



Magyar Nemzeti Bank

A SNAPSHOT OF THE LABOUR MARKET, A KEY ANALYSIS OF LABOUR RESERVES

MNB Pareto In-depth Analyses

THE LABOUR MARKET IS STABLE. DEMOGRAPHY REPRESENTS AN EVER-MORE POWERFUL CONSTRAINT ON FURTHER EMPLOYMENT GROWTH. EDUCATIONAL ATTAINMENT IS BECOMING INCREASINGLY IMPORTANT.



The number of employed workers grew by more than 850,000 over the past decade. The domestic employment rate already exceeds the EU average; among those of 25 to 54 years of age, it ranks in the top of the EU.



The labour reserve is concentrated among low-skilled and mid-skilled young people and women aged 55 to 74.



By 2030, the working-age population in Hungary may shrink by nearly 300,000.

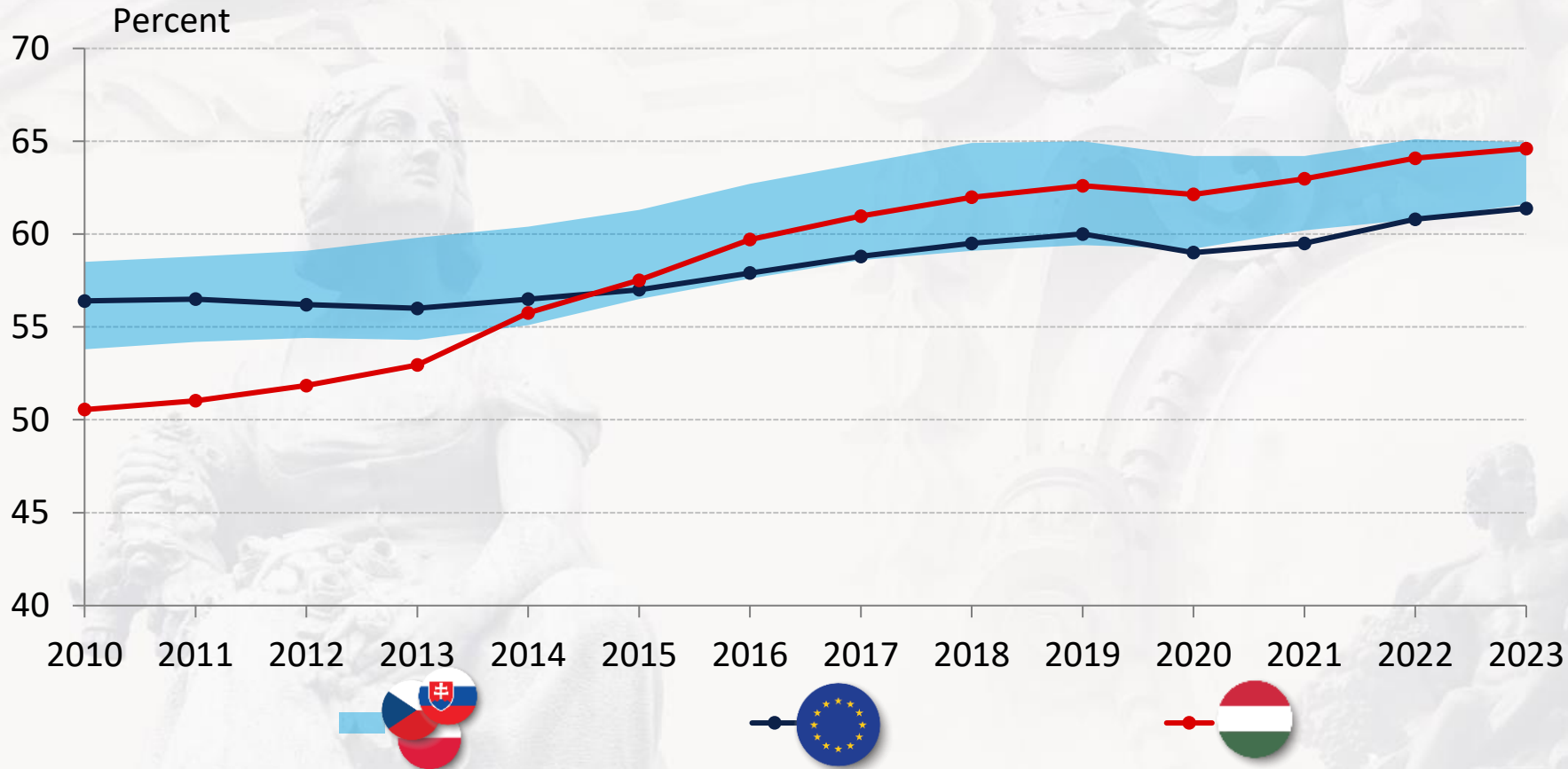


Employment continued to rise at the end of 2023, but there are signs of the labour market becoming less tight. The number of hours worked decreased, while statistics indicate contradictory figures of labour demand.



Upgrading the skills of the workforce is essential to improve competitiveness and increase labour productivity.

EMPLOYMENT HAS RISEN BY MORE THAN 850,000 SINCE 2010, REACHING AN ALL-TIME HIGH DESPITE THE ECONOMIC CHALLENGES OF THE 2020S



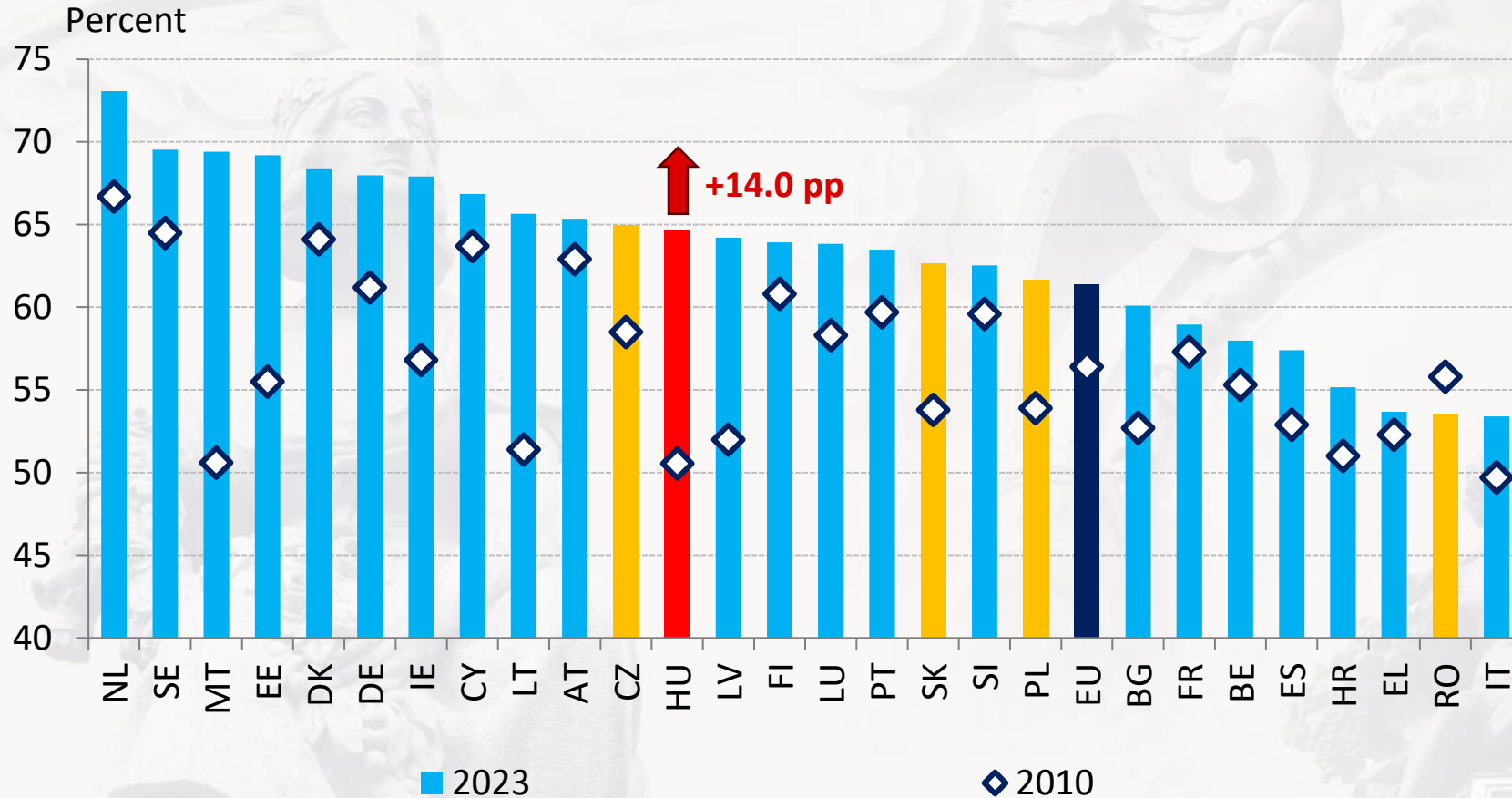
One of the main objectives of economic policy in the 2010s was to boost **employment** in order to achieve both economic **balance and growth**.

Thanks to the successful economic policy reforms of the last decade, the number of people in employment **grew by 850 thousand** and now exceeds 4.7 million.

EMPLOYMENT RATE TRENDS AMONG 15–74 YEAR OLDS

Note | Hungary based on HCSO data.
Source | Eurostat, HCSO

THE HUNGARIAN EMPLOYMENT RATE IS ALREADY ABOVE THE EU AVERAGE



The employment rate in Hungary in the 15–74 age group **increased from 50.6 percent in 2010 to 64.6 percent in 2023.**

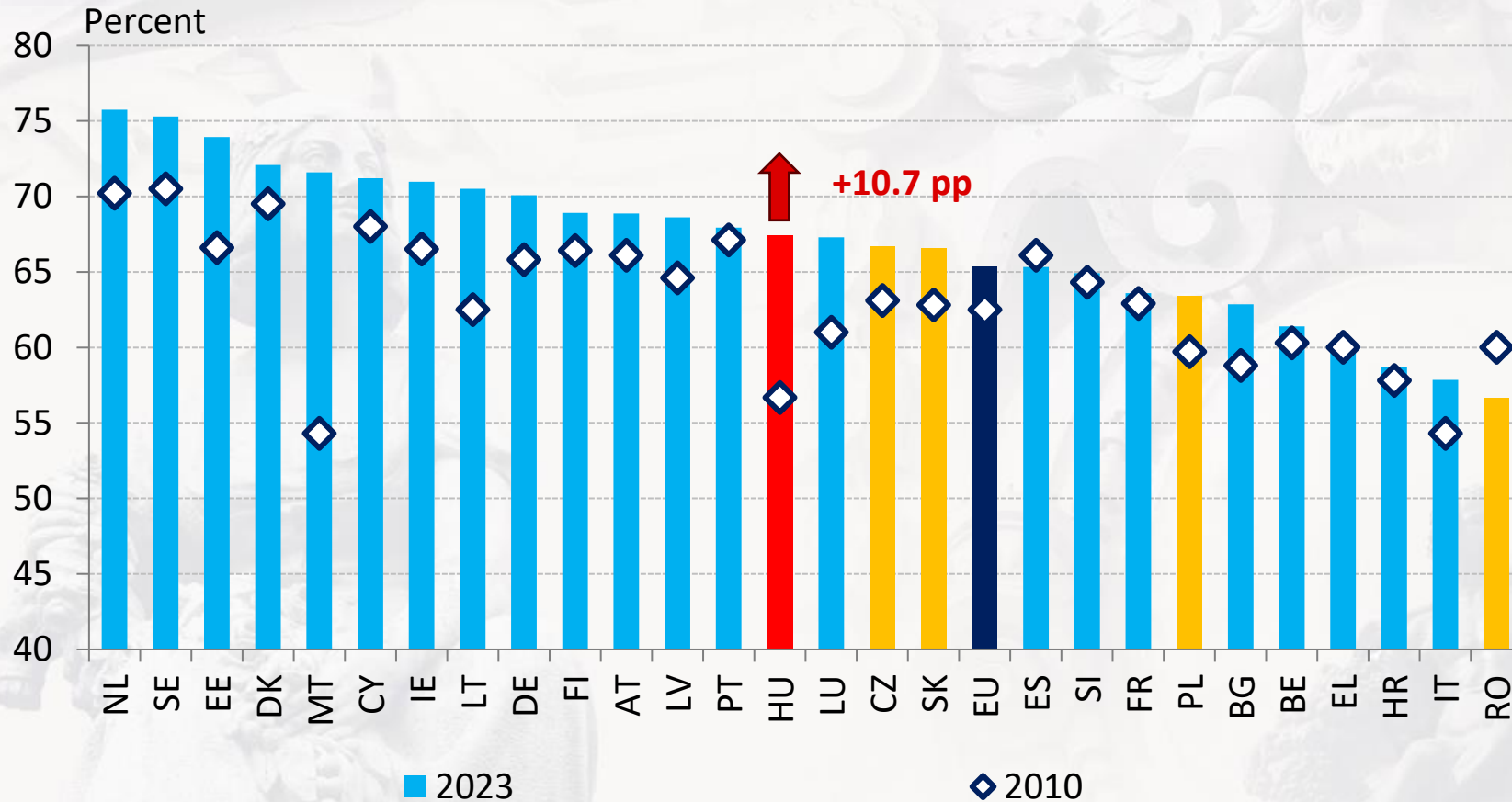
This is 3.2 percentage points **higher than the EU average** and the highest in the region after Czechia.

TRENDS IN EMPLOYMENT RATES IN THE COUNTRIES OF THE EUROPEAN UNION

Note | Hungary based on HCSO data, on quarterly averages for 2023.

Source | Eurostat, HCSO

THE ACTIVITY RATE HAS GONE UP CONSIDERABLY SINCE 2010 AND IS THE HIGHEST AMONG THE COUNTRIES IN THE REGION



In addition to the employed, the **activity rate** also takes account of the unemployed.

In 2010, **only Malta and Italy** recorded a labour market activity **lower** than in Hungary.

By 2023, after a significant **increase of 10.7 percentage points**, the Hungarian activity had climbed **above the EU average** and was the first among the Visegrad countries.

ACTIVITY RATE TRENDS IN THE COUNTRIES OF THE EUROPEAN UNION

Note | Hungary based on HCSO data, on quarterly averages for 2023.

Source | Eurostat, HCSO

IN 2010, HUNGARY RANKED AMONG THE LAST IN THE EU FOR THE ACTIVITY RATE IN SEVERAL AGE GROUPS



Age	EU maximum (%)	EU average (%)	HU (%)	HU deviation from the EU average (percentage point)	HU ranking in the EU
15–19	51.5	13.9	2.0	-11.9	26.
20–24	69.8	48.2	34.5	-13.7	27.
25–29	84.8	71.6	71.2	-0.4	17.
30–34	87.2	77.5	79.0	1.5	15.
35–39	88.4	79.6	79.5	-0.1	17.
40–44	88.5	80.6	78.3	-2.3	18.
45–49	88.3	79.6	75.6	-4.0	19.
50–54	84.3	74.6	69.2	-5.4	20.
55–59	80.3	59.5	51.1	-8.4	22.
60–64	61.3	28.4	12.6	-15.8	27.
65–69	24.2	9.0	4.9	-4.1	24.
70–74	17.9	4.7	1.5	-3.2	25.
15–74	20.7	56.4	50.6	-5.8	25.

