



Family-friendly benefits in Hungarian corporate practice

In the coordination of family and work family-friendly labor market policies such as different types of flexible (atypical) employment, have a major role. Survey data of the joint "short-term labor market forecast" research in 2013 and 2014 conducted by the National Labor Office (NLO) and the HCCI Institute of Economic and Enterprise Research (IEER) shows which family-friendly benefits were preferably applied by Hungarian companies and what are the leading company types in the family-friendly attitudes..

The research

In recent decades, one of the major problems facing European societies is a low and declining birth rate and an aging population that follows as a result. However, since the mid-1980s it has been demonstrated that women's employment does not reduce fertility rates but actually increases it at the national level. Family-friendly labor market policies, for example the use of flexible employment for mothers and fathers or measures making easier to return to work for women after giving birth, have a significant role in the growing number of women deciding to have children as well as in increasing female employment.

The results

The data show that the Family Friendly Workplace Project has a relatively high awareness among companies, but this could be improved. Despite the fact that it has been in existence already for 16 years, 40 percent of companies have not yet heard of the tender, and regarding ownership structure this rate

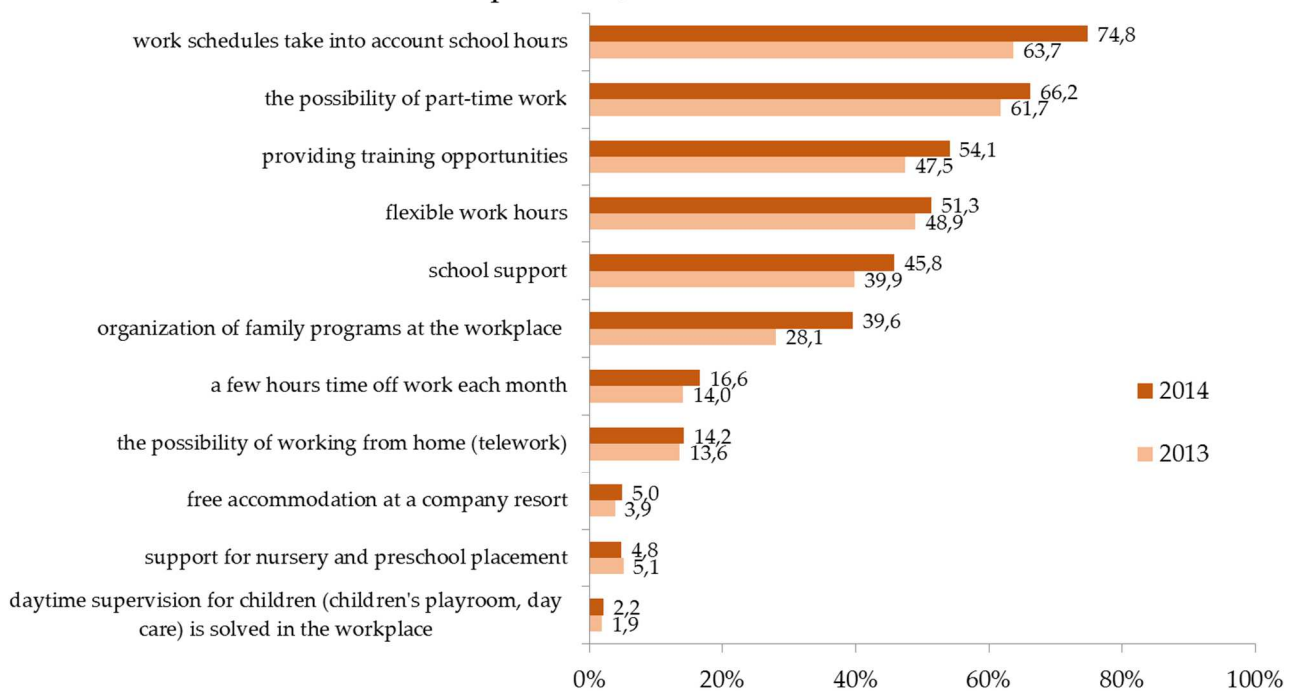
The National Labor Office (NLO) and the HCCI Institute for Economic and Enterprise Research (IEER) joint "short-term labor market forecast" research surveys in 2013 and 2014 included questions relating to family-friendly workplace options. Below is an overview of the familiarity with the Family Friendly Workplace Project as well as an examination of a variety of family-friendly benefits used among Hungarian companies. Our results are based on responses from 8,416 CEOs. The full analysis and the underlying database are available on the website of the IEER (<http://gvi.hu/kutatas/459/>).

is even higher for purely domestic companies (42 percent). Some 58 percent of companies have already heard of the tender but never applied while only two per cent had already applied. Applicants are typically large companies operating in the service sector.

