

Short Term Labor Market Forecast for 2019

Summary

The following summary comprises the latest results gained from the largest representative survey series on the Hungarian labor market, made by IEER annually. In the study 6781 company leaders' answers on employment, on the company's business situation and on future expectations were registered and analyzed. The history of the survey series targeting short term expectations of the labor market goes back to the years following the regime change of 1989-90 in Hungary. The latest survey in this research program took place in September and October 2018 as the eleventh occasion of the collaboration between the Hungarian Ministry of Finance and the Institute for Economic and Enterprise Research (IEER) to forecast the short term economic prospects of the private sector, and to review corporations' labor market decisions in an empirical study.

The survey

During the survey co-workers from county governmental offices and from the IEER Institute questioned altogether 6781 company leaders about their current and expected labor force demand. The results can be considered to be representative by the companies' geographical location, economic sectors and size (headcount).

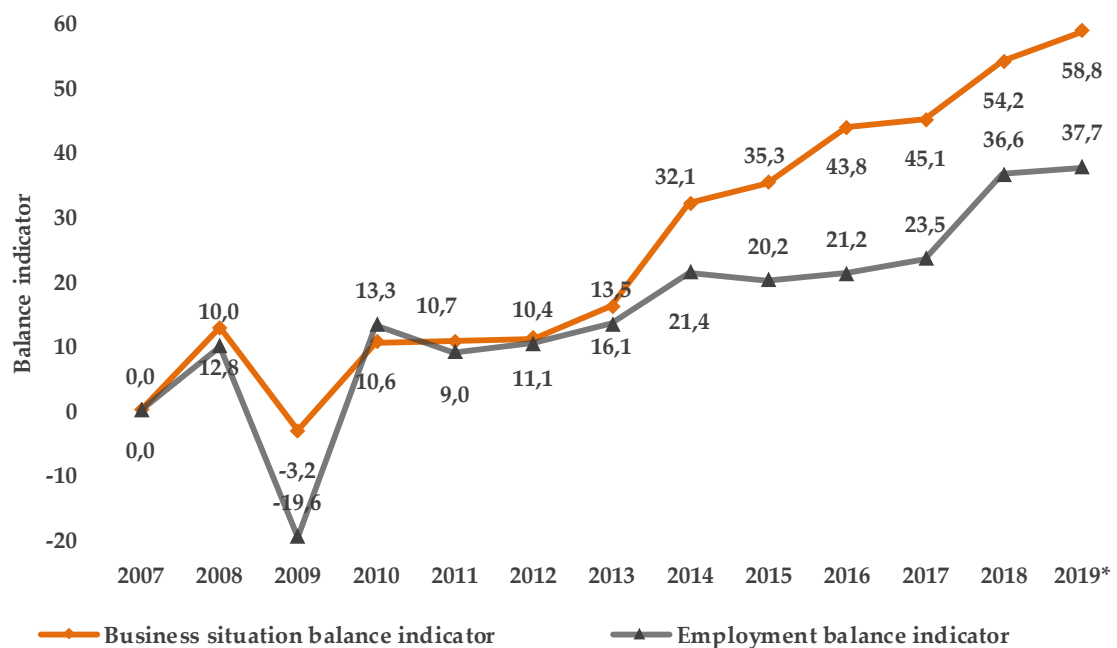
Business situation

According to the Short Term Labor Market Forecast for 2019 the subjective corporate business situation assessment has further improved after the positive shift that happened last year. The value of the general business situation balance indicator is 50 points – that is those who consider their business situation fairly favourable constitute the majority with 50 percentage points compared to those who think their business situation is not favourable. Business expectations for 2019 are more optimistic than any time in the previous years. The value of the future business situation balance indicator is 59 points.