Hungary's employment rate fell behind the EU average in almost all age groups in 2010.

Only in one age group did employment in the country reach the EU average.

The difference was particularly marked among the **young and older people** where Hungary straggled after all the others.

EVOLUTION OF EMPLOYMENT RATES IN HUNGARY AND THE EU (2010)

HOWEVER, THANKS TO STRONG EMPLOYMENT GROWTH, BY 2023 HUNGARY HAD CAUGHT UP WITH THE EU FRONTRUNNERS IN SEVERAL CATEGORIES



Age	EU maximum (%)	EU average (%)	HU (%)	HU deviation from the EU average (percentage point)	HU ranking in the EU
15–19	70.9	16.1	5.7	-10.5	20.
20–24	81.3	54.3	48.7	-5.6	16.
25–29	90.5	77.1	82.2	5.1	9.
30–34	91.0	81.9	87.3	5.4	5.
35–39	91.3	83.2	88.8	5.6	3.
40–44	91.7	84.4	89.9	5.5	3.
45–49	94.2	84.3	90.1	5.8	2.
50–54	93.8	81.8	87.9	6.2	4.
55–59	88.7	76.1	82.3	6.3	5.
60–64	69.2	50.9	54.8	3.9	14.
65–69	36.6	15.2	13.5	-1.7	16.
70–74	18.8	5.5	6.7	1.2	14.
15–74	73.1	61.4	64.6	3.3	12.

Owing to the dynamic rise in employment, employment rates improved in all age groups in Hungary by 2023.

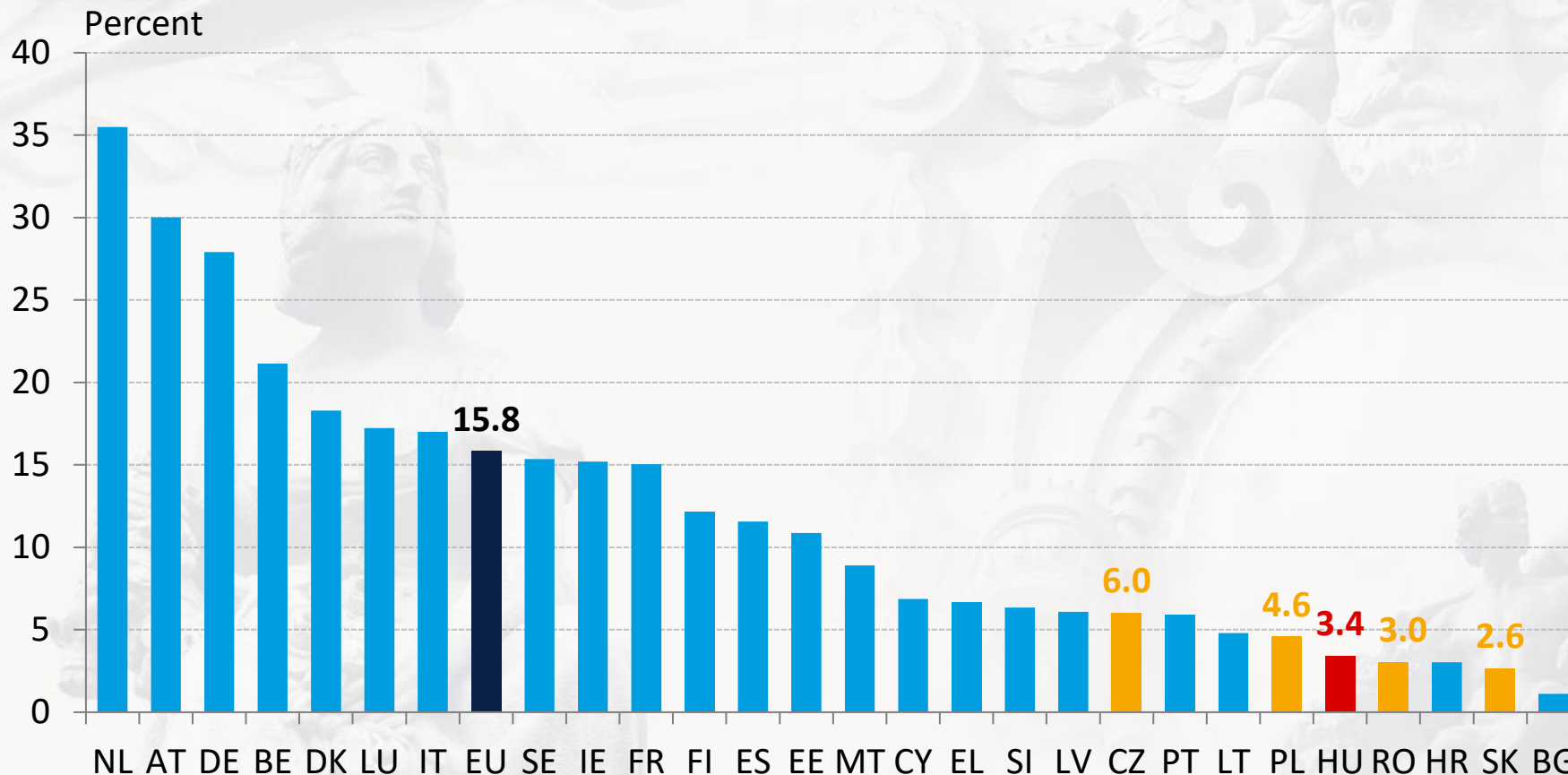
The Hungarian employment rate is now in the EU **TOP5** and, in some categories, in the **TOP3** in the **30–59** age group.

Rates in the 15–24 age group and for those over 60 stayed in the second half of the EU ranking.

EVOLUTION OF EMPLOYMENT RATES IN HUNGARY AND THE EU (2023)

Note | Based on quarterly averages.
Source | Eurostat

NOT ONLY ARE THERE MANY 25–59 YEAR OLDS WHO WORK, BUT THEY ALSO WORK A LOT



The employment rate for **25–59 year olds** is among the highest in the EU, i.e. significantly more of them work than the EU average.

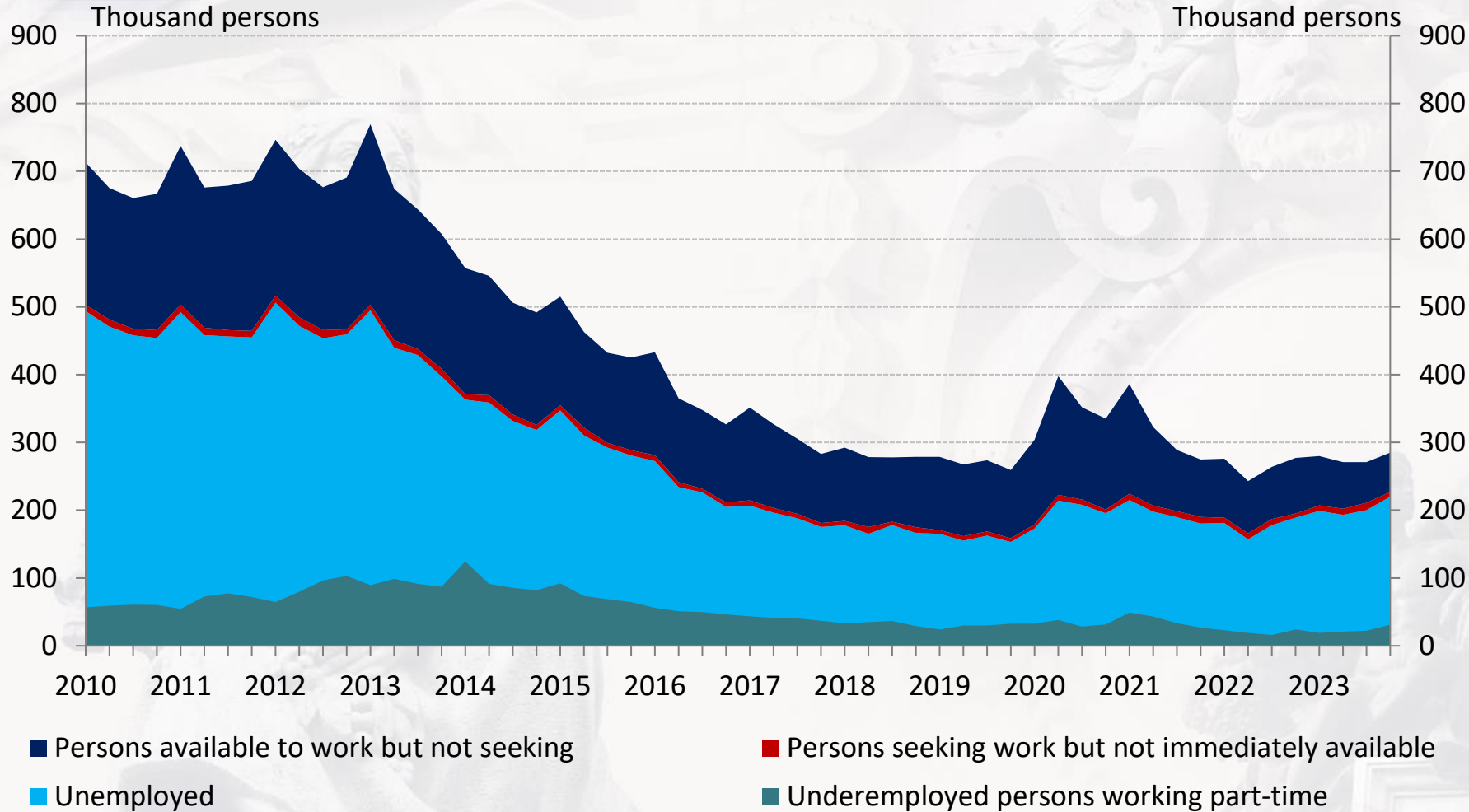
In addition to their high employment rate, their daily working hours are also long, with only 3.4 percent of the age group **working part-time**, which is the **fifth lowest in the EU**.

PART-TIME WORKERS AS A PERCENTAGE OF ALL WORKERS

Note | 25–59 age group, based on quarterly averages for 2023.

Source | Eurostat

CONCURRENTLY WITH THE RISE IN EMPLOYMENT, THE LABOUR RESERVE DECLINED SUBSTANTIALLY

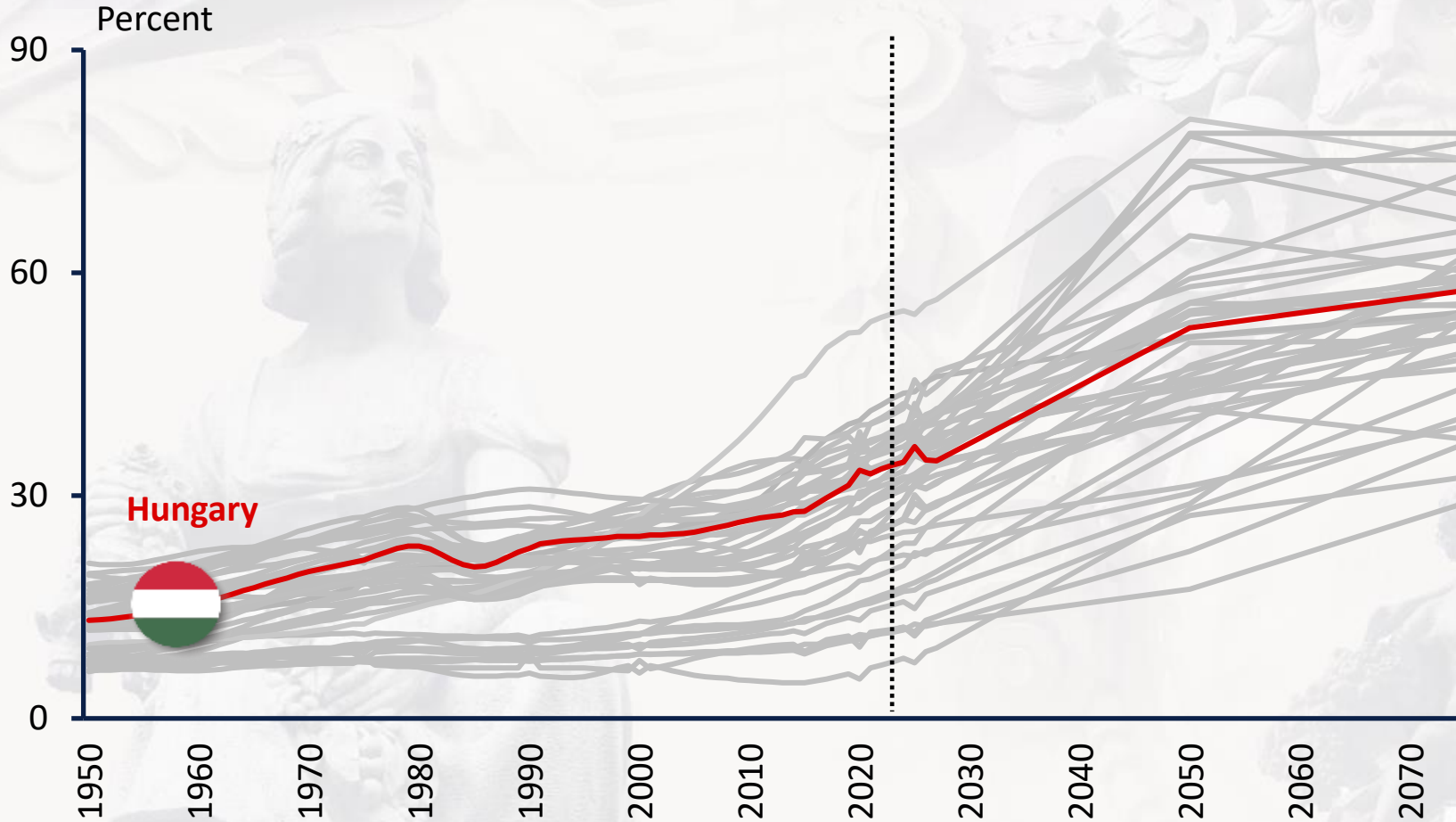


According to the definition of the HCSO, the **potential labour reserve** is made up of 4 groups. Their total number **ranged between 700 and 800 thousand** in 2010, and then declined to around **300 thousand** in the recent period as employment increased.

For the most part, this drop was attributable to the number of the unemployed, as the unemployment rate went down from 11 percent to around 4 percent over this span.

EVOLUTION OF THE POTENTIAL LABOUR RESERVE

DEMOGRAPHIC CONSTRAINTS ARE BECOMING EVER MORE EFFECTIVE GLOBALLY AND DOMESTICALLY ALIKE



Further **employment growth** is also **checked by** increasingly potent **demographic** constraints.