Among the family-friendly opportunities offered by companies for employees who raise children or care after elderly parents, the most common is companies taking into account school hours when planning work schedules and vacations (three quarters of companies did this). In addition, popular options are opportunity of part-time work (66 percent) and training (54 percent) as well as providing flexible working hours (51 percent). Much less common is to provide employees that have children the opportunity

for telework (14 percent of companies have this). The least frequently used benefits are to support nursery and preschool placement and to provide daytime supervision for children (play room, daycare) in the workplace. Thus, the use of institutional options to promote the re-employment of workers with children rarely appear in Hungarian corporate practice, even though they may disseminate significant benefits for workers from which companies can profit through a committed, loyal workforce.

Family-friendly benefits employed by companies as a percentage of respondents, 2013-2014



Source: IEER

N₂₀₁₃=2240-2496, N₂₀₁₄=3273-3701

Of the 11 family-friendly options examined, not one is used by more than 22 percent of companies, the reason being that a third of the sample is provided by companies with less than 49 employees and among these a high proportion don't mention any options whatsoever. Of the listed 11 possibilities, 11 percent of the companies surveyed used one,

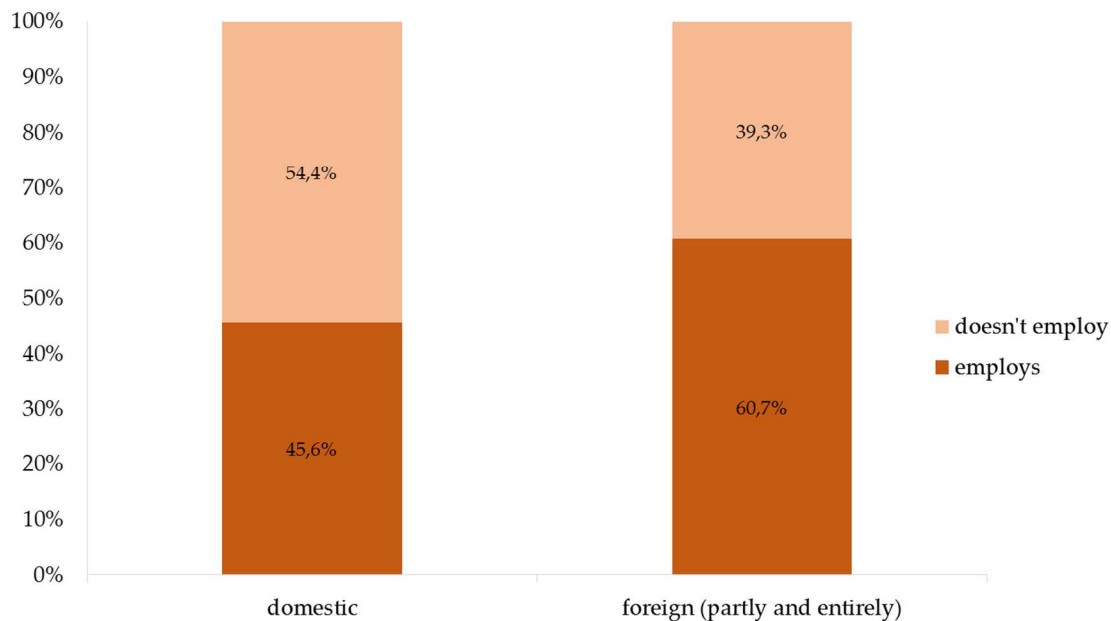
16 percent indicated two options, while three and four options were employed by 15 and 14 percent respectively. Five options are employed by 11 percent of companies and those that employ six or more are also at 11 percent.

