1.2 “LABOUR SHORTAGE” IN THE HUNGARIAN PUBLIC DISCOURSE

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To start with, let us divide the Hungarian discourse on labour shortage into two parts. When someone speaks about “labour shortage”, they 1) implicitly define the problem with their own words describing what they mean by it; 2) in addition, often within the same sentence, they offer solutions for the problem they define.

The discourse on the “problem of labour shortage” will also be termed so herein, conforming to the lay Hungarian usage. It must be noted however, that wording is especially important because in itself it has an impact on, and often clearly defines how, we think about a problem and what solutions we arrive at.

As discussed in the previous sub-chapter, the problem of “labour shortage” can only be interpreted as an interaction of economic actors (in this case workers, businesses and the government). Accordingly, “labour shortage” always means for a business which is offering a vacancy, that they are unable to hire an employee for the vacancy they advertise at the wage level they offer. Obviously, the notion of “missing labour force” is only meaningful together with the “wage offered”, since they are strongly interrelated.

When looking at comments on labour shortage, Hungarian public discourse almost exclusively focuses on the first aspect, “missing labour force” as “missing human resource” and – with a few exceptions – it neglects the second aspect, the “wage offered”. The growing prevalence of “labour shortage” is well reflected in the number of articles containing the phrase “labour shortage”. Out of the 860,212 articles published on the news portals index.hu, origo.hu, mno.hu and magyaridok.hu between 1 January 2010 and 30 August 2017 a total of 1,958 contained the phrase “labour shortage”. The number of these articles started to increase significantly at the beginning of 2015 and reached a peak in October 2016 (see Figure 1.2.1). The trend in the number of articles indicates to what extent businesses perceived “labour shortage” during this period.

Having reviewed the articles, interviews and reports on labour shortage published after 2015, the following basic argument types may be deduced from the typical opinions:

1) “labour shortage” = people shortage,
2) “labour shortage” = people shortage (+ low wages),
3) “labour shortage” = people shortage (+ low wages + low productivity of firms),
4) “labour shortage” = people shortage + wages.

The characteristics of the above argument types as well as an example for them are given in Table 1.2.1. All four argument types interpret and discuss
the issue of “labour shortage” primarily as (skilled) people shortage. Types 2 and 3 also refer to labour shortage as “people shortage” but they also include other factors implicitly. These non-expressed factors, which are only referred to and their acknowledgement by the speaker only inferred, are indicated in brackets in the first column of the table.

Figure 1.2.1: The number of articles containing “labour shortage” on the news portals index.hu, origo.hu, mno.hu and magyaridok.hu between January 2010 and August 2017

Note: \( N = 1958. \)
Source: Authors’ data collection.

Table 1.2.1: Typical types of arguments concerning the issue of “labour shortage” in Hungarian public discourse, 2015–2017

<table>
<thead>
<tr>
<th>The logic of the argument</th>
<th>Reasons</th>
<th>Proposed solutions</th>
<th>Examples</th>
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<tbody>
<tr>
<td>1a) Labour shortage = HR shortage</td>
<td>Demographic reasons</td>
<td>Government intervention, reducing taxes</td>
<td>“The exponentially increasing number of people taking up employment abroad, the retirement of the Ratkó generation and the public works schemes suddenly removed several tens of thousands of workers from the labour market, while solutions emerge rather slowly – one such measure will be VAT reduction, which may make the wages in the catering industry more competitive. The Hungarian Tourism and Hospitality Employers’ Association has been calling for measures improving the profitability of the industry for a long time, since these would address the issue satisfactorily according to them”. (Turizmus.com, 2016).</td>
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<tr>
<td>1b) Labour shortage = HR shortage</td>
<td>Quality of vocational training</td>
<td>Improving the quality of vocational training</td>
<td>“I think the quality of vocational education and training needs to be improved. The Hungarian Chamber of Commerce and Industry has been calling for measures improving the profitability of the industry for a long time, since these would address the issue satisfactorily according to them”. (Turizmus.com, 2016).</td>
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<tr>
<td>2) Labour shortage = HR shortage (+ wages)</td>
<td>Demographic reasons, emigration</td>
<td>Economic recovery</td>
<td>“Labour shortage is partly due to demographic reasons, since the working-age population continues to decline and the proportion of those temporarily moving abroad for work has increased recently, while the economy is growing and thus demand is increasing – said Ferenc Rolek, Vice-president of the Confederation of Hungarian Employers and Industrialists on Monday on the TV channel M1.” (Vg.hu, 2017)</td>
</tr>
</tbody>
</table>
The majority of comments belong to the first type. It is a widespread view that labour shortage is due to simply not having enough workers in Hungary: “there is no more workforce on the market” (ATV, 2016a, 2017; Tourismus.com, 2016), “there are few skilled workers” etc. Proponents of this view identify three reasons for “labour shortage”: a) demography, b) bad education structure (too few pupils attend vocational schools and too many attend general upper-secondary schools), c) the insufficient quality of vocational education and training. (Two more reasons – d) and e) –, will be added later on.)

