited. One might also ask how necessary was a major reform of unemployment compensation at a time when there are other areas of the social security

system in need of urgent government attention, notably social assistance and the pension scheme (World Bank, 1991). An alternative would have been to make some changes to the existing scheme (such as the introduction of career entrants' benefit) pending the results of detailed analysis of the scheme's effects on both living standards and incentives. Repeated change in the unemployment benefit scheme (or in any other part of the state income support system) should be avoided, but pressure for this will develop if the defects of existing schemes and the implications of new schemes are not fully assessed. Future reform in Hungary, and elsewhere, should be undertaken in the light of further analysis of these issues.

Table 1
Unemployment Compensation scheme January 1989 - March 1991

Eligibility

(a) Unemployment Benefit:	18 months employment in the 3 years prior to claim.
(b) Temporary Allowance:	Expired entitlement to Unemployment Benefit.

Duration of Benefit

(a) Unemployment Benefit:	12 months in a 3 year period.
(b) Temporary Allowance:	12 months.

Benefit Rate

(a) Unemployment Benefit:	(i) 70% of previous gross earnings for first 6 months, then 60%. These rates are 65% and 55% in the event of voluntary quitting when notice is given and 60% and 50% if no notice is given. (ii) maximum benefit is three times the minimum wage. In 1989 there was no minimum benefit. From January 1990 minimum benefit is equal to 80% of the prevailing minimum wage but if earnings are less than the minimum wage, benefit is equal to previous earnings.
(b) Temporary Allowance:	(i) 75% of previous unemployment benefit i.e. 45% of previous gross earnings (less for voluntary quitters). (ii) maximum of twice the minimum wage.

Deductions from Benefit

Both benefits are subject to income tax and a 5% social insurance deduction (rather than the 10% paid while in employment).

Financing

Paid from the Employment Fund which receives transfers direct from the state budget.

Table 2
New Unemployment Compensation scheme, March 1991

Eligibility

(a) Unemployment Insurance: 12 months insured employment in the 4 years prior to claim.

(b) Career Beginners: Benefit (i) Diploma obtained at the daytime faculty of a secondary, or higher grade, of education institute within the 12 months prior to claim. (ii) registered unemployed for 3 months during which time no suitable vacancy proposed by the employment centre.

Duration of Benefit

(a) Unemployment Insurance

Period of Insured Employment in the previous 4 years	Period of Benefit
12-15 months	6 months
16-19 ..	8 ..
19-23 ..	10 ..
24-27 ..	12 ..
28-31 ..	14 ..
32-35 ..	16 ..
36-39 ..	18 ..
40-43 ..	20 ..
44-47 ..	22 ..
48 ..	24 ..

Note: entitlement is suspended for 3 months if unemployment is the result of a voluntary quit or industrial misconduct.

(b) Career Beginners Benefit: 6 months

Benefit Rate

(a) Unemployment Insurance: (i) 70% of previous gross earnings for first half of the entitlement period and 50% in the second half.
(ii) minimum benefit is the prevailing minimum wage (or the previous wage with the last employer if this was lower than the minimum); maximum benefit is three times the minimum wage.

(b) Career Beginners Benefit: 75% of the prevailing minimum wage

Deductions from Benefit

Benefits subject to income tax but no social insurance deductions.

Financing

Employer contribution of 1.5% of earnings, and 0.5% employee contribution.

Table 3
The Minimum Wage, 1988-91

Period	Minimum Wage (gross Forints per month)
1988	
January-December	3,000
1989	
until the end of	
January	3,000
February-September	3,700
October-	4,000
Average (weighted)	3,717
1990	
until the end of	
January	4,000
February-August	4,800
September-November	5,600
December-	5,800
Average (weighted)	5,017
1991	
until the end of	
March	5,800
April-	7,000

Source: Javaslat a minimalber emelesere. Erdekegyezteto Tanacs ele kerult eloterjesztes MunkaugyiMiniszterium, 1991, januar.