The data show that almost all family-friendly benefits listed above are mostly used by large

companies operating in the service sector, by companies that have foreign (partly or entirely) ownership, and by those that are in a good business position. An exception is the

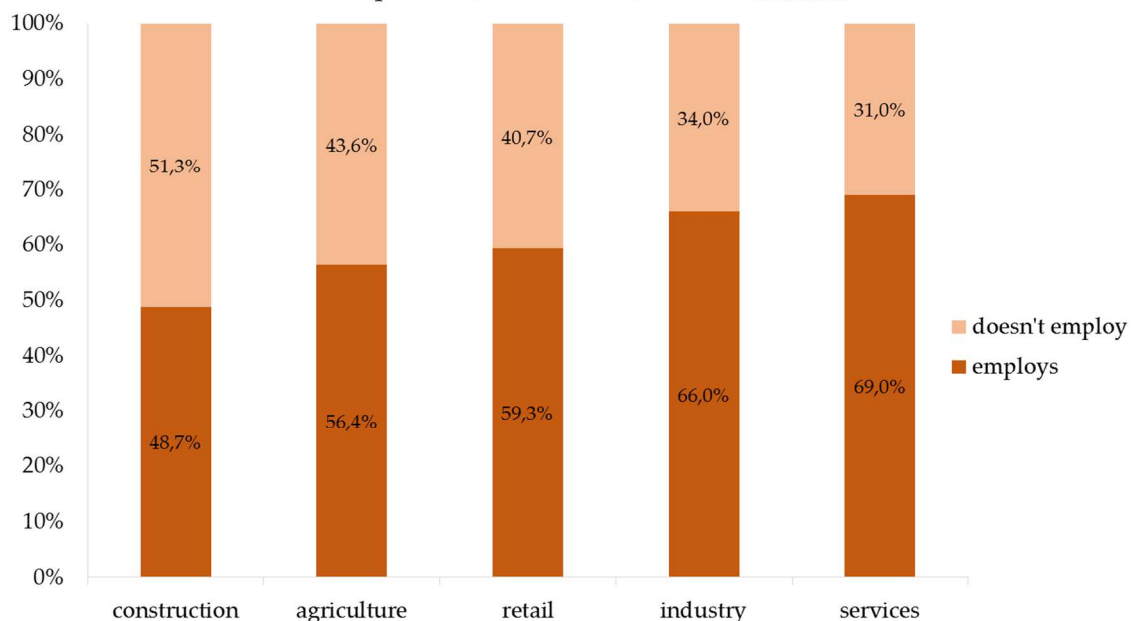
offer of a few hours of time off work each month which is most commonly used by small businesses.

Use of flexible working conditions based on foreign ownership (percent), 2013-2014 (N₂₀₁₃₋₂₀₁₄=5672)



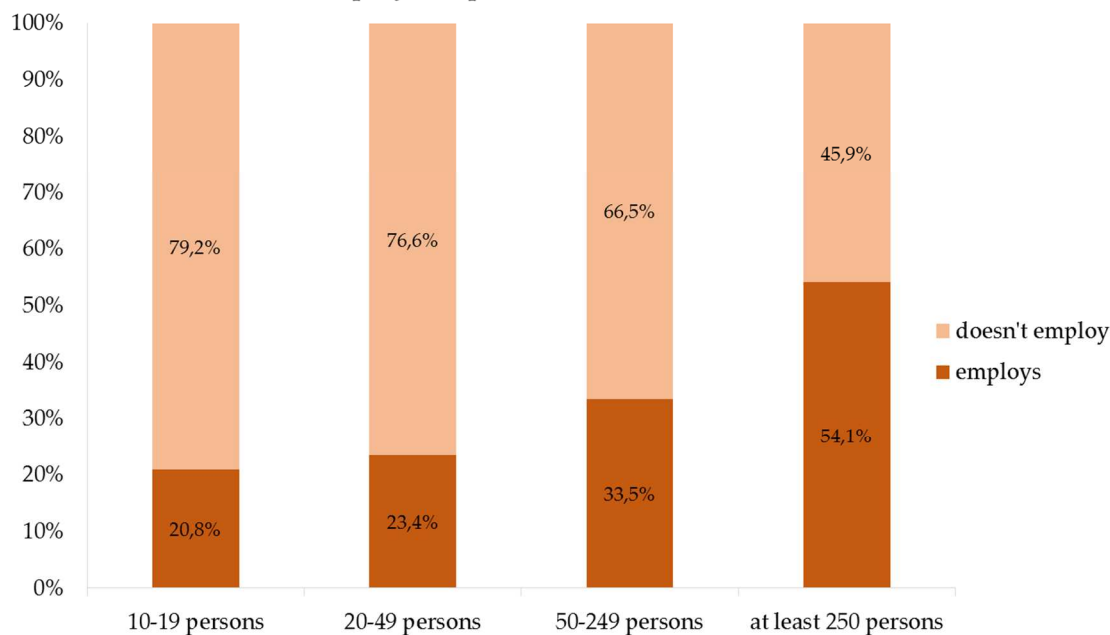
Source: IEER

The use of part-time work opportunities according to economic sector (percent), 2013-2014 (6162 = N₂₀₁₃₋₂₀₁₄)



