



Short-Term Labor Market Prognosis for 2013

– Summary in English –

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The Institute for Economic and Enterprise Research operated by the Hungarian Chamber of Commerce and Industry (IEER or GVI in Hungarian) is a non-profit economic research institute indulging in applied research in several subfields of economics. Our mission is to provide empirically and theoretically substantiated knowledge and analysis of the economic and social processes that influence the actual situation and perspectives of Hungarian economy and Hungarian companies.

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Short-Term Labor Market Prognosis for 2013

Autumn 2012 marked the seventh collaboration between the Hungarian Labour Inspectorate and the Institute for Economic and Enterprise Research (IEER) for an empirical study into the short-term forecasts of the economic prospects of the private sector and the labour market decisions of firms. In the latest survey into short-term labour market projections, 6,782 company managers were interviewed about current and future workforce prospects.

The results showed that a slightly positive intention to hire more workers can be detected in the expectations of the Hungarian private sector for the coming year. While in 2012 the number of companies that increased their workforce was 10 percentage points higher than those that decreased their employee numbers, in 2013 the corresponding figure was 14 percent. Accordingly, more companies are expected to hire next year than was the case for this year.

In 2013, the likely scenario is of 0.2 percent decrease in the number of employees in the private sector. A pessimistic scenario sees a 0.8 percent decline while an optimistic scenario sees a 1 percent increase in the number of employees in the private sector. The likely scenario is that the number of industrial employees may grow by 0.5 percent. By contrast, all other economic sectors are likely to fall, especially agriculture, where a 1.8 percent decline is expected. It is important to emphasize that the agricultural sector is also expected to decrease under the optimistic scenario as well.

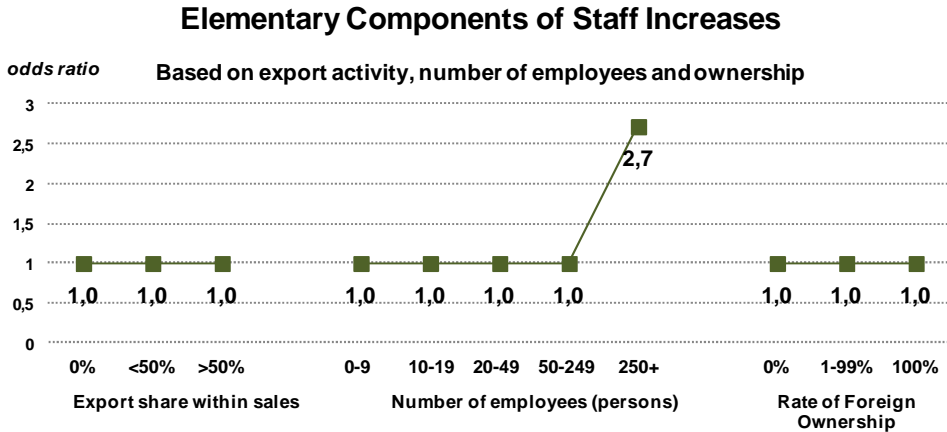
Staff Expectations for 2013

The annual workforce expectations formulated by firms in its "raw" format should not be interpreted as fact; experience shows that they require treatment using different statistical methods. The importance of this correction is underscored by three basic claims:

- Companies are generally overly optimistic about the future, typically a greater number of hiring or less dismissals are calculated than what subsequently occurs.
- The internal structure of a company or the external business environment is different because there are segments where it is easier and there are others where it is more difficult to formulate annual workforce projections.
- There are differences among companies about the importance of business forecasts, including staff planning. Thus, there are some corporate segments which invest considerable effort in planning and therefore have more accurate forecasts, while others base their future expectations on momentary intuition.

For the Labor Force Market Prognosis surveys between 2008 and 2011, IEER developed a statistical model for the analysis of the data that comprised of 7,139 companies and 887,339 employees in such a way which allows for the correction of the employee numbers for 2013. The model takes into account a company's characteristics (economic sector, size, ownership background, export activity, physical job share), the business environment and business expectations, and the characteristics of the expected change in employee numbers (direction and extent of expectations). Naturally, the correction model does not account for greenfield investments, as well as unexpected closures and departures.