As society **ages**, the number of people passing working age exceeds the number of people reaching working age.

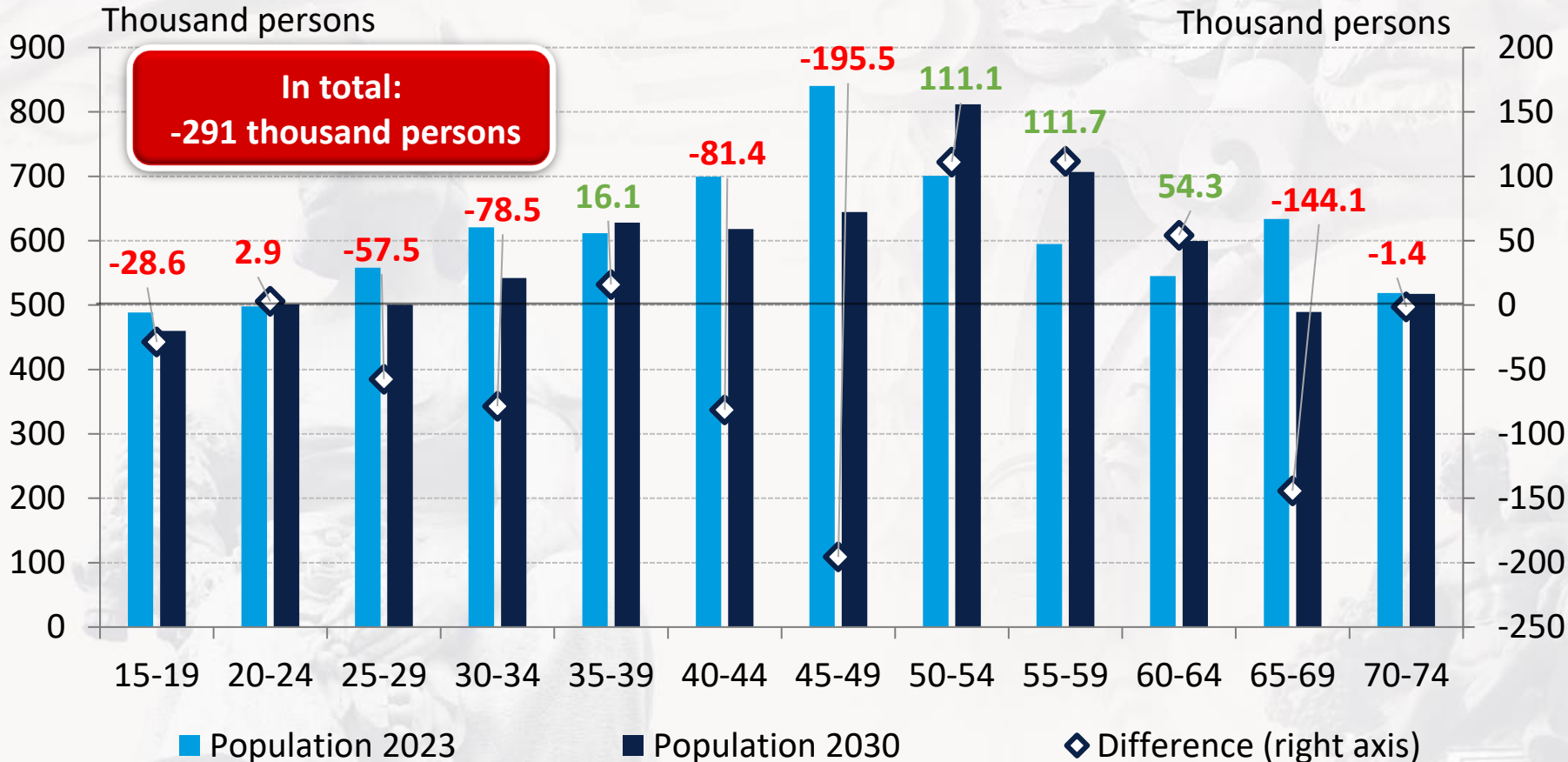
In developed and emerging societies, **old-age dependency** ratios are projected to climb at an **accelerating pace** until 2050.

RISE IN THE OLD-AGE DEPENDENCY RATIO

Note | International comparison based on OECD's Old-Age Dependency Ratio database. In addition to OECD AND G20 countries, rates for Bulgaria, Croatia and Romania are also included.

Source | OECD

DEMOGRAPHIC CHANGES WILL SUBSTANTIALLY REDUCE THE WORKING-AGE POPULATION BY 2030



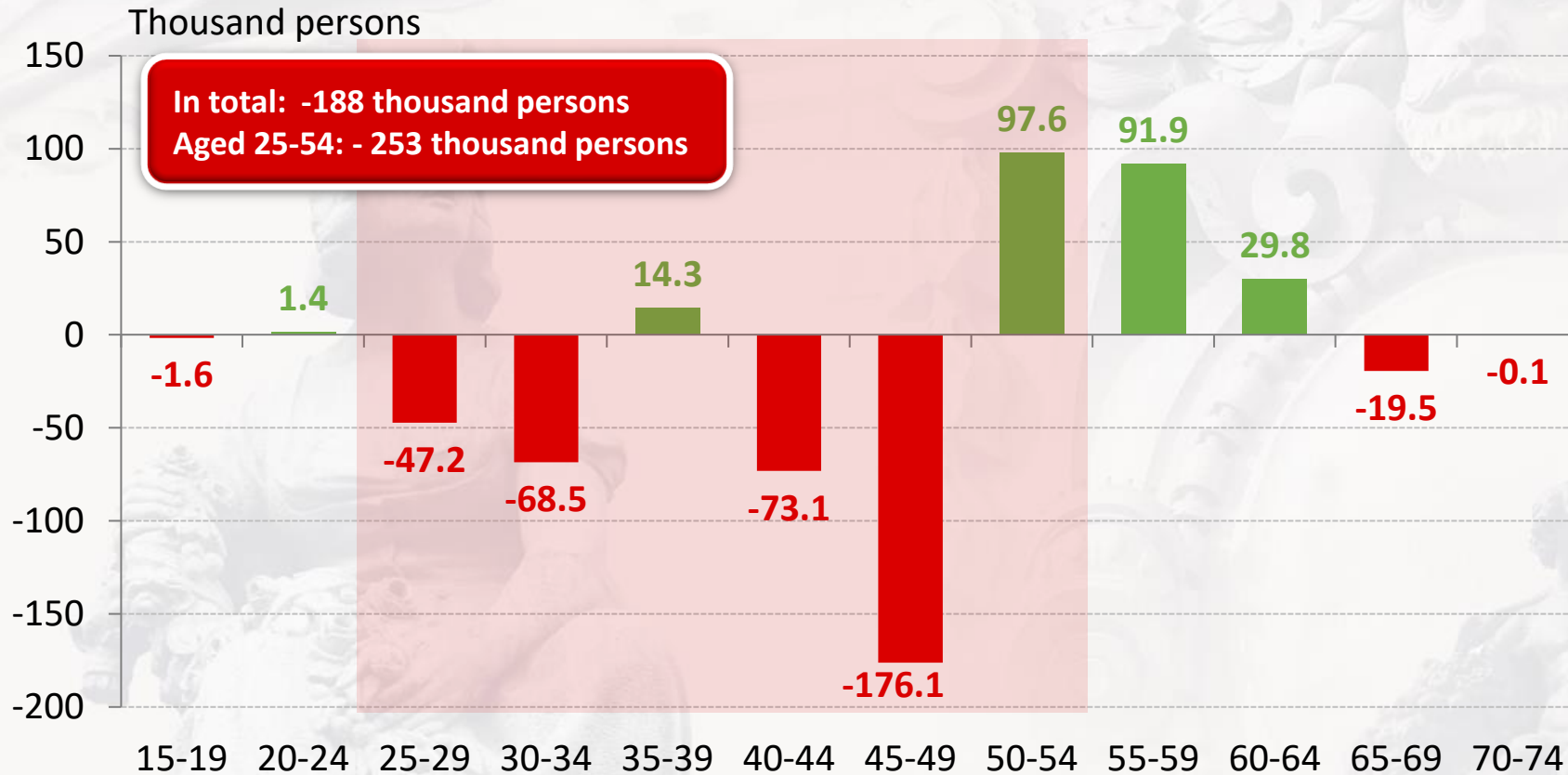
By 2030, the working-age population (15-74 years) in Hungary may decrease by nearly **300 thousand**.

The Hungarian boomer generation (the so-called Ratkó children born between 1950 and 1956) will reach the upper limit of the statistically measured working age (74 years) in this decade.

CHANGE IN WORKING-AGE POPULATION BY AGE GROUP BETWEEN 2023 AND 2030

Note | Based on quarterly averages for 2023.
Source | Eurostat population projections

THE SHARPEST DECREASE IS EXPECTED AMONG PEOPLE WHO ARE IN THEIR MID-WORKING AGE



Population loss has a negative impact also on employment. Using a simple static projection (i.e. assuming unchanged employment rates for all age groups), we find that **by 2030 the total number of people in employment would fall by 188 thousand.**

The decline in population **results in falling employment mainly among those in their prime working-age years (25–54), with employment in this age group contracting by more than 250 thousand due to demographics alone.**

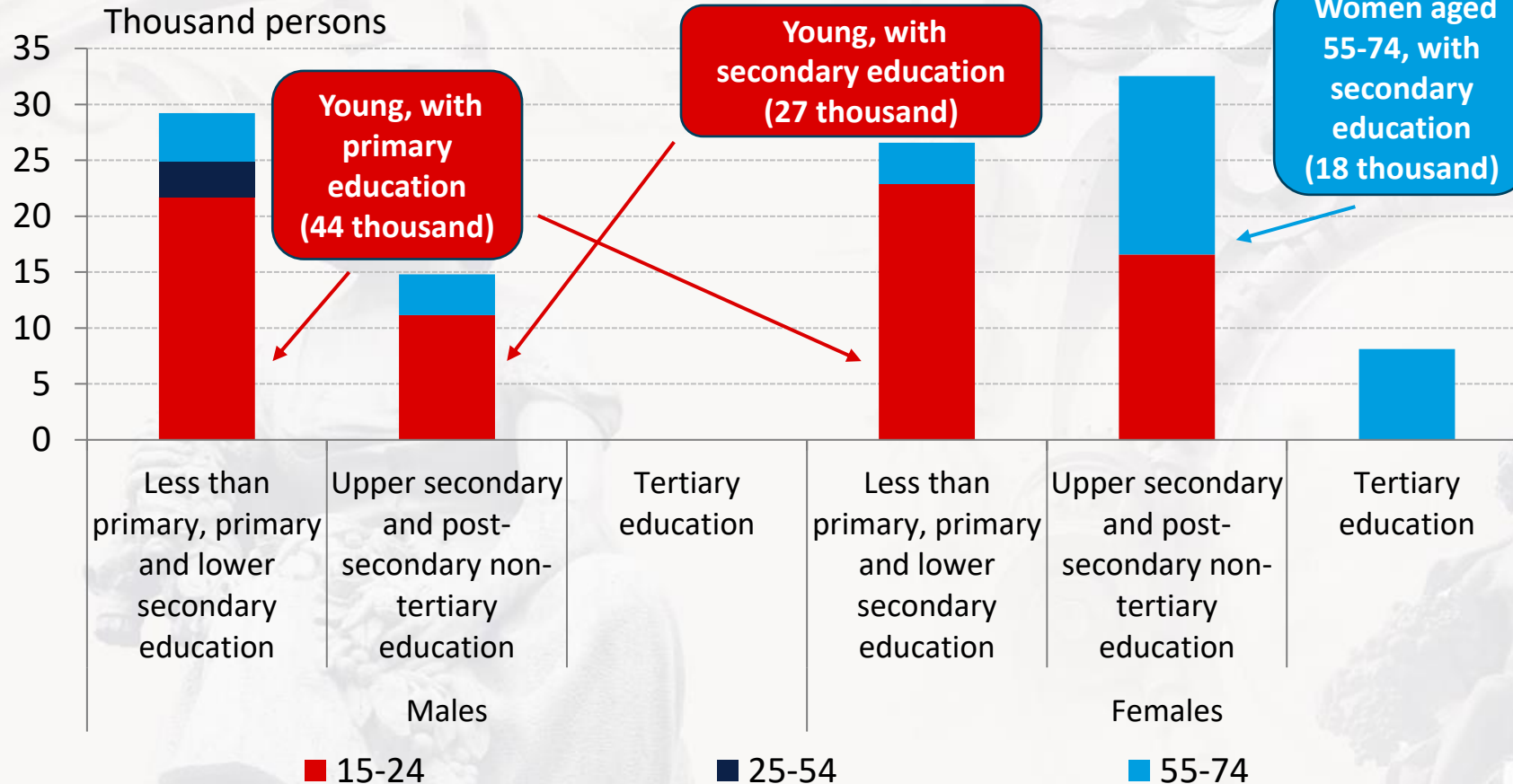
TRENDS IN THE NUMBER OF EMPLOYED WORKERS BY AGE GROUP ASSUMING UNCHANGED EMPLOYMENT RATES

Note | Based on quarterly averages for 2023.
 Source | Eurostat population projections

IF HUNGARY REACHED THE EU AVERAGE IN ALL AGE GROUPS, EMPLOYMENT COULD RISE BY 115 THOUSAND



Priority areas of the labour reserve



The **labour reserve** can also be defined as **new workforce emerging as a result of additional increases in employment rates**. If Hungary reached the EU average in all age groups where currently it lags behind, domestic employment could rise **by 115 thousand**.

The available labour reserve is small and concentrated, since more than three quarters of new employees are either young low-skilled and mid-skilled people or women aged 55–74 with secondary school qualification.

