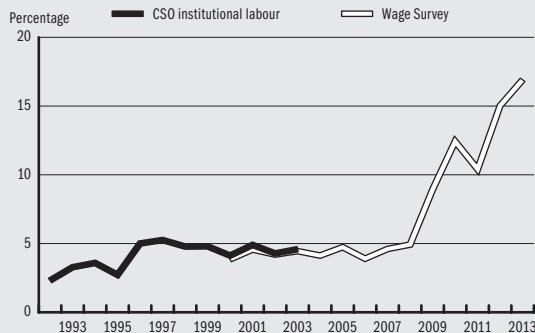


1.2 The size and cost of public works employment

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One of the characteristics of the public sector in Hungary is the large and expanding public works sector, which employed more workers than the textile industry or water management and almost as many as the public health care sector in 2010 (*Figure B1.2.1*). In Hungary on average 30–40 thousand people worked in some form of public works each year between 1996 and 2008. This number increased to 60–100 thousand after 2009 and in 2013 it surpassed 130 thousand. This means that on any given day of the year, on average 10–14 per cent (21% in 2013) of the registered unemployed were employed in public works programmes, and this was approximately equal to the total number of people in re-training, wage subsidy and other active labour market programmes.* The total cost of the various public works programmes was around 0.1–0.2 per cent of the GDP before 2008, which increased to 0.2–0.5 per cent after the launch of the “Road to Work” programme.

Figure B1.2.1: Share of public works employment within the public sector, 1992–2013



Source: Number of people in public works programmes: IE CERS HAS Database and Annual Reports of the NLO, *Cseres-Gergely (2014)*. Public sector workforce: CSO institutional labour statistics and János Köllő’s estimate based on the NLO’s Wage Tariff Survey.

* More precisely, the number of people employed in public works programmes was compared to the sum of registered unemployed and public works participants.

According to OECD data from 2010, only Belgium had similarly high public spending on public works programmes (0.39% of the Hungarian and 0.36% of the Belgian GDP). Expenditure in Ireland, France and Slovenia was also high, but more modest than in Hungary, while other European countries spent below 0.1% of their GDP. The number of participants in public works programmes is also extremely high. In Hungary 2.4 per cent of the active population worked in some form of public works in 2010, in Belgium 3.2 per cent. The number of participants was also relatively high in Slovakia, Ireland and France (1.6, 1.1 and 1.0 per cent respectively), while in other countries it was below one per cent.

There have been public works programmes in Hungary since 1987. Similar public works programmes, although under different names and somewhat different conditions, were run by local councils from 1987, then by labour offices/centres from 1990, by the Public Works Council from 1996 as well as by municipal governments from 1997. However, their scope reached this spectacularly high level only after the launch of the Road to Work programme in 2009.

According to current regulation, people in public works programmes are employees in some respect: they pay pension and health care contributions, they are entitled to sick leave and annual leave, however their pay is somewhat under the statutory minimum wage.** Municipal governments can organise public works programmes for activities that promote the “public good”, except for core municipal tasks. Therefore, for example health visitor, nursery worker and social welfare officer jobs cannot be filled with public works employees.

Public works provides cheap labour, but only that. Therefore it only represents good value for municipalities if it is used for tasks that do not re-

** Another difference is that (unlike regular employees) if they refuse to take part in public works (or hand in their notice and leave) they cannot re-register as unemployed and claim benefits for 60 days.

quire substantial capital, highly specialised skills and expertise, or major organisation and management. On the one hand, this encourages local communities to use highly labour intensive technologies to carry out the tasks that are most useful to them. On the other hand, it also encourages them to choose projects that can be efficiently accomplished using mainly manual labour. In the first case, the municipality is contributing to the public good, however in a wasteful manner. In the second case, although they are using their resources efficiently, there is no guarantee that they are carrying out tasks that are most useful for the public. Whichever option municipalities follow, the sub-

stantial amount spent on public works fails to maximise the public good. ***

References

CSERES-GERGELY ZSOMBOR (2014): Revival and transformation: selection to and exit from public works in Hungary after 2011. Manuscript, MTA KRTK KTI, Budapest.

*** Public works programmes are not inspected on a regular basis, which might create an opportunity for fraud; however this is not related to the size of the programmes or the number of participants, therefore it was not considered here.