The following portrayal is based on the data from the workforce expectations of 447,375 employees of 3,864 firms. The sample is considered to be representative by the joint distribution of company size (based on the number of employees) and economic activity. It does not include micro-enterprises with fewer than 10 employees.



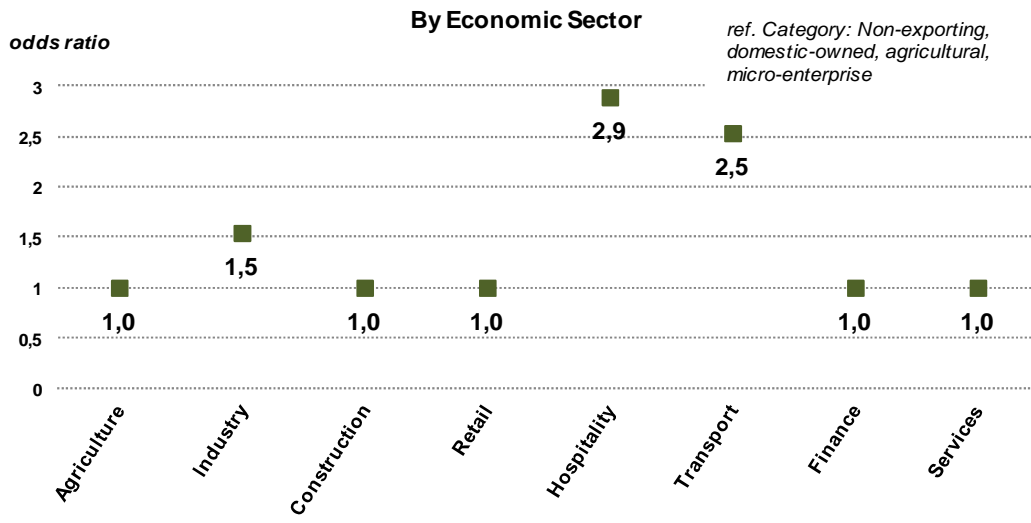
The expectations are described in three scenarios. We formulated a likely as well as an optimistic and a pessimistic scenario. We consider an optimistic scenario as an uncorrected corporate forecast, the likely scenario contains forecasts adjusted with the statistical model, and the pessimistic scenario is based on such a correction in where a company's optimistic expectations are not met.

In 2013, the likely scenario sees a 0.2 per cent decrease in the number of employees in the private sector. In the pessimistic scenario there is a 0.8 percent decline while for the optimistic scenario there is a 1 percent increase in the number of employees in the private sector.

The likely scenario is that the industrial workforce may grow by 0.5 percent. By contrast other economic sectors are likely to fall, especially agriculture, where a 1.8 percent decline is expected. It is important to emphasize that in the optimistic scenario the agricultural sector is also expected to decrease.

For those firms that mainly produce for export, around a 3 percent decline in 2013 appears likely. In the optimistic scenario, there will be an increase of 0.8 percent, while for the worst-case scenario a decline of 4.5 percent could occur.

In the case of small businesses and large corporations a decline of 0.4 percent and 1.3 percent respectively is expected, while for medium-sized businesses a 2.1 per cent increase is likely.