EVOLUTION OF THE POTENTIAL LABOUR RESERVE COMPARED WITH THE EU AVERAGE

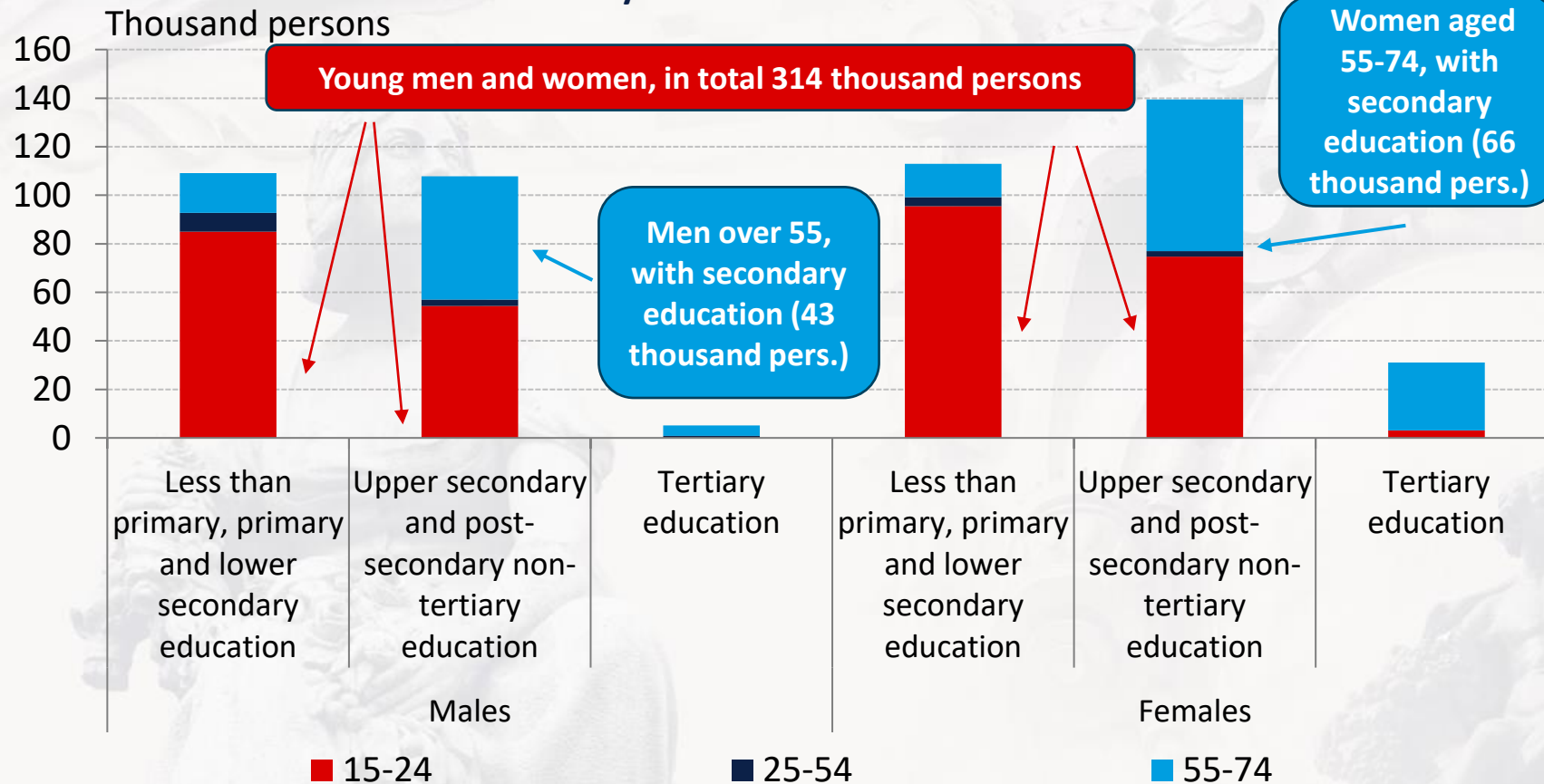
Note | Based on quarterly averages for 2023.

Source | MNB, based on Eurostat

AN EMPLOYMENT RATE AMONG THE EU TOP 5 IN ALL AGE GROUPS WOULD MEAN SOME 510 THOUSAND NEW WORKERS



Priority areas of the labour reserve



If Hungary were among the **top 5** countries with the highest employment rate in the EU for all age groups, employment could rise by around **510 thousand**.

The **largest share** of the potential labour reserve is concentrated among **young people** (314 thousand), **men over 55 who completed secondary education** (43 thousand) and **women aged 55–74 with secondary school qualification** (66 thousand).

EVOLUTION OF THE POTENTIAL LABOUR RESERVE RELATIVE TO THE FIVE COUNTRIES WITH THE HIGHEST EMPLOYMENT RATE IN THE EU

Note | Based on quarterly averages for 2023.
Source | MNB, based on Eurostat

IN VIEW OF DEMOGRAPHIC CHANGES, THE MAXIMUM POTENTIAL LABOUR RESERVE IS ESTIMATED AT 200–250 THOUSAND



Nearly full employment on the labour market



Some 300 thousand fewer people of working age



Labour reserve of no more than 510 thousand

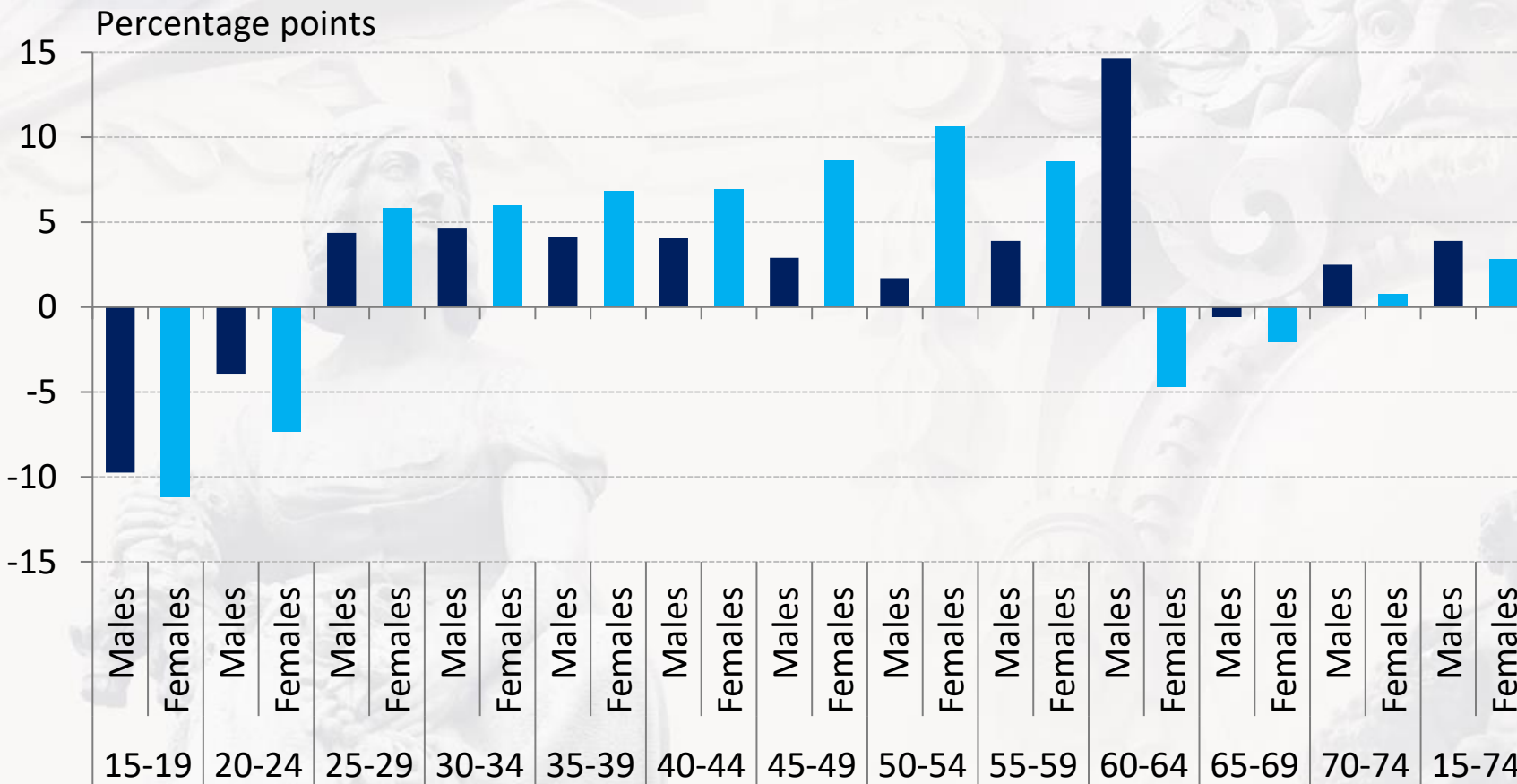


With a labour reserve of up to 510 thousand relative to the leading EU countries and a population decline of some 300 thousand in the working-age group by 2030, the **maximum size** of the currently available **labour reserve** is estimated to be **around 200–250 thousand**.

The maximum size of the labour reserve is around 200–250 thousand



THE EMPLOYMENT RATE FOR WOMEN AGED 60–64 IS SUBSTANTIALLY LOWER THAN FOR MEN OF THE SAME AGE



Owing to the rules for retirement, **there is considerable difference between the employment rates of women aged 55–59 and 60–64.**

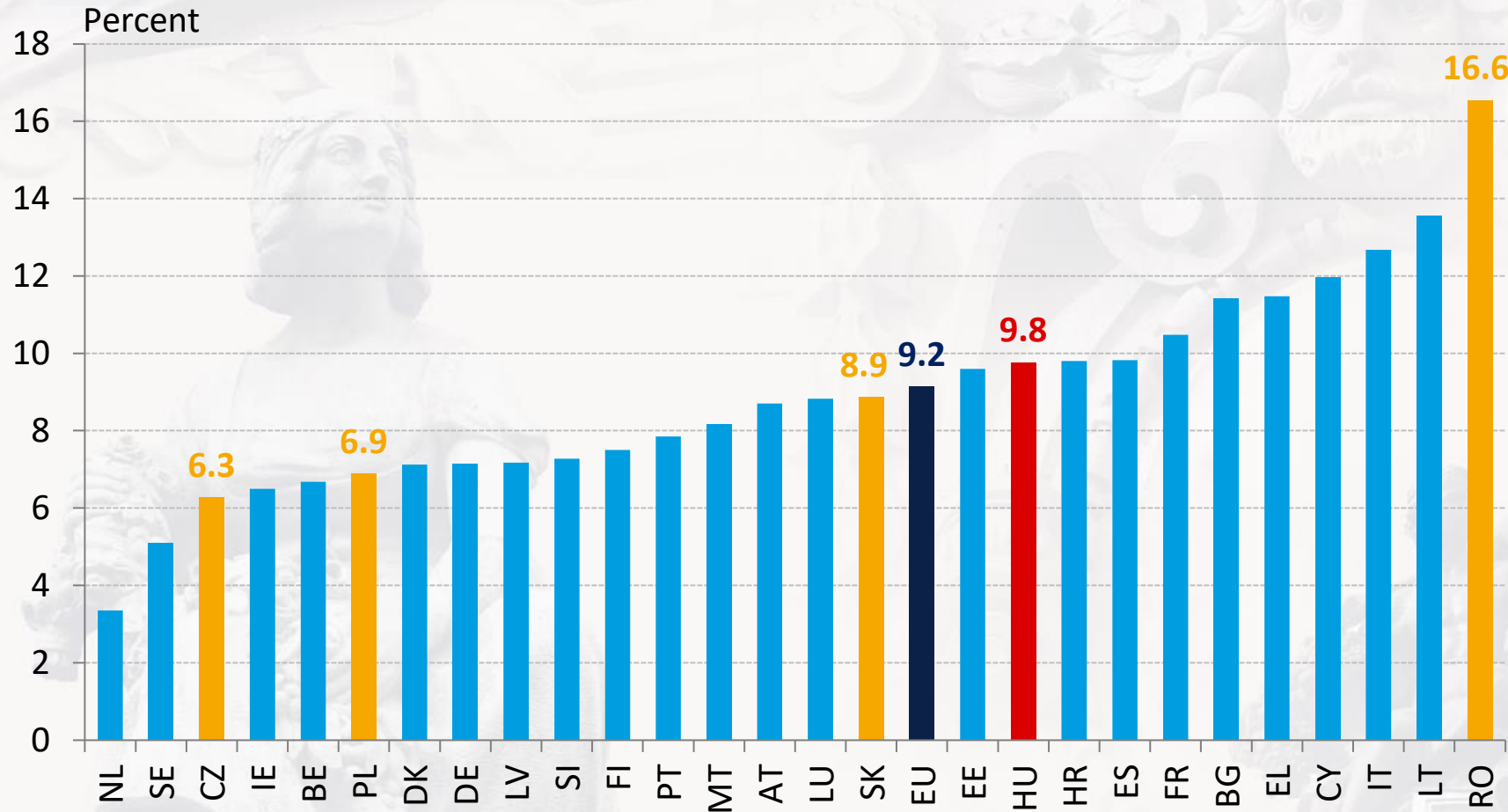
While the employment rate of the former is 8.6 percentage points above the EU average, that of the latter is 4.7 percentage points behind.

EMPLOYMENT RATE DIFFERENCES BETWEEN THE EU AND HUNGARY BY AGE GROUP AND SEX (2023)

Note | Where the value is positive, Hungary has an employment surplus, where it is negative, it has an employment deficit compared with the EU average; based on quarterly averages for 2023.

Source | Eurostat

THE RATIO OF NEET PEOPLE IS HIGH AMONG THE YOUNG IN HUNGARY



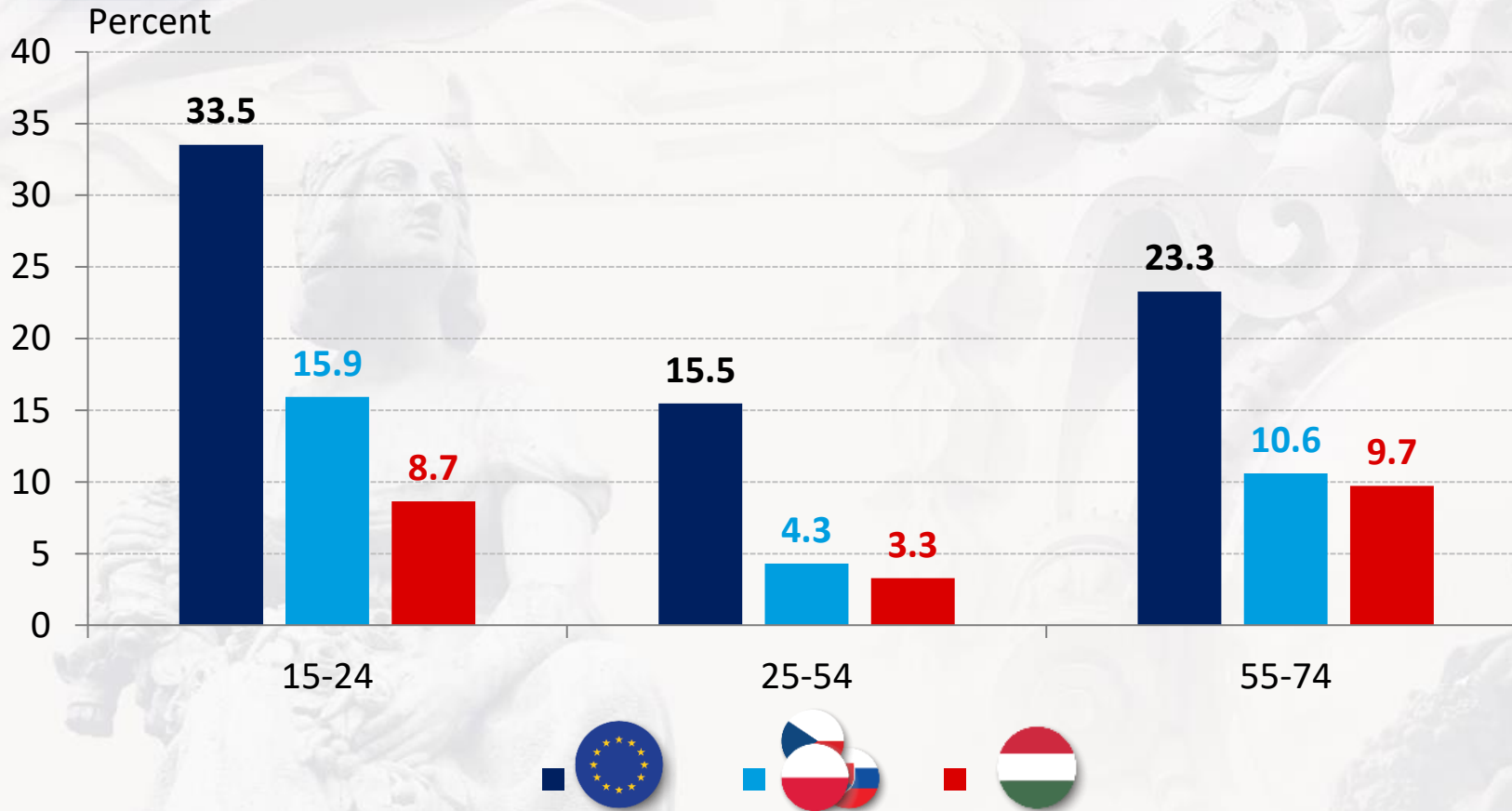
The labour market situation of young people also deserves special attention. The ratio of young **NEET** people is above the EU average.