Change in the headcount in the private sector

According to this year's Short Term Labor Market Forecast in 2018 the number of those companies that increased their headcount was 23 percentage points higher than that of those companies that reduced their headcount. For the year 2019 the corporate balance indicator is at 38 points, which means that companies planning to increase their headcount form a majority with 38 percentage points compared to those companies that plan headcount decrease. Thus, the labour demand is expected to further increase in 2019. It should be noted that the improving trend concerning employment does not prove to be as strong as the trend that can be observed in connection with the improving business situation.

Figure 1: Balance indicators of business situation and employment, 2007-2019



Source: PM, GVI 2007-2018

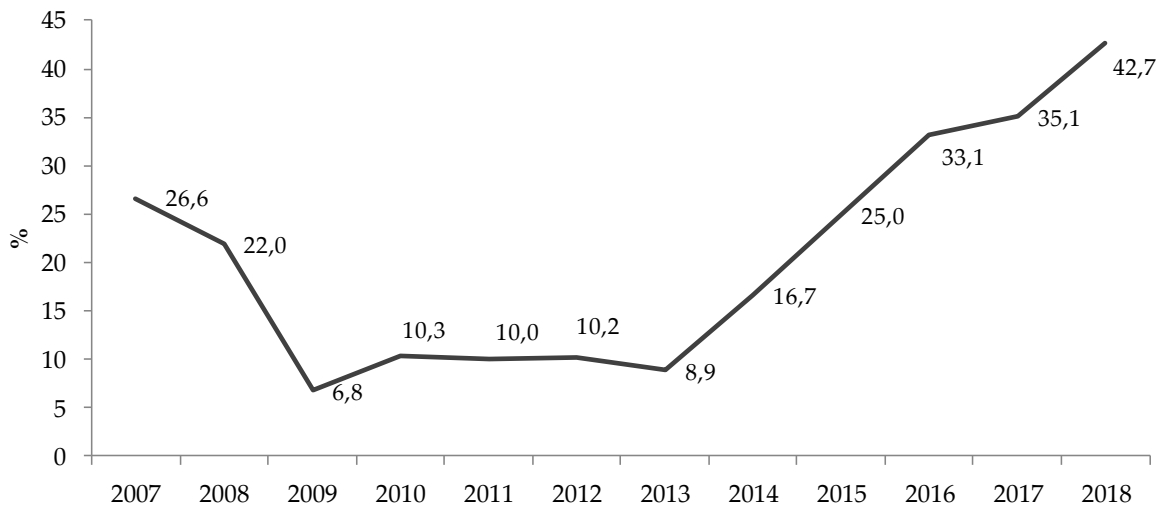
According to the raw survey data there is going to be a 2.4 percentage point increase in employment in 2019. This serves as a reflection on the companies' plans and intentions. Therefore, if one is to obtain a realistic estimation of employment, it is important to consider what the actual labour force demand was in comparison to the corporate planned demand among the surveyed companies in the past. Making the estimation model adaptive with such an impact correction it seems unlikely that employment will increase in 2019. This is probably due to the growing recruitment challenges faced by companies. As a result, despite firms being willing to hire more workers, a shortage within the labour market may prevent this. According to the corrected estimation, employment is only expected to grow in the industrial sector.

According to past surveys, the proportion of companies facing recruitment difficulties has significantly increased since 2014 peaking in 2018 with 43% of companies having permanent vacancies available. Most companies experienced difficulties in recruiting skilled manual



workers (30%) followed by firms facing issues hiring unskilled manual workers (20%). Furthermore, 7% of companies are struggling to hire employees with primary and secondary education and 9% of them have difficulties employing graduate workers.

Figure 2: Proportion of companies facing recruitment difficulties, 2007-2018



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proportion of companies facing recruitment difficulties (%)	26,6	22,0	6,8	10,3	10,0	10,2	8,9	16,7	25,0	33,1	25,1	42,7
Number of cases (n)	3746	4394	4134	4134	3979	4025	4310	4252	4225	4215	4171	4672

Source: PM, GVI 2007-2018

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