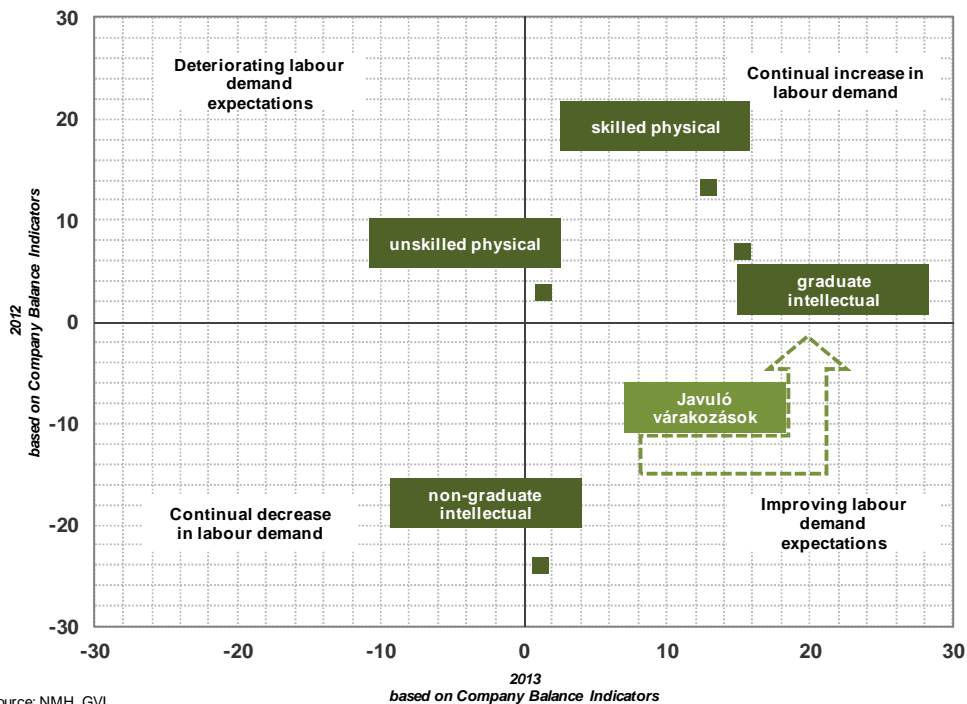


source NMH, GVI

Expected Workforce based on Employment Indicators

A slightly positive intention to hire is characteristic of the Hungarian private sector expectations for the coming year. While in 2012 the number of companies expanding their workforce was 10 percentage points higher than those that decreased their numbers, in 2013 the corresponding figure was 14 percent. Thus, more companies are expected to hire next year than this year. This behaviour is identical to the previous two years, when companies make mildly optimistic expectations, which will only partly be met.

Labour demand by occupation group 2012-2013



source: NMH, GVI

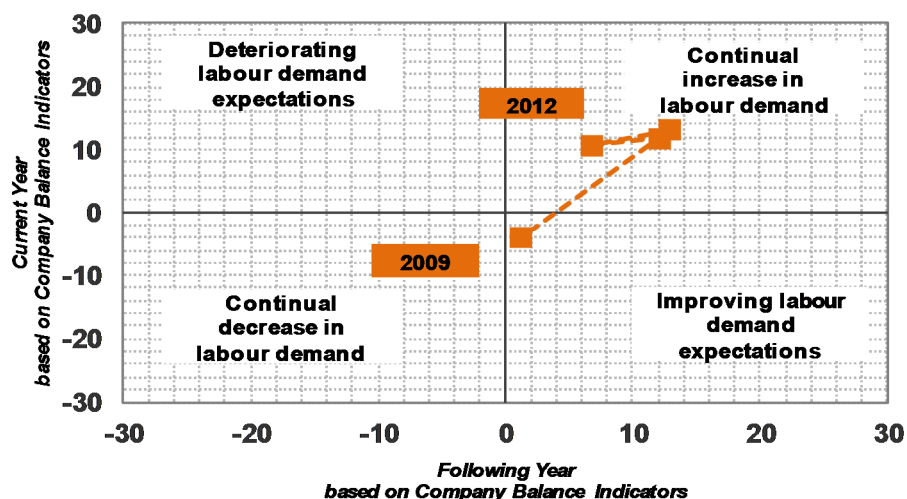
Taking into consideration the employment weight of firms, the employment balance index shows whether companies planning to expand or downsize are in the majority and to what extent it is so. The balance indicator is therefore the simplest approach to observe changes in staff numbers, and does not reflect the increase or reductions in the workforce to be achieved. In theory, the balance indicator may be positive, but the number of employees in the private sector nevertheless declines. Despite the disadvantages of the balance indicator, this simple form indicates – in line with the business climate – how optimistic a company is about the coming year.