According to Ferenc Dávid, Chair of Confederation of the Hungarian Employers and Industrialists, the main cause of labour shortage is that “supply on the labour market decreases by fifty thousand annually (in the 15–64 age group)” (Hír TV, 2017). Ferenc Rolek, Vice-president of the Hungarian Employers and Industrialists also thinks that labour shortage is “rooted in demography”: “The generation born twenty years ago, who is entering the labour market at present, is considerably smaller in size than the cohort retiring (...) The difference between the two equals the reduction in labour supply.” (ATV, 2017b.) According to these views, the quality of school education, especially vocational education and training has to be improved (ATV, 2017a). They
think “labour shortage” is caused by the lack of skilled labour: “In Borsod and Szabolcs counties for example thirty thousand people participate in public works schemes, thus in theory there is reserve labour force but these people (...) are so low-qualified that they are practically unemployable.” (Hír TV, 2017.) This argument calls attention to the shortcomings of school education.

Emigration is often mentioned as a fourth cause leading to labour shortage: “in the old times it was the shopping centres that were cool and everybody went to work there, then the car factories – there is always a trend, and now everybody goes abroad” – as György Vámos summed it up (ATV, 2016a). These kind of comments can be classified in Type 2, since the reason for “emigration” is that workers seeking employment abroad are driven by the much higher real wages available abroad. These statements do not explicitly mention the difference between the wages offered abroad and in Hungary as a cause of labour shortage, they only refer to its consequence, “emigration”.

Another reason mentioned as contributing to labour shortage is the high taxes and social security contributions payable on wages. Through this argument (also belonging to Type 2), the role of wages in the emergence of labour shortage is indirectly acknowledged but the low wages offered by companies are not mentioned at all. This is only revealed by the fact that “social security contribution cuts” is considered a key element of solving the problem of labour shortage.

The above types of arguments provide solutions for solving the problem (“labour shortage”) as perceived by them which directly stem from the notions and reasoning defining the problem they see: since “labour shortage” has nothing to do with the behaviour of businesses, the wages they offer and their productivity and the phenomenon is caused by factors outside the economy (demography) on the one hand and factors outside the business sector (high tax wedge, low quality of school education) on the other hand, the problem of “labour shortage” can only be solved by government measures.

*Types 1–2* arguments provide the following suggestions for solving labour shortage: government measures targeting adverse demographic trends; development of basic education and vocational training; government support for introducing modern technologies and reducing social security contributions and tax cuts, which would result in pay rises.

Arguments calling for tax and social security contribution cuts implicitly accept the fact that the wages offered also have an impact on “labour shortage”. They are based on the implicit logic that if the wages offered were higher, labour shortage would diminish or disappear. However, they only point at tax and social contribution cuts as the source of pay rises: “It is impossible to redress the situation without a rebate on contributions (...) those who give an above-average pay rise, because they are forced to do so, should get a rebate on the excess contribution. Another inevitable measure is that a much
greater rebate on contributions should be granted for small enterprises (since they are in the gravest situation) in the various employment programmes than before.” (ATV, 2016a.)

Argument Type 3 already takes low productivity implicitly into account in the emergence of “labour shortage”. Although not mentioning productivity, it points at the necessity of “modernization”, “automation” and the increase in investment activity (Varga, 2017). Also in this type, suggestions place a stronger emphasis on direct government measures (“the missing workforce may be supplemented by public works participants and the unemployed through retraining”, “the corporate investment scheme provides incentives for the development of Hungarian enterprises”) and indirect measures improving the competitiveness of the business sector (“improving the business environment”) than on enterprise-level actions.

Type 4 is the only one that explicitly considers the wage levels on offer in addition to “people shortage”. On the one hand, it refers to recruitment difficulties at a given wage level (“It is difficult to find IT staff even for a starting salary of HUF 400 thousand”), on the other hand, it also discusses that firms react to “labour shortage” by increasing wages: “The shortage has considerably increased wages in the IT industry: according to this year’s survey of Hays, salaries rose by 8–10 per cent on average last year in the sector”. These types of argument are less frequent than the ones belonging to the first three categories and are typically found in articles on the IT sector.

In conclusion, according to the Hungarian discourse on “labour shortage”, the problem is general, “it already affects the whole economy” and it is mainly caused by “people shortage” or “skilled worker shortage”. In several cases it may be inferred that the holders of these opinions also consider the impact of wages and corporate productivity but – except for articles on the IT sector, where the significance of wages is explicitly mentioned – these factors are never specified.

References


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HÍR TV (2017): Kevés a szaki. Interjú Dávid Ferenccel. (There are few craftsmen. Interview with Ferenc Dávid) Hír TV, September 14.

HÍR24.HU (2017): A szakma, ahol százezrek hiányoznak, pedig minden állás három másikat teremt. (The profession where hundreds of thousands are missing, although each job creates three others) Hir24.hu, September 7.

PORTFOLIO.HU (2016): Hinni a könnyeknek – járulékcsökkentéssel a munkaerőhiány ellen? (Shall we trust the tears? Tackling labour shortage with social contribution cuts?) Portfolio.hu, October 2.

1 The significance of corporate productivity is very rarely mentioned explicitly in interviews and articles on labour shortage. See for example Portfolio.hu (2016).

VARGA MIHÁLY (2017): *A nemzetek sikere a gazdaság rugalmasságán múlik.* (The success of nations depends on the flexibility of their economy) Magyar Idők, October 20.

VG.HU (2016): *Kezdőként is bruttó 400 ezer körül lehet keresni.* (Even a fresher can earn about 400 thousand gross) Vg.hu, September 5.

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