

## 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.

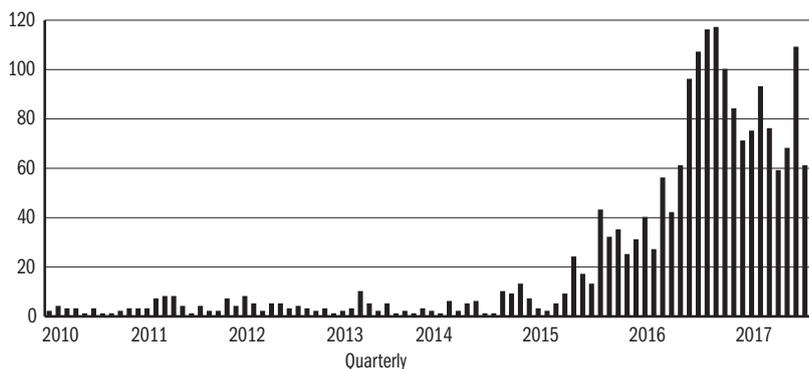
Having reviewed the articles, interviews and reports on labour shortage published after 2015, the following basic argument types may be deduced from the typical opinions:

- 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**

The logic of the argument	Reasons	Proposed solutions	Examples
1a) Labour shortage = HR shortage	Demographic reasons	Government intervention, reducing taxes	“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”. ( <i>Turizmus.com</i> , 2016).
1b) Labour shortage = HR shortage	Quality of vocational training	Improving the quality of vocational training	“I think the quality of vocational education and training needs to be improved. The Hungarian Chamber of Commerce and Industry has an inescapable responsibility, since they have been the ones in charge of vocational education and training since 2011. This is indeed very much needed, because we can already see chronic labour shortage in certain industries and occupations – partly because of an inadequate vocational education and training.” ( <i>ATV</i> , 2017a)
2) Labour shortage = HR shortage (+ wages)	Demographic reasons, emigration	Economic recovery	“Labour shortage is partly due to demographic reasons, since the working-age population continuously declines 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.” ( <i>Vg.hu</i> , 2017)

The logic of the argument	Reasons	Proposed solutions	Examples
3) Labour shortage = HR shortage (+ wages + productivity)	Demographic reasons, emigration	Pay rise, retraining, business development, automation, government intervention	“He said, the government does not seek to tackle the labour shortage by relying more on foreign labour. – He added that it is already possible to keep the workforce in the country by higher wages and incomes and the shortage can also be solved by retraining public works participants and the unemployed. The minister explained that the workforce can also be replaced by modernization, development and automation, which is supported by the government through various schemes and improving the business environment. This also encourages more and more businesses to become Tier-1 or Tier-2 suppliers and in this way enter foreign markets, he added. In addition, the corporate investment scheme also promotes the development of Hungarian businesses, emphasised Mihály Varga, adding that the government is willing to hold discussions with the key players of the construction industry in order to address the labour shortage of the industry.” (Varga, 2017)
4) Labour shortage = HR shortage + wages	Structure of the education	Improving the quality of education, reducing the rate of dropping-out, pay rise	“According to Tamás Köröksi, the director in charge of IT training, the problem is rather complex, because they find it extremely difficult to keep pace with technological advancements and provide the kind of education for their students which is required by businesses. They often try to update older curricula but there is a backlog of several years because of the cumbersome approval procedure. No wonder, that – similarly to other large corporations – EPAM also provides in-house training for new recruits.” (Hir24.hu, 2016). “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, which had already provided the second highest wages following the banking sector. Companies hunt not only experienced professionals from one another but also line up for fresh graduates. Junior software developers typically earn a gross salary of HUF 410 thousand, while more senior jobs are paid 600–900 thousand and in management positions it is generally possible to earn 1.1 million a month. According to head hunters, developers specialising in popular programming languages, such as Java, are able to get even more.” (Vg.hu, 2016)

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; *Turizmus.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)” (Hir 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”.<sup>1</sup> 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 re-training”, “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.

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

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