Source: IEER

Organization of family activities at the workplace, according to number of employees (percent), 2013-2014 (N₂₀₁₃₋₂₀₁₄=5942)



Source: IEER

A question of attitude

Regarding the number of family-friendly options used by a company, we have seen that an identifiable group of companies employs typically several family-friendly options, so they can be said to have a family-friendly attitude. These are large companies, foreign-owned ones, those which are operating in the service sector and which employ at least 250 people. Among domestic-owned small businesses these practices are not prevalent, probably for financial reasons, on the one hand, and because of the characteristics of corporate culture, on the other. In addition, it can be seen from the data that companies in a good business situation and with a positive outlook are more inclined to commit themselves to family-friendly policies.

It is important to point out that the number of family-friendly measures implemented is most likely determined by whether a company has already applied for a Family Friendly Workplace tender. Those companies that have already applied, or at least heard of it, subsequently offered far more family-friendly benefits for their employees on average than other companies. This result indicates that the Family Friendly Workplace Project is an important option in the development of corporate culture in Hungary and in the dissemination of family-friendly attitudes, therefore it would be important that more and more companies know about this possibility.

The European Commission's winter forecast

Below we provide a short overview of the European Commission's winter 2016 forecast of macroeconomic trends. The focus is on key macro data of the European Union and Hungary and the forecast is for the period of 2015-2017.

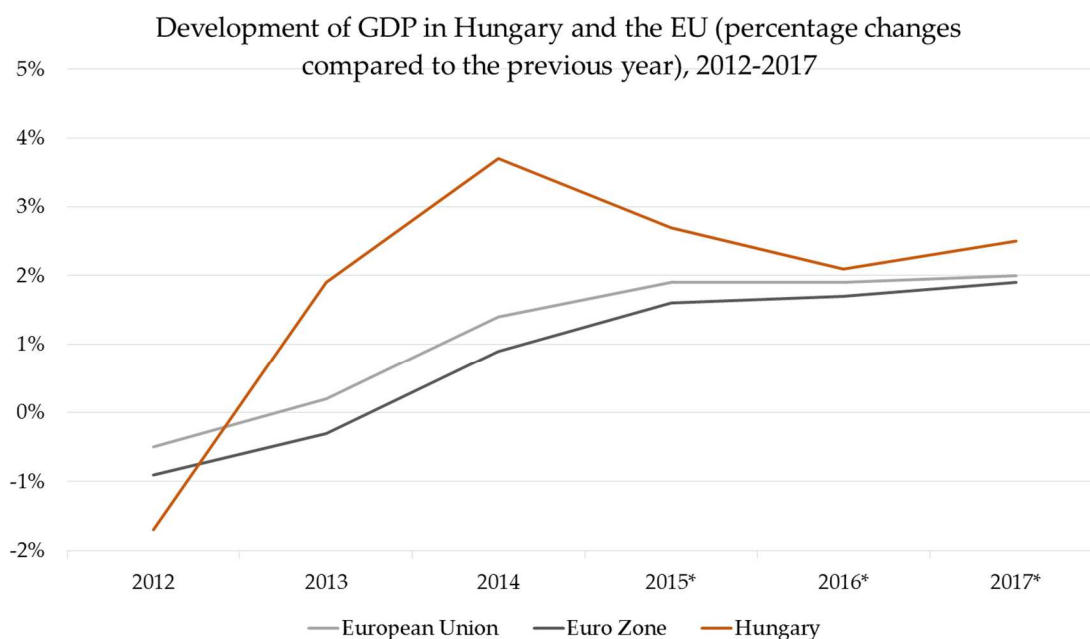
GDP changes

According to the European Commission's 2016 winter forecast (European Economic Forecast - Winter 2016), the euro zone economy will continue to grow slowly. This is fostered by the low oil prices and, due to a weak euro, by the strengthening of export and household consumption. However, an increase in investment would be required to maintain this growth, which is currently limited. In addition, growth may further be hindered by the weakness of the global economic environment and by the political uncertainty in certain member states.