An examination of trends from previous years shows that since the economic crisis bottomed out in 2009 the economic situation have not enabled the following year's balance indicator to be particularly higher than the expansion of the workforce for the target year.

Companies in Jász-Nagykun-Szolnok (37 points), Tolna (35 points) and Szabolcs-Szatmár-Bereg (26 points) counties proved to be the most optimistic; the balance index in 2013 is the highest in these areas. By contrast, Vas (3 points), Csongrád (2 points) and Békés (-3 points) counties have the worst expectations in terms of changes in employee numbers. Békés is exceptional because in this county alone the majority of companies expect a decrease in the number of employees in contrast to those expanding their workforce.

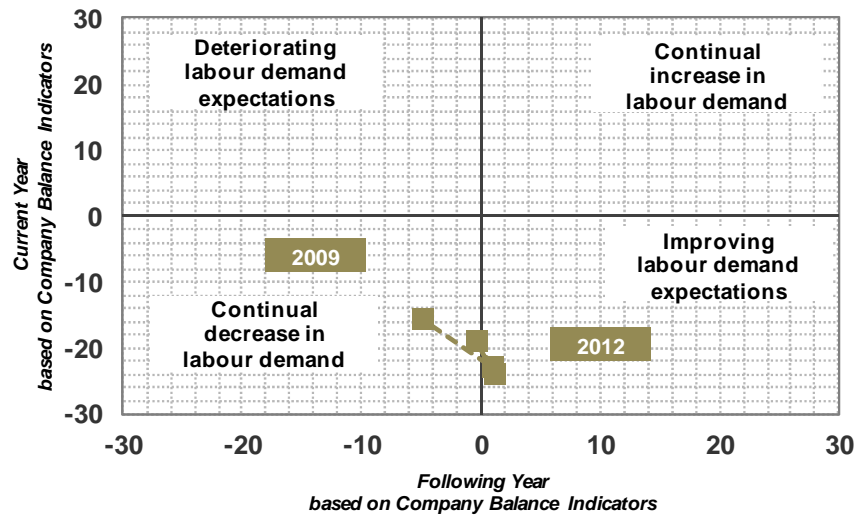
In what corporate areas is there employment growth? What are the main determinants of growth in the workforce? Below a regression analysis into export and economic activity as well as company size and ownership background is used to find answers to these questions.

Graduate white-collar



The chance of an increase in the workforce for next year goes up with company size. Firms with more than 250 employees are 2.7 times more likely to expand their numbers than micro, small or medium enterprises. There is no difference among firms by foreign ownership or export activity, among them we are likely to find the same number of companies that will expand their workforce.