RATIO OF YOUNG NEET PEOPLE

Note | 15–24 age group, seasonally adjusted data based on quarterly averages for 2023.

Source | Eurostat

MORE PART-TIME WORK AS A POSSIBLE MEANS OF BOOSTING EMPLOYMENT



In Hungary, only 4.9 percent of the employed work part-time, as opposed to 18.7 percent in the EU overall. The difference is even more striking among the 15–24 year olds, whose share in Hungary is merely 8.7 percent, compared with 33.5 percent in the EU.

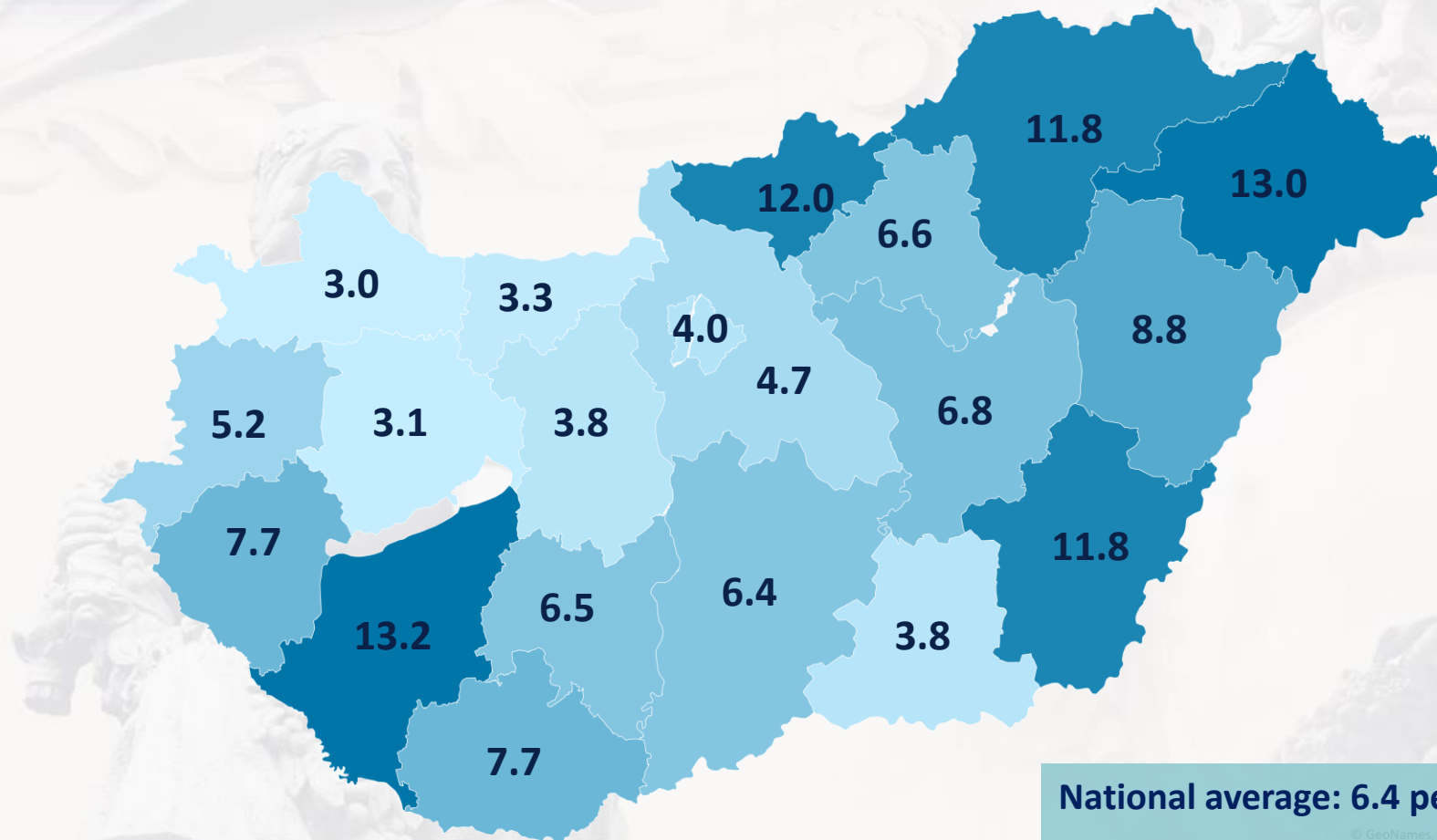
Part-time work could also help move up employment rates for the groups lagging behind, as international experience shows that it offers **opportunities for young people to work while studying and for older people to work as a retiree.**

PART-TIME WORKERS AS A PERCENTAGE OF ALL WORKERS (2023)

Note | Based on quarterly averages for 2023.

Source | Eurostat

GEOGRAPHY IS ANOTHER HINDRANCE TO TAKING UP EMPLOYMENT: THE LABOUR RESERVE IS CONCENTRATED IN THE EAST AND THE SOUTH...

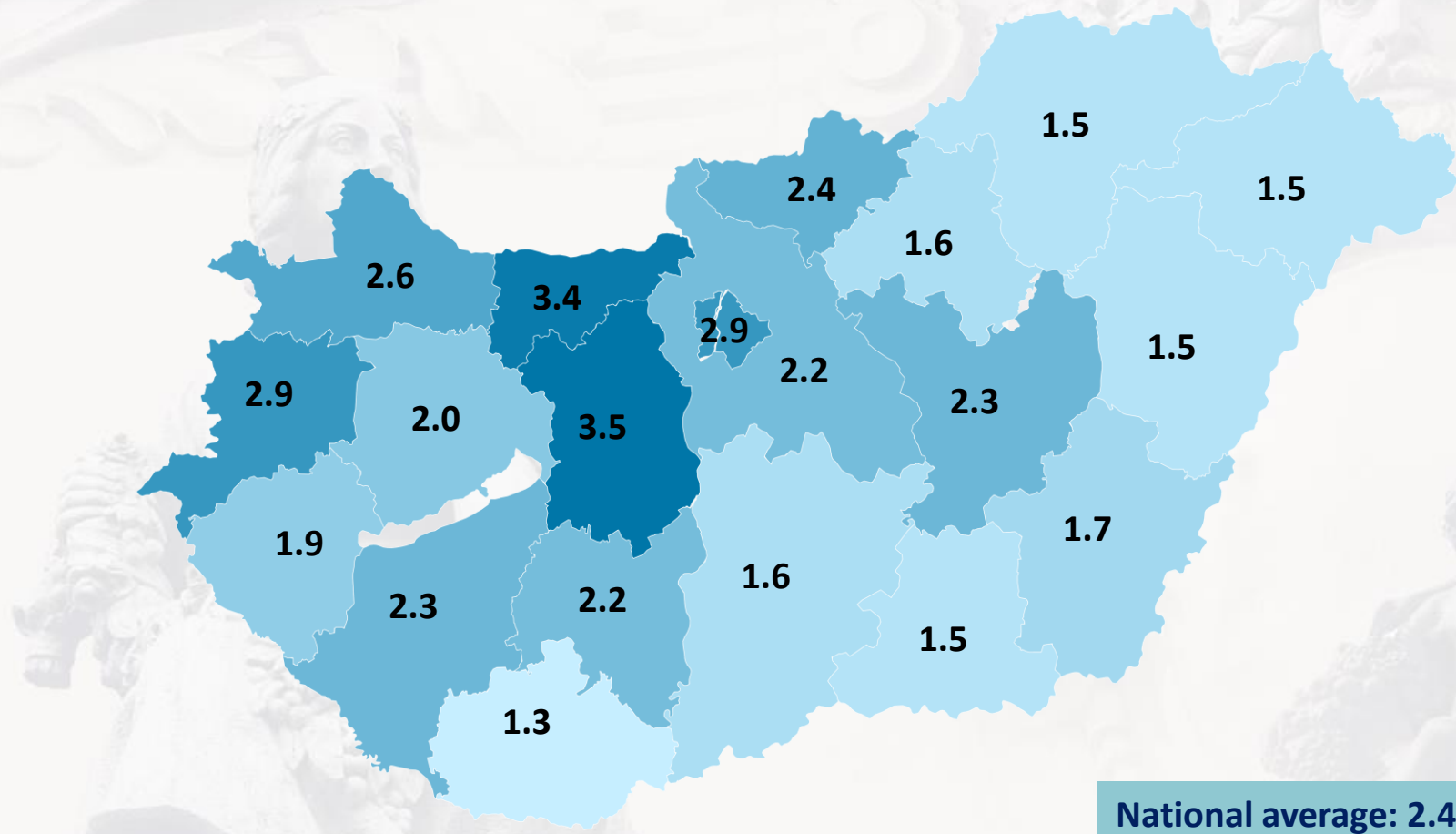


There are significant regional differences in the size of the labour reserve which is typically concentrated in the East and the South...

National average: 6.4 percent
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POTENTIAL LABOUR RESERVE BY COUNTY AS A SHARE OF EMPLOYMENT (2023)

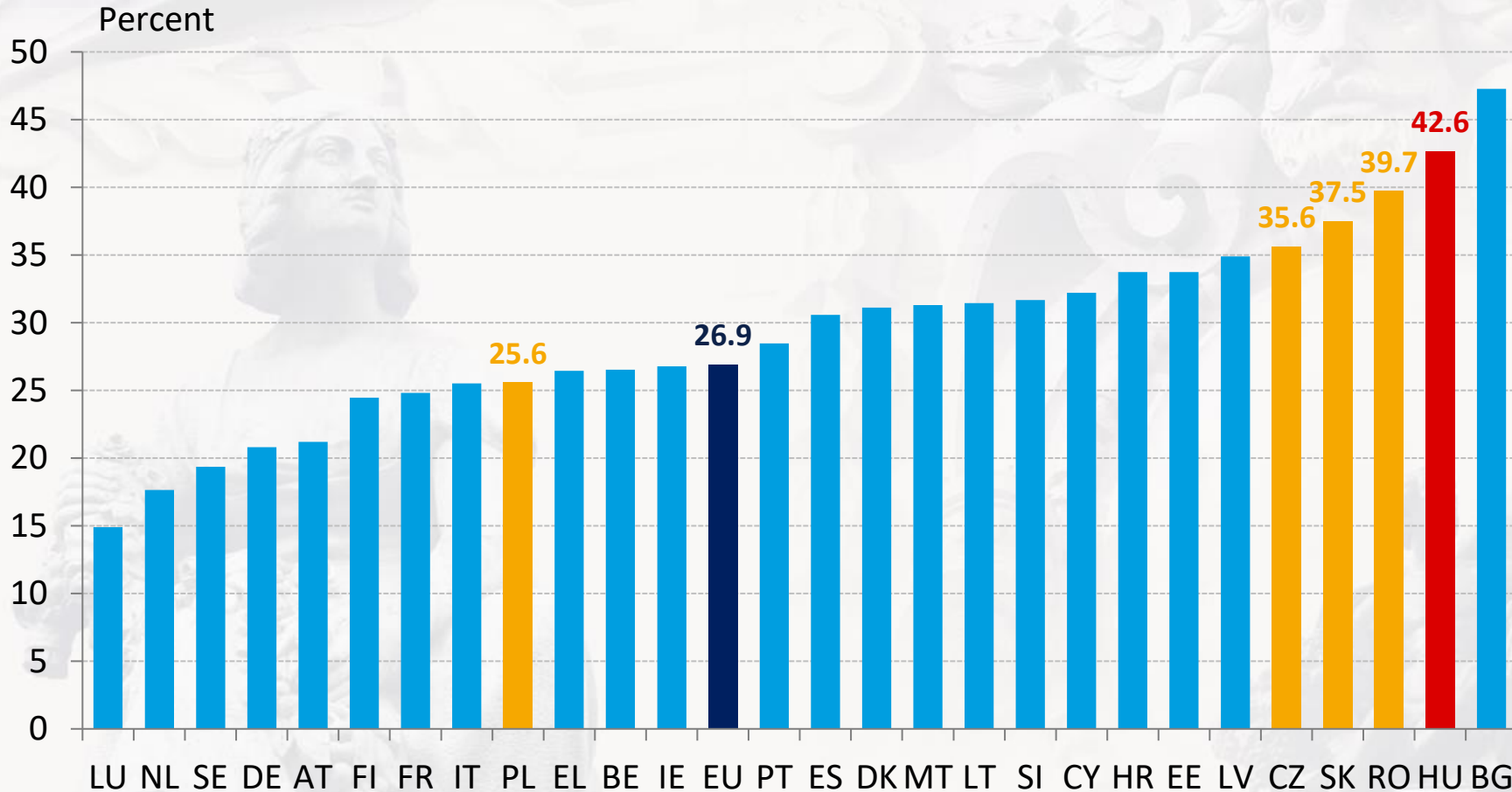
...WHILE LABOUR DEMAND IS STRONG IN CENTRAL AND WEST HUNGARY



...While **demand for labour** is mostly **high** in the more economically developed **northwestern and central regions**.