Against this background, the Commission estimates GDP growth of 1.6% in 2015 and 1.7% in 2016 for the euro zone, while for the year 2017 it indicates a growth forecast of

1.9%. For the EU as a whole, unlike the autumn forecasts, expected growth is no longer 2-3, but only 0.1-0.3 percentage points higher.

The forecast estimates 2.7% GDP growth for Hungary in 2015, 2.1% in 2016, and in 2017 the economy could expand by 2.5%. For 2016 this will be driven by the growing consumption, mainly thanks to the conversion of foreign currency-denominated loans into HUF and a reduction in the personal income tax rate from 16 to 15%. In 2017, consumption will continue to be the driving force, but in conjunction with this the report predicts an uptake in the housing market which, together with other factors, may lead to investment growth.



Source: European Commission

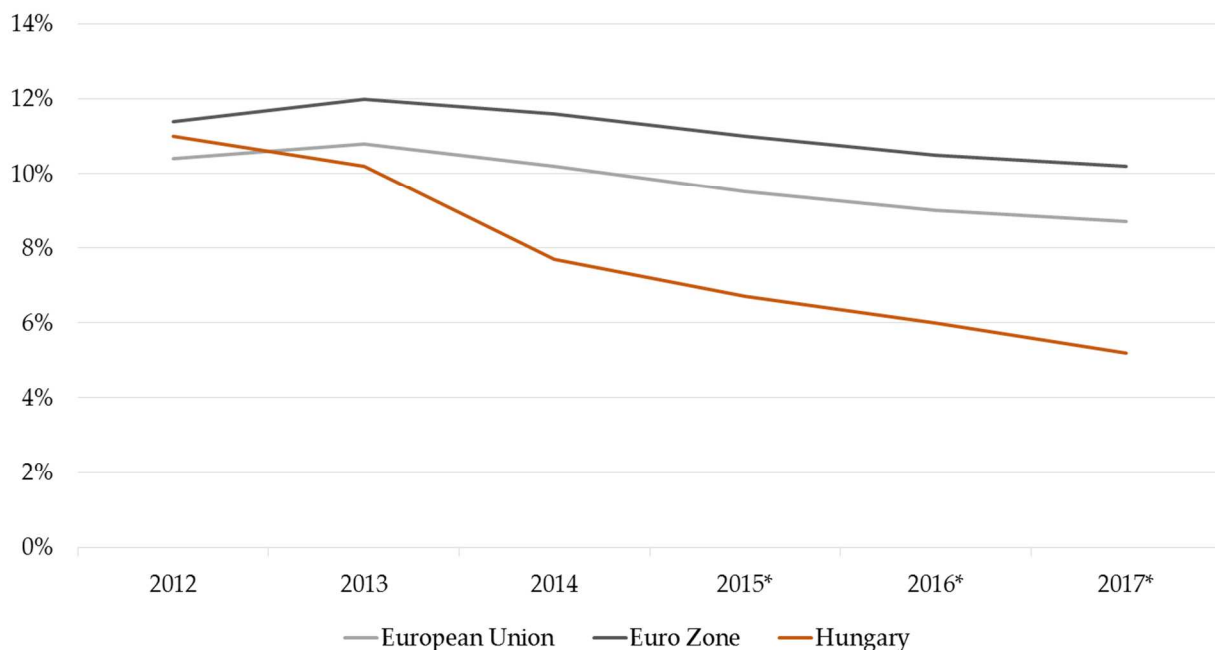
* European Commission forecast

Labor market

The labor market also continues to slowly improve. According to the forecast in 2015 employment grew by 1.1% in the euro zone, and roughly the same rate of increase is expected for this year as well. This is helped by the boost of economic activity, by the improvement of business confidence, and by an increased level of capital accumulation. The unemployment rate continues to decline, although in 2016 only by a halfpercentage point (from 11% to 10.5%) and in 2017 by a further 0.3 percentage points.

The unemployment rate in Hungary, compared to the recent years, is on the record low level of 6.7% in 2015 (estimated by the European Commission), and is projected to further decline in 2016 to 6.0% and in 2017 to around the 5% level. These values are generally about 3 percentage points lower than the combined unemployment rate projected for all EU Member States. The activity and employment rates will increase, albeit slowly, not only because of the public works program, but also because the private sector will generate new jobs.