Table 4
Distribution of Gross Monthly Earnings of Full-Time Employees, September 1990

Forints per month	Cumulative Frequency (%) Men	Women	All
up to 4,800	1.4	2.1	1.7
4,801-5,500	2.5	4.4	3.4
5,501-6,000	4.6	9.1	6.8
6,001-8,000	14.7	30.1	22.2
8,001-10,000	29.7	50.8	40.0
10,001-12,000	45.2	66.5	55.5
12,001-14,000	58.6	77.0	67.5
14,001-16,000	69.1	83.8	76.3
16,001-20,000	82.2	91.5	86.7
20,001-30,000	94.3	97.7	95.9
30,001-50,000	98.7	99.6	99.1
50,001 plus	100.0	100.0	100.0

Source: unpublished information from CSO census of employers who are obliged to provide details of earnings for all full-time employees working a full month.

Table 5
Number of Persons Receiving Unemployment Benefit, 22 December 1990

	Number
Registered Unemployed	79,521
of which:	
Receiving Unemployment Benefit	58,460
Receiving Temporary Allowance	3,233

Source: NLC, 1991, pp.4-5

Table 6
Distribution of Number of Spells per Person on Unemployment Compensation, 1989-90

	Number of Persons with				
County	1 spell	2 spells	3+ spells	Total persons	% persons with more than 1 spell
Budapest	4,367	208	27	4,602	5.1
Baranya	6,131	341	38	6,510	5.8
Bacs-Kiskun	4,298	113	4	4,415	2.7
Bekes	6,246	220	11	6,477	3.6
Borsod-Abauj-Zemplen	10,832	1,001	92	11,925	9.2
Csongrad	4,387	217	10	4,614	4.9
Fejer	3,426	203	19	3,648	6.1
Gyor-Sopron	3,314	216	18	3,548	6.6
Hajdu-Bihar	3,666	90	3	3,759	2.5
Heves	3,348	191	7	3,546	5.6
Komarom-Esztergom	2,656	83	4	2,743	3.2
Nograd	5,641	351	35	6,027	6.4
Pest	5,619	234	24	5,877	4.4
Somogy	4,299	224	13	4,536	5.2
Szabolocs-Szatmar	16,110	779	75	16,964	5.0
Szolnok	5,984	386	26	6,396	6.4
Tolna	4,096	191	3	4,290	4.5
Vas	1,385	55	2	1,442	4.0
Veszprem	4,460	214	13	4,687	4.8
Zala	2,073	64	5	2,142	3.2
Hungary	102,338	5,381	429	108,148	5.4

Source: unpublished information provided by National Labour Centre

Table 7
Amounts of Unemployment Compensation Paid:
All Spells of Benefit Receipt during 1990

Forints per month (gross)	Unemployment Benefit Number of payments	Temporary Allowance Number of payments
- 3,000	2,531	304
3,001 -	40,721	2,965
5,001 -	26,593	373
8,001 -	10,897	121
12,001 -	4,766	6
Total	85,508	3,769
Men	51,131	2,245
Women	34,377	1,524
Average Gross Monthly Payment:		
Men	6,542 Ft	4,367 Ft
Women	4,959 Ft	3,845 Ft
All	5,889 Ft	4,156 Ft

Source: NLC, 1991, pp.4,5,31,36.

Table 8
Importance of Each Cause of Termination for Spells of Unemployment Benefit (UB) up to 360 Days

All completed spells, 1989-90, excluding those ending through exhaustion of benefit entitlement.

a) Men

	Share of each Cause (%)				
	Length of Benefit Spell (Days)				
Cause of Termination	-30	31-90	91-180	181-360	Total
Re-employed/Empl. Scheme	71.7	70.9	65.3	57.9	67.2
Retraining	2.0	4.9	7.7	9.4	7.0
Earning above Min. Wage	0.4	0.9	1.5	2.1	1.2
Disqualification	9.0	7.1	6.8	6.5	7.2
Retired	0.4	0.8	1.7	2.5	1.3
Death	0.6	0.4	0.6	1.0	0.6
Other	0.3	0.2	0.3	0.5	0.3
Unknown	15.7	14.9	16.1	20.0	16.3
Total	100.0	100.0	100.0	100.0	100.0
Number of spells	3,753	7,326	5,950	3,598	20,627