VACANCY RATE BY LOCATION OF THE EMPLOYER'S REGISTERED OFFICE (2023)

HIGHER SHARE OF DOMESTIC LABOUR IN LOW VALUE-ADDED MANUFACTURING JOBS THAN THE EU AVERAGE



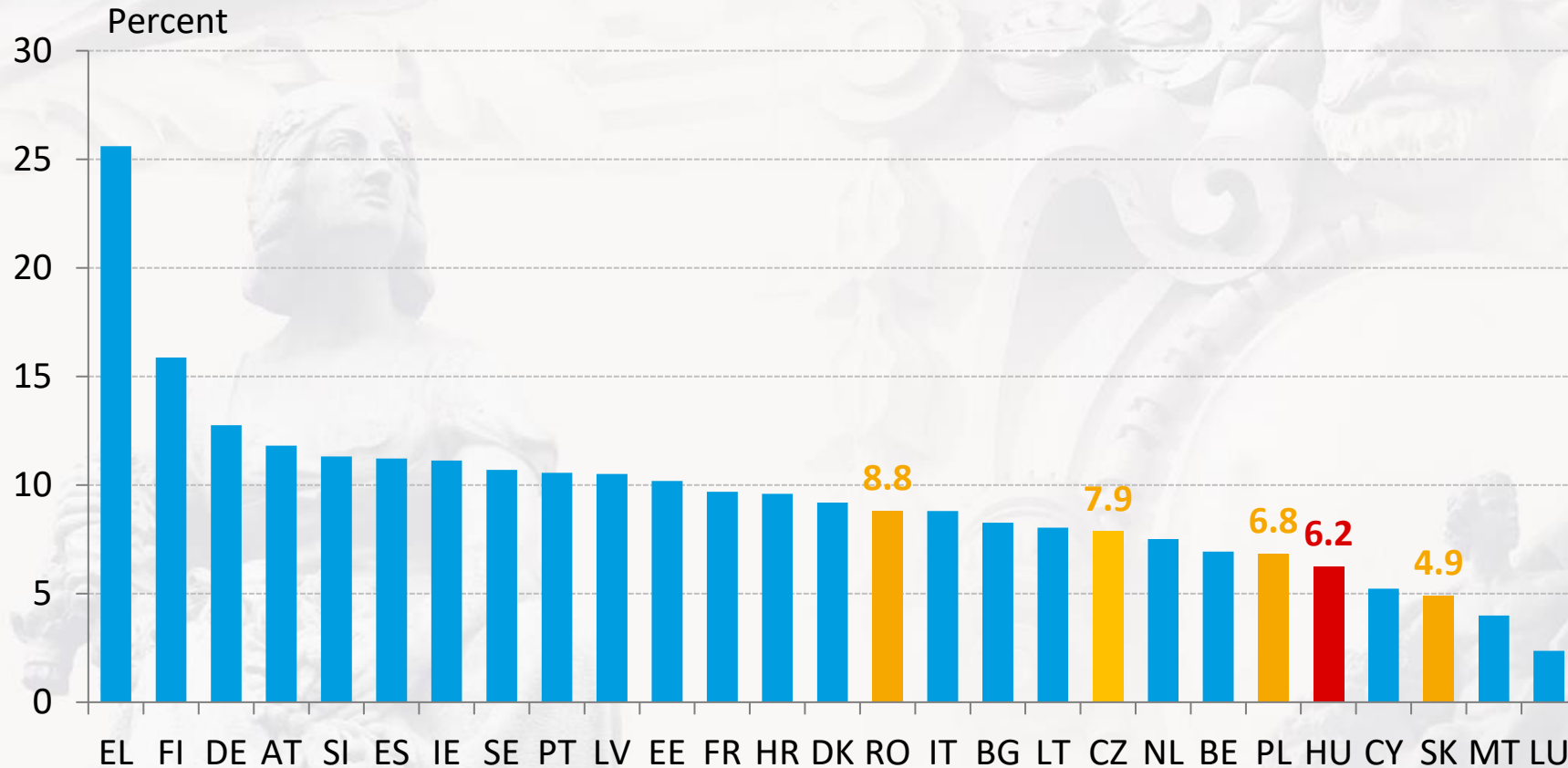
In addition to the size of the labour force, it is also **essential to examine workforce quality**. Hungary has the second highest share of workers performing simple tasks in manufacturing in the EU. **There is further room for labour productivity to catch up.**

SHARE OF LOW-SKILLED WORKERS IN MANUFACTURING (2022)

Note | Categories created based on FEOR08 (Hungarian Standard Classification of Occupations). Low-skilled workers: workers in unskilled jobs, machine operators, assemblers, drivers.

Source | MNB, based on Eurostat

THE SHARE OF STUDENTS IN PROGRAMMES QUALIFYING FOR HIGH-PRODUCTIVITY JOBS IS LOWER THAN THE REGIONAL AVERAGE



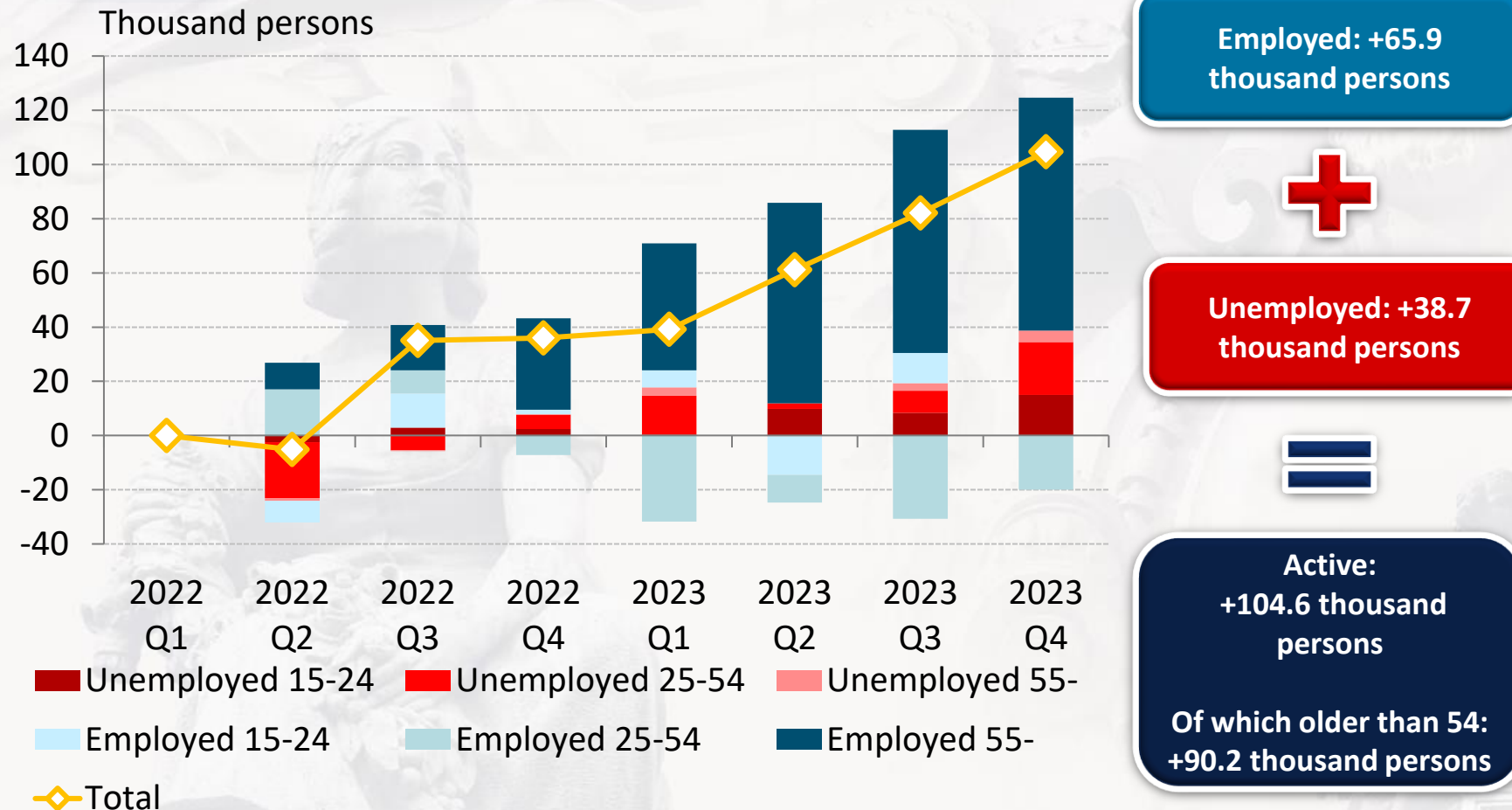
One way to boost productivity is to promote economic activities with higher added value. This requires an increase in the proportion of students in higher education programmes that qualify for high-productivity jobs. This includes university students in science, technology, engineering and math (STEM); however, their proportion in Hungary is the fifth lowest in the EU.

RATIO OF STEM STUDENTS (2021)

Note | As a percentage of university students aged 20–29.

Source | Eurostat

ACTIVITY CONTINUED TO INCREASE IN THE LAST TWO YEARS, WITH TWO-THIRDS OF NEW ENTRANTS BEING EMPLOYED AND ONE THIRD OF THEM BEING UNEMPLOYED

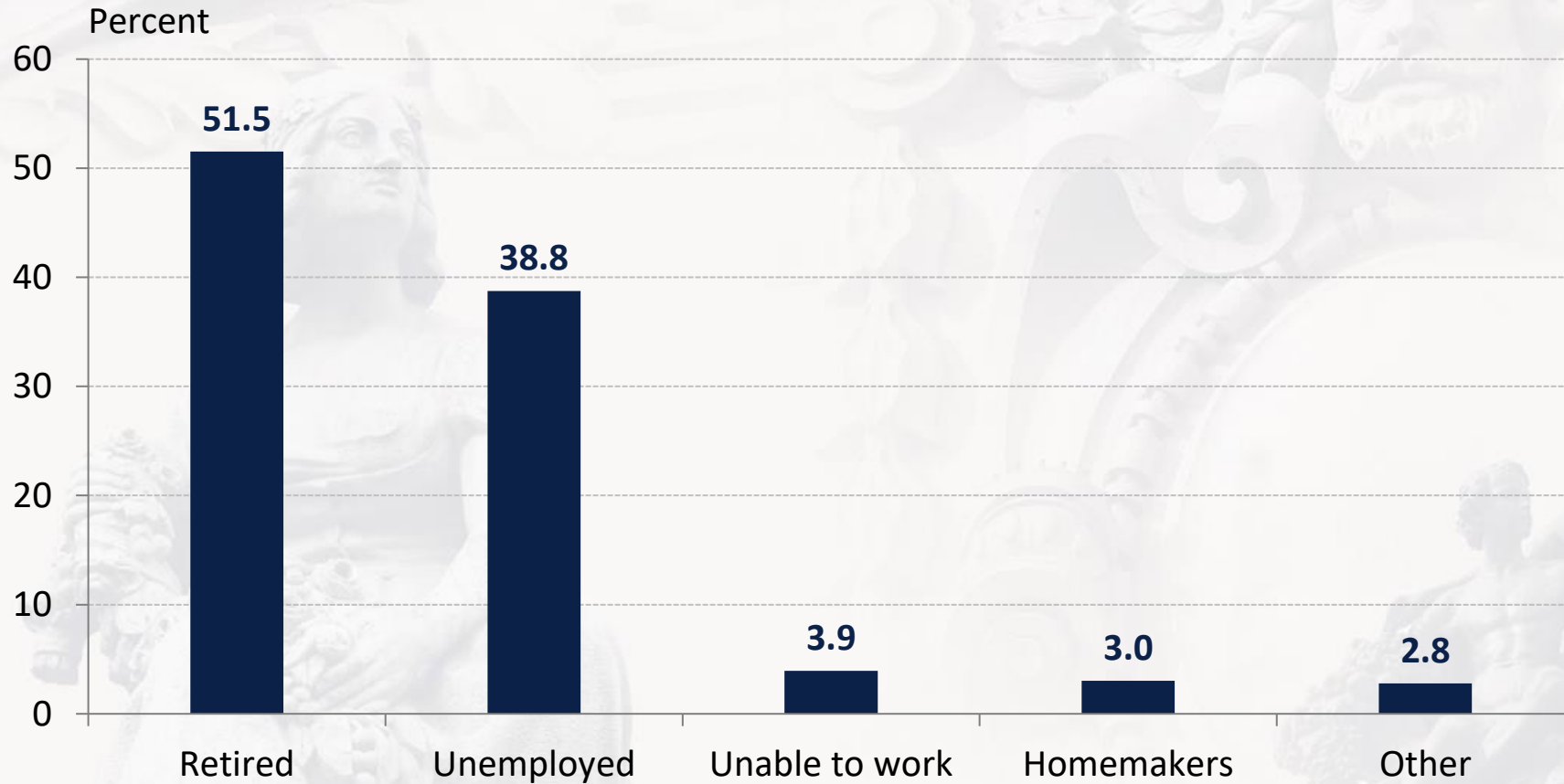


In addition to a structural and long-term analysis of the labour market, the **current cyclical situation** is also worth considering.

Over the past nearly two years, activity continued to increase, and two-thirds of the new entrants were employed. **The majority of people entering the labour market were over 54 years of age.**

CUMULATIVE CHANGE IN THE NUMBER OF ACTIVE PERSONS RELATIVE TO 2022 Q1

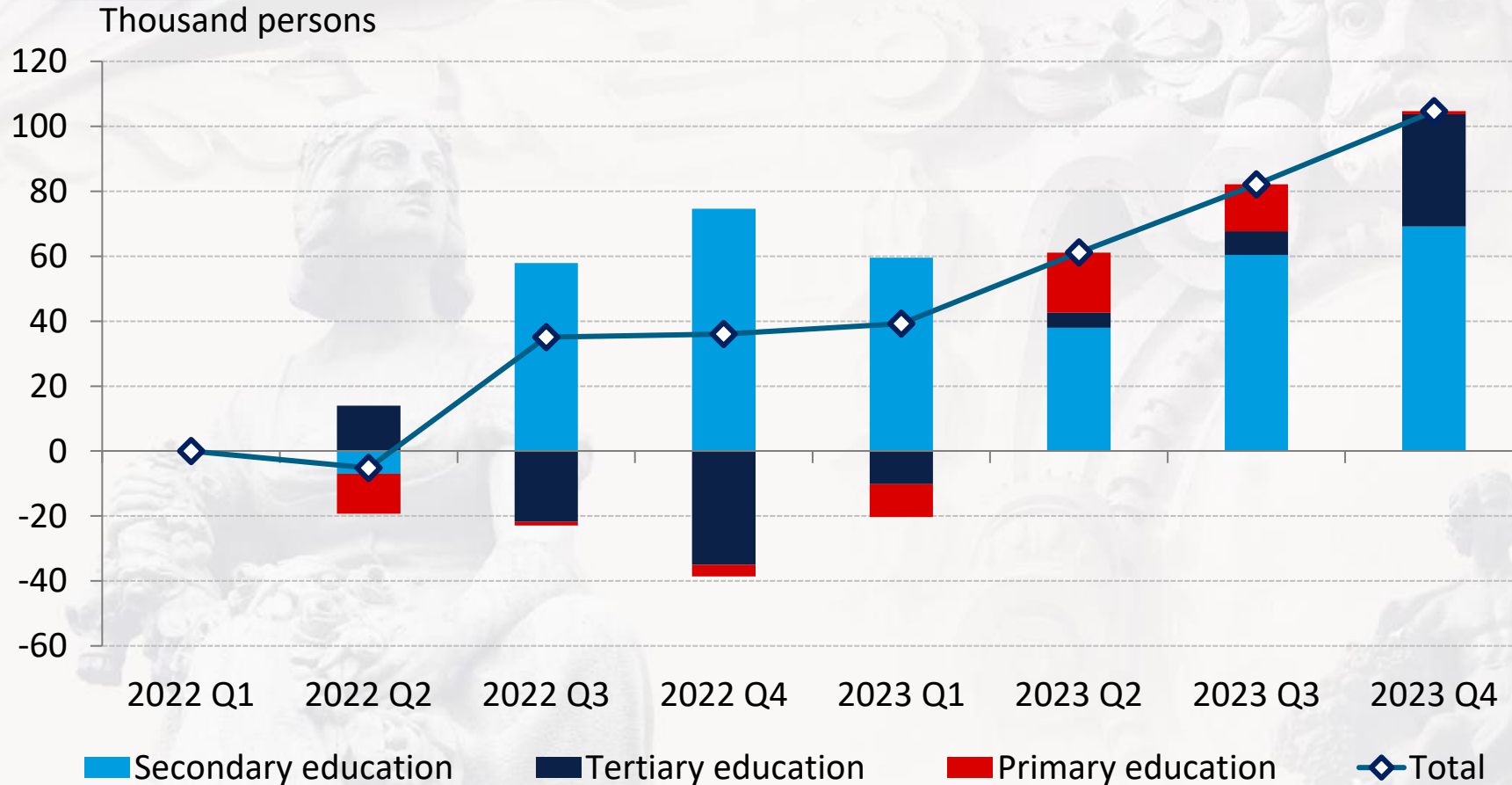
MOST OF THE NEW ENTRANTS OVER 54 RETURNED TO WORK AS A RETIREE



The majority (51.5 percent) of people **over 54** who did not work a year before **returned to the labour market as a retiree**. Another 39 percent found a job after being unemployed.