Changes in the unemployment rate, 2012-2017



Source: European Commission, Eurostat

* European Commission forecast

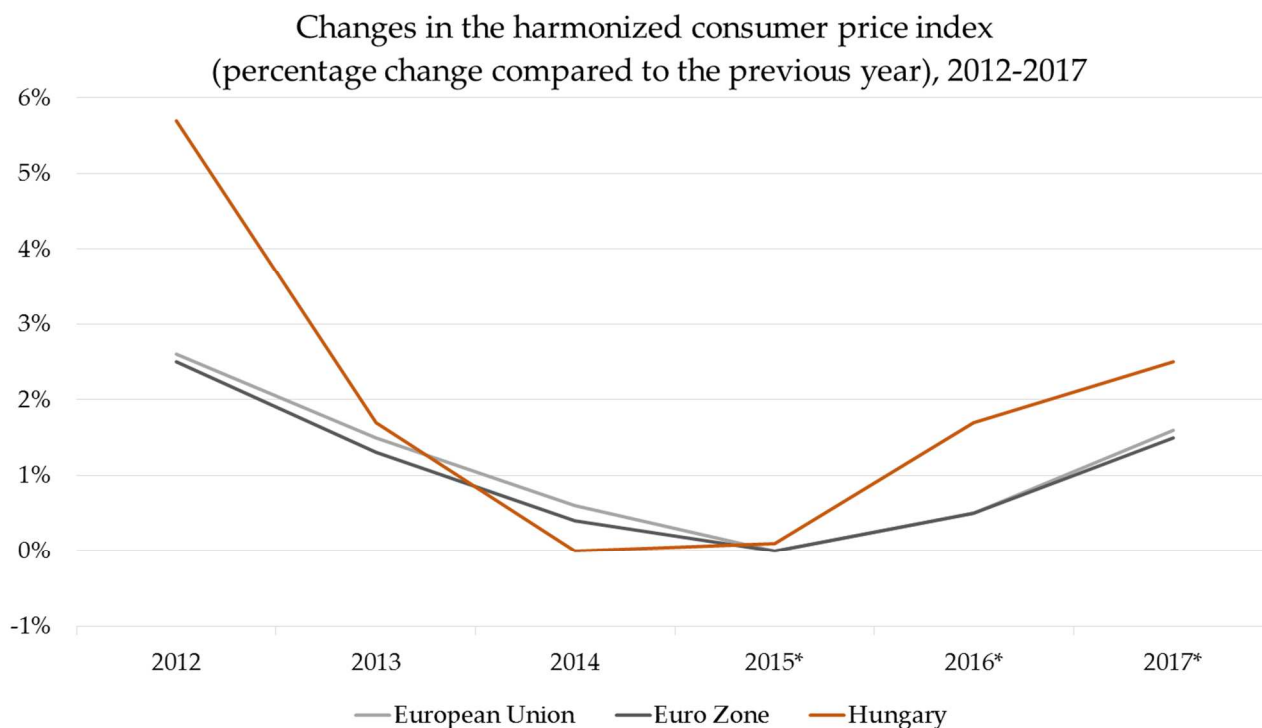
Current account and inflation

According to the European Commission there will be a surplus in the combined current account balance of payments for all EU Member States of around 2% of GDP for the

2015-2017 periods. The euro zone shows a higher value but a declining trend: from 2015 a surplus of 3.7% is forecast, for 2016 3.6%, and in 2017 it will be 3.4%. It is important to

note that considerable differences may exist in this area between individual Member States. In Hungary, the current account surplus in 2015 is 5.0%, for 2016 it is expected to be 5.6%, and in 2017 the rate will be 6.3% of GDP. The predictions for our country have improved since the Commission's 2015 autumn forecast. The sharp decline in energy prices continues to play a crucial role in the progress of inflation and is something that consumption growth would not be able to offset. It is

estimated that in both the euro zone and the entire EU prices stagnated in 2015. In this regard the Commission expects a half percentage point increase for this year, and by 2017 a one percentage point increase based on the forecast for oil prices and the increase in real wages. Hungary also had barely a 0.1% increase in prices in 2015, and is expecting an inflation rate of 1.7% for 2016 and 2.5% for 2017, so the 3% inflation target is unlikely to be met prior to the election year.



Source: European Commission

* European Commission forecast