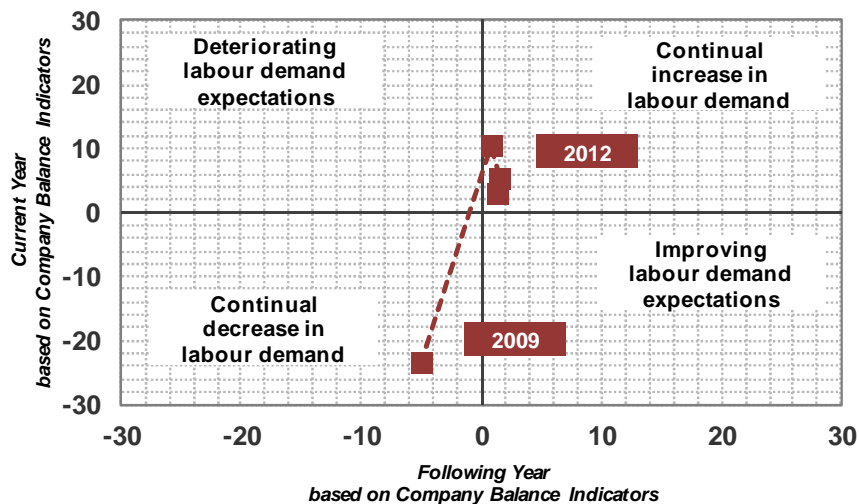
Non-graduate white-collar



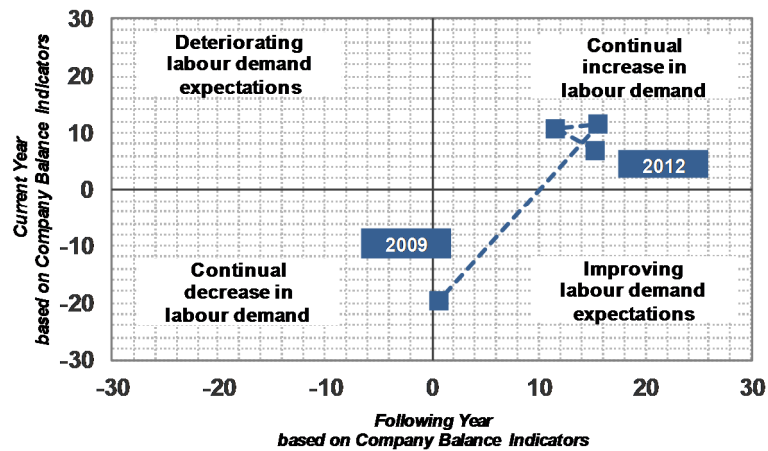
By economic sector, firms operating in the tourism (2.9 points), transport and storage (2.5 points) and industry (1.5 points) sectors are typically more likely to increase employee numbers.

According to the employment balance indicators, skilled and unskilled manual labour, as well as graduate intellectual jobs are characteristically constantly in demand – in these areas in 2012 more companies expanded their employee numbers as opposed to reducing, and this is expected to be true for the year 2013 as well. The growth rates for the current year and the following year, however, are different for each group. Skilled manual jobs next year will increase while the growth rate for graduate intellectual positions will decrease. Non-graduate intellectual employment differs substantially from those employed in this group; in previous years they were characterized by employment demand – the balance index shows a significant decrease for the current year and a slight increase for the coming year.

Skilled blue-collar

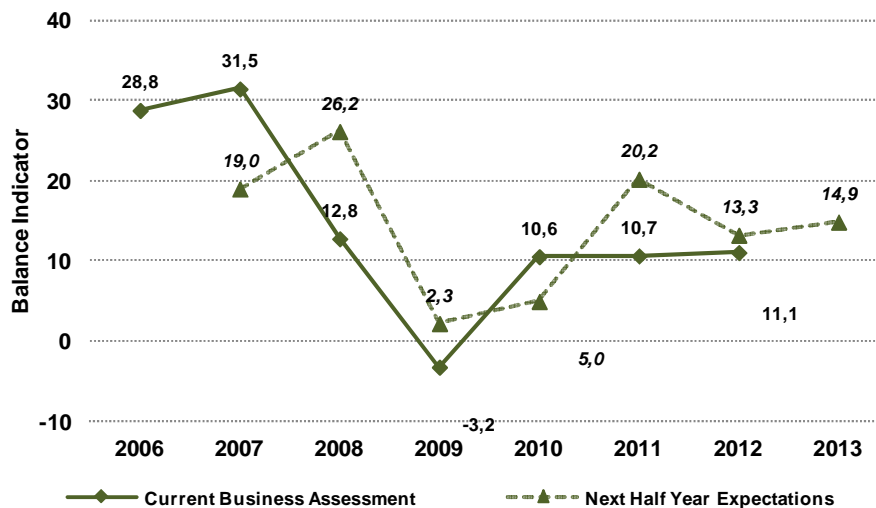


Unskilled blue-collar



We can say that according to labor market developments in recent years, for each of the four occupational groups, the year 2009 was a low point, which was followed by a very similar picture of the employee numbers for the target year and the expectations for the coming year. It is worth emphasizing the indicators of the non-graduate intellectual group. In every year since 2010 firms have reported significant reductions and projected a slight increase for the following year – that is, their positive expectations have never materialized.

Current Business Situation and Expectations



Source: NMH, GVI2006-2013