BREAKDOWN OF PEOPLE OVER 54 EMPLOYED AT THE TIME OF THE SURVEY BUT UNEMPLOYED A YEAR BEFORE BY YEAR-EARLIER STATUS (2023 Q3)

THE MAJORITY OF NEW ENTRANTS HOLD A SECONDARY SCHOOL QUALIFICATION

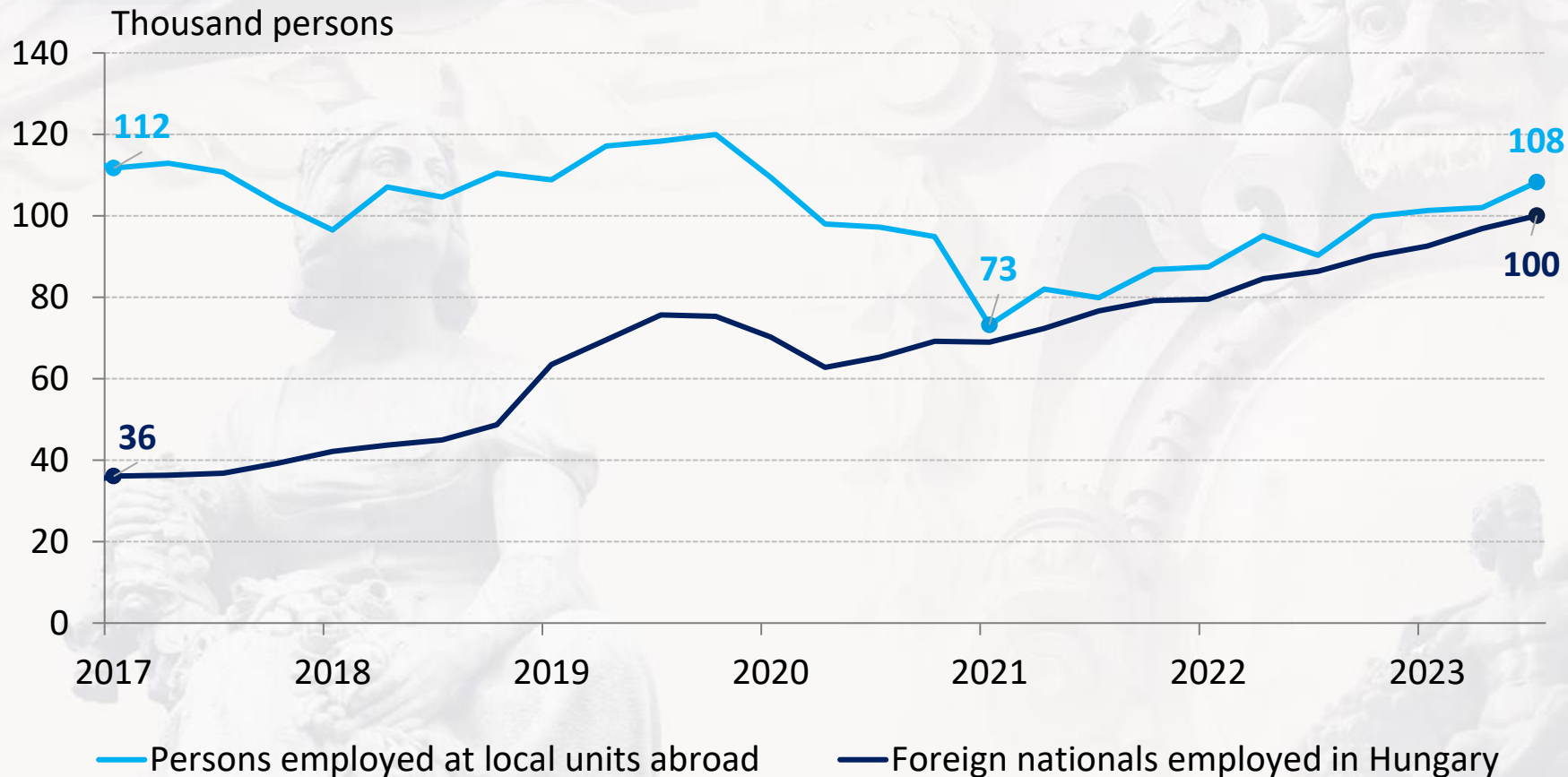


Looking at educational attainment, **those with a secondary school qualification contributed the most to the increase in activity** in the recent period.

Since 2022 Q1, the cumulative number of both the employed and the unemployed went up in all groups; however, those who completed secondary education accounted for more than half of the total increase (69.1 thousand persons).

CUMULATIVE CHANGE IN THE NUMBER OF ACTIVE PERSONS RELATIVE TO 2022 Q1 BY HIGHEST EDUCATIONAL ATTAINMENT

THE NUMBER OF HUNGARIANS WORKING ABROAD AND THAT OF FOREIGNERS WORKING IN HUNGARY BOTH ROSE IN RECENT YEARS

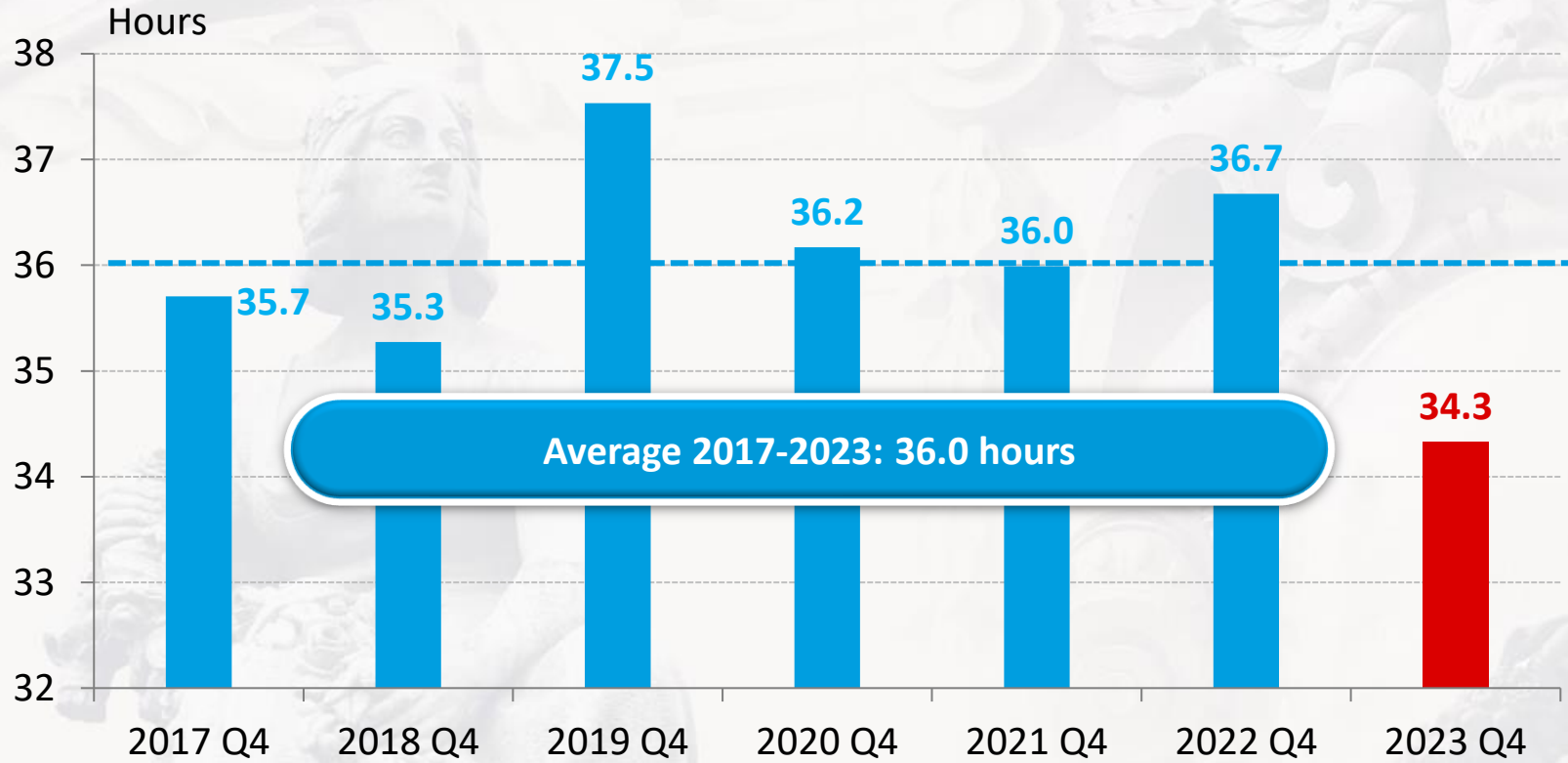


Since 2021, both the number of Hungarian citizens working at a business unit abroad and the number of foreign citizens working in Hungary have been on an upward trend.

According to HCSO data, the number of foreigners working in Hungary reached 100 thousand in 2023 Q3.

NUMBER OF HUNGARIANS WORKING AT A BUSINESS UNIT ABROAD AND NUMBER OF FOREIGN WORKERS EMPLOYED IN HUNGARY

THERE ARE SIGNS OF THE LABOUR MARKET BECOMING LESS TIGHT: THE NUMBER OF HOURS WORKED PER PERSON DECREASED

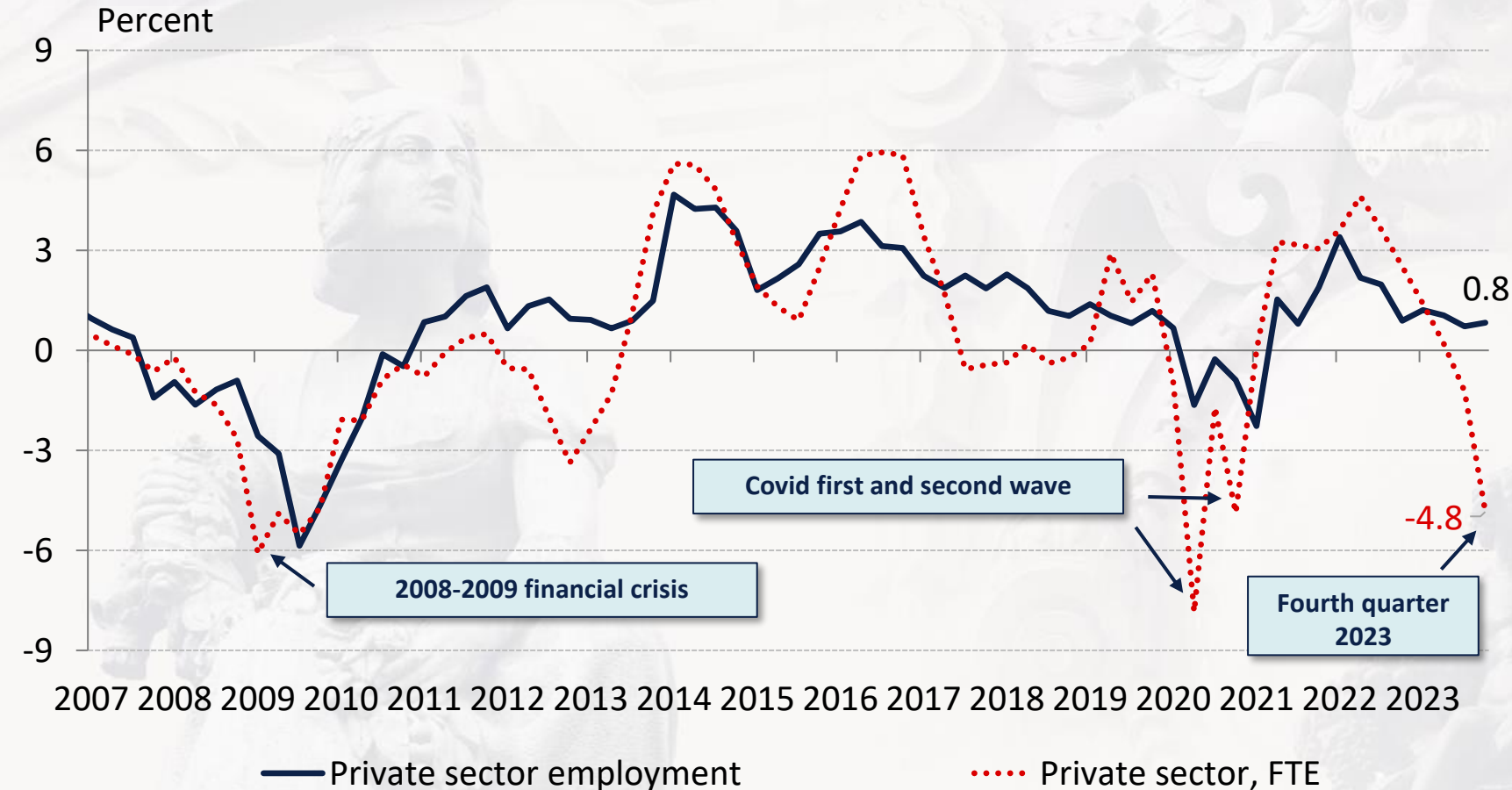


In the private sector, the **average number of hours worked per week decreased** in annual terms in 2023 Q4.

Full-time employees **worked 34.3 hours** a week on average in 2023 Q4, which is 1.7 hours less than the average of 36.0 hours worked in the fourth quarters of 2017–2023.

WEEKLY HOURS WORKED BY FULL-TIME EMPLOYEES IN THE PRIVATE SECTOR IN THE FOURTH QUARTER OF EACH YEAR

DESPITE THE RISE IN EMPLOYMENT, THE TOTAL HOURS WORKED IN THE PRIVATE SECTOR FELL



The number of workers employed in the private sector continued to increase; however, as the number of hours worked dropped, the **total hours worked decreased**.

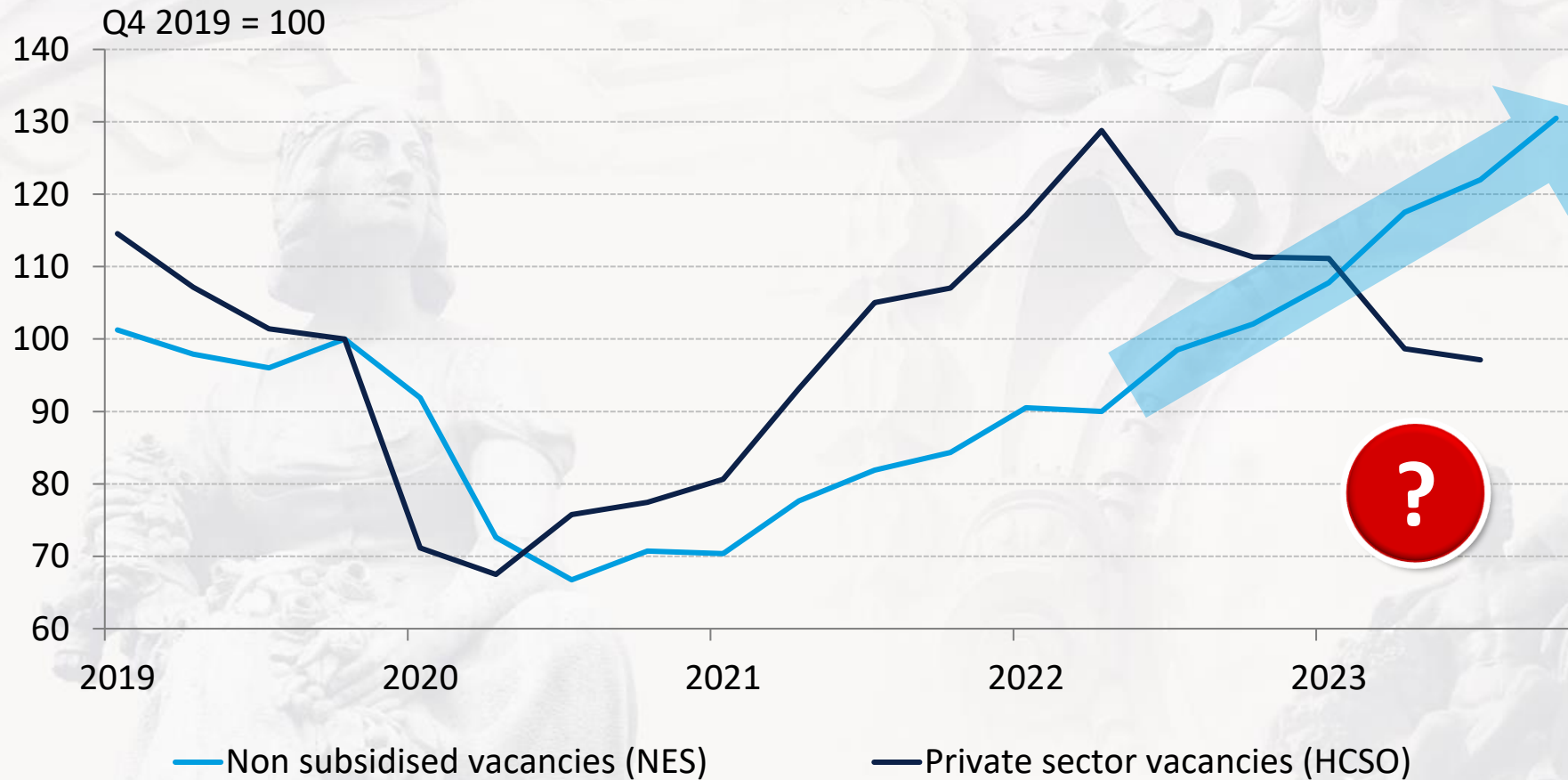
The **full-time equivalent** adjusted for hours worked **fell by 4.8 percent** in the fourth quarter, a decline only surpassed in degree in the past decade and a half during the COVID-19 pandemic and the 2008–2009 crisis.

ANNUAL CHANGE IN THE NUMBER OF WORKERS EMPLOYED IN THE PRIVATE SECTOR AND IN FULL-TIME EQUIVALENTS

Note | Full-time equivalents, excluding staff working abroad. Seasonally adjusted data.

Source | HCSO

DEMAND FOR LABOUR SHOWS AN AMBIGUOUS PICTURE



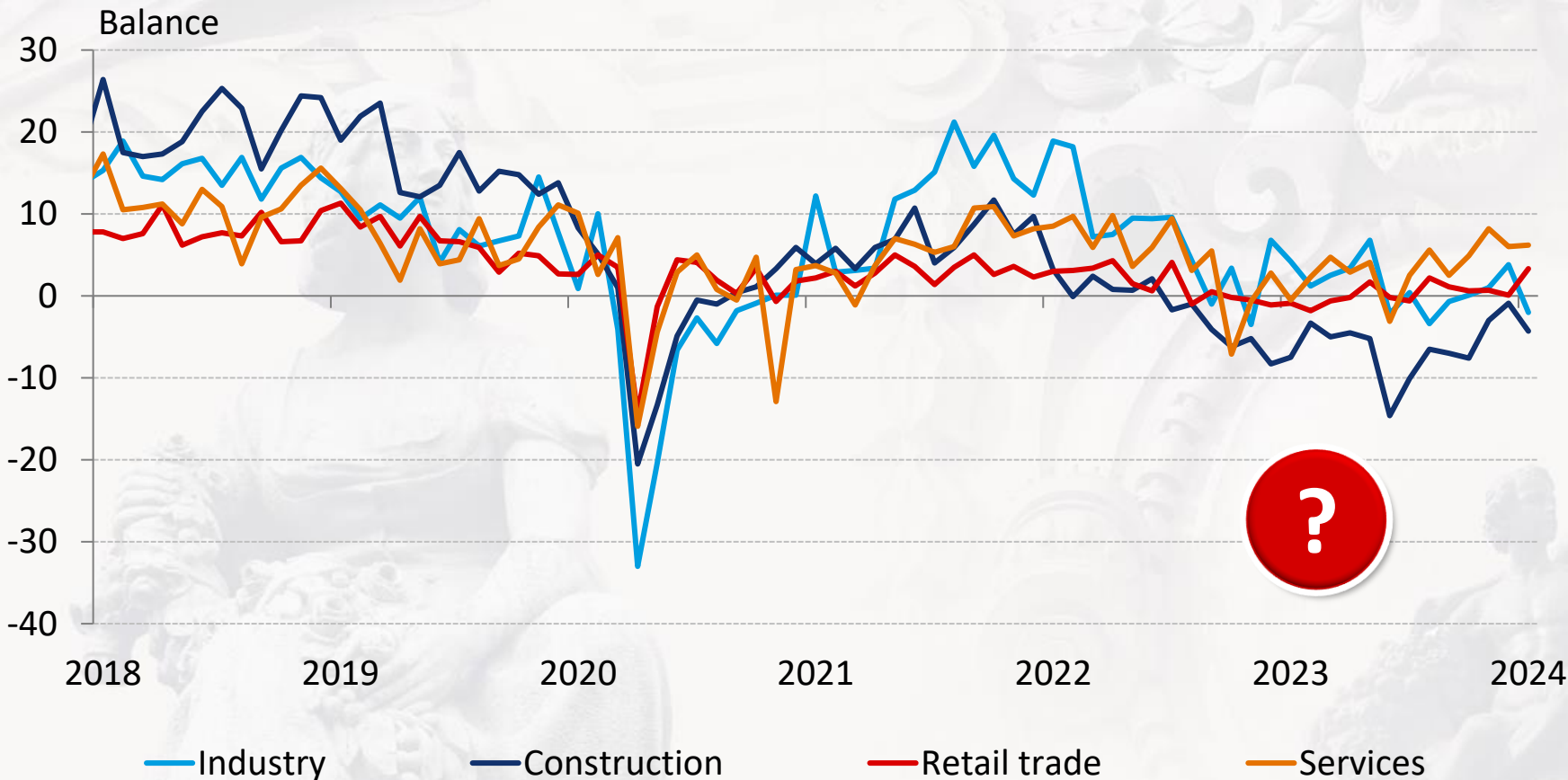
Official statistics paint an ambiguous picture of demand for labour.

The number of vacancies published by the HCSO has been on the decline since 2022 Q1, while according to data from the National Employment Service (NES), the number of available unsubsidised vacant posts has been on the rise since mid-2020.

EVOLUTION OF THE NUMBER OF VACANCIES

Note | Seasonally adjusted data.
Source | HCSO, NES

BUSINESSES' INTENTION TO HIRE HAS BEEN WEAK SINCE THE END OF 2022



Based on questionnaire surveys, **businesses' employment intentions** are also uncertain. The balance of the ESI (Economic Sentiment Indicator) survey published by the European Commission is positive if a company plans to expand its workforce and negative if it plans to reduce it.

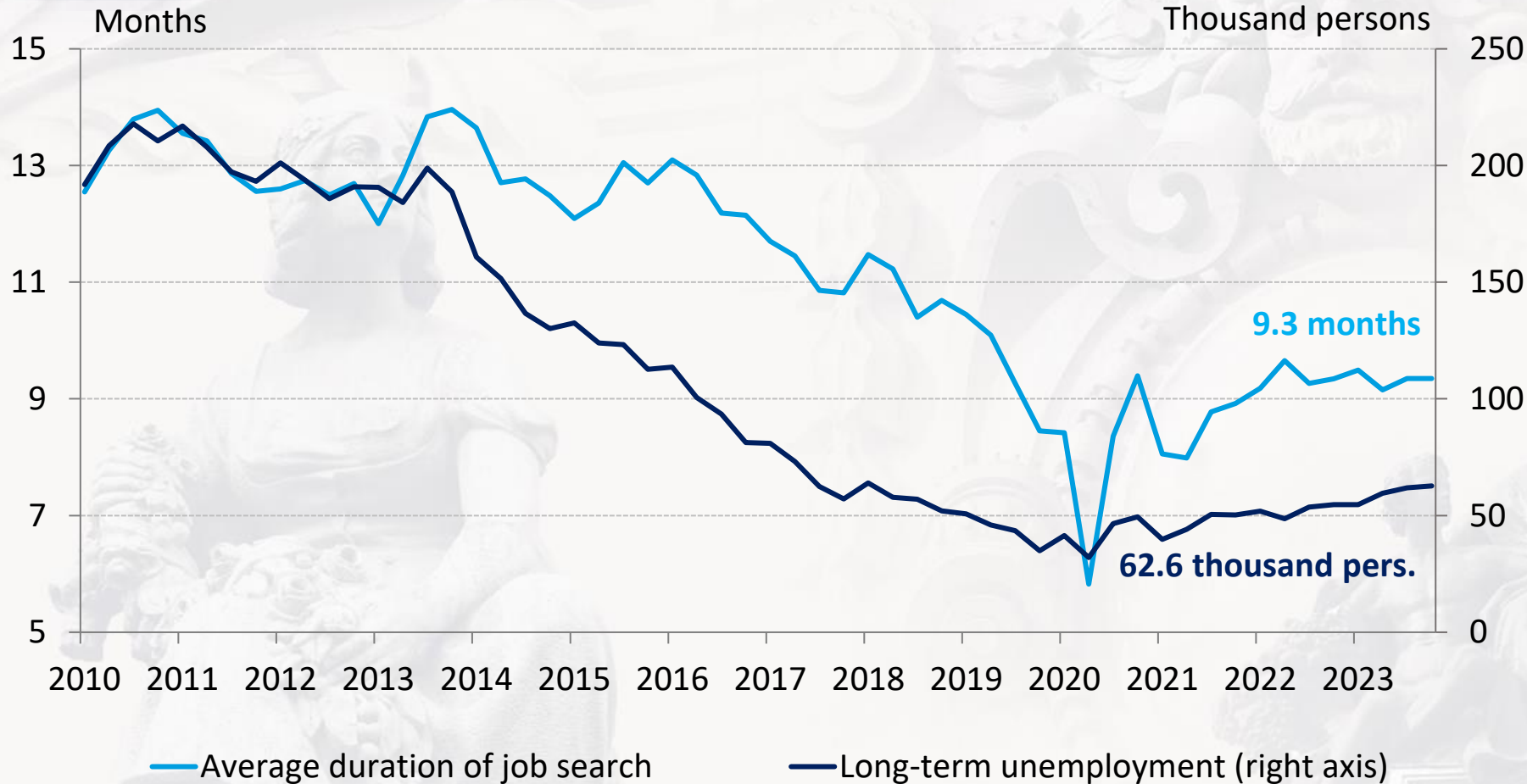
Over the past year or so, most sectors were **uncertain about increasing the number of their staff**, with balances fluctuating around 0.

BUSINESSES' EMPLOYMENT EXPECTATIONS (ESI BUSINESS SURVEY)

Note | Businesses' employment expectations (ESI business survey).

Source | European Commission

BOTH THE NUMBER OF THE LONG-TERM UNEMPLOYED AND THE DURATION OF JOBSEEKING ROSE SOMEWHAT BUT STILL STAND AT HISTORICALLY LOW LEVELS



The domestic unemployment rate stood at around 4 percent in the recent period, which is low both by historical and international standards.

In particular, the number of the long-term unemployed and the average duration of jobseeking also increased moderately.

EVOLUTION OF THE AVERAGE DURATION OF JOBSEEKING AND THE NUMBER OF THE LONG-TERM UNEMPLOYED

THE LABOUR MARKET IS STABLE. DEMOGRAPHY REPRESENTS AN EVER-MORE POWERFUL CONSTRAINT ON FURTHER EMPLOYMENT GROWTH. EDUCATIONAL ATTAINMENT IS BECOMING INCREASINGLY IMPORTANT.



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The labour reserve is concentrated among low-skilled and mid-skilled young people and women aged 55 to 74.



By 2030, the working-age population in Hungary may shrink by nearly 300 thousand.



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Upgrading the skills of the workforce is essential to improve competitiveness and increase labour productivity.

**THANK YOU
FOR YOUR
ATTENTION!**

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*100 years for Hungary's
prosperity*