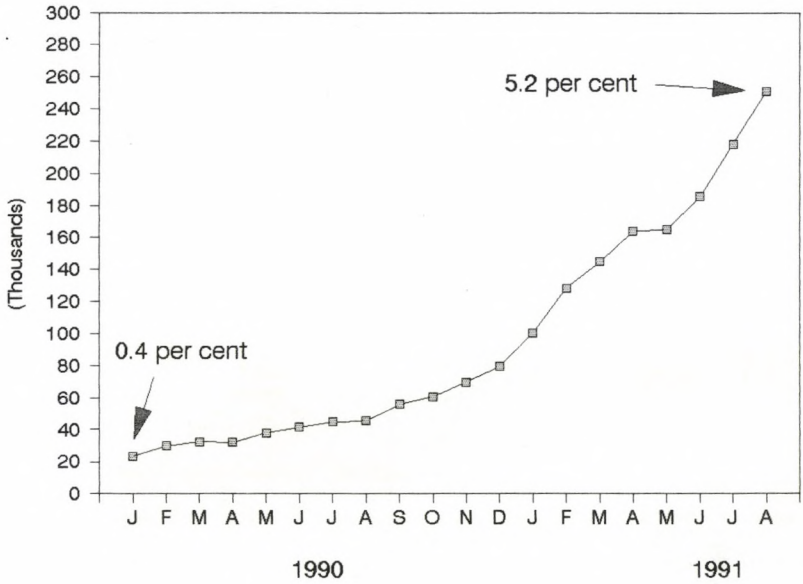
b) Women

	Share of each Cause (%)				
	Length of Benefit Spell (Days)				
Cause of Termination	-30	31-90	91-180	181-360	Total
Re-employed/Empl. Scheme	70.0	67.7	61.8	55.4	64.0
Retraining	2.1	5.2	7.2	9.0	6.0
Earning above Min. Wage	0.4	0.9	1.1	1.8	1.1
Disqualification	8.5	7.3	7.4	7.3	7.5
Retired	0.3	0.8	2.0	3.2	1.5
Death	0.3	0.1	0.2	0.5	0.2
Other	0.2	0.3	0.5	1.2	0.5
Unknown	18.3	17.7	19.7	21.5	19.1
Total	100.0	100.0	100.0	100.0	100.0
Number of spells	2,335	4,843	4,100	2,545	13,853

Source: unpublished information provided by the National Labour Centre.

Figure 1

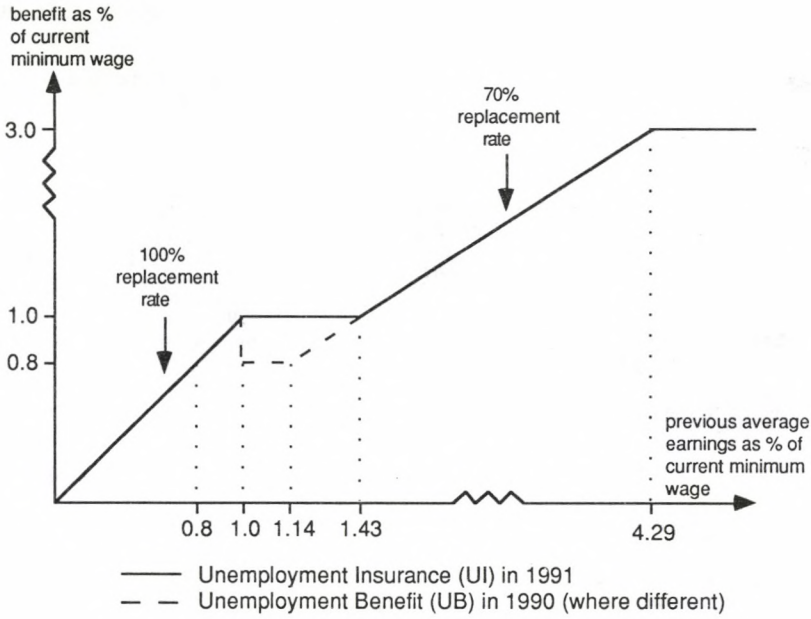
Registered Unemployment In Hungary



Source: information provided by National Labour Centre

Figure 2

1990 and 1991 Benefit Schemes



Source: Tables 1 and 2

Note: The schedules depicted apply to a claimant in the first half of the entitlement period and in the case of the 1990 scheme to a claimant entering unemployment through lay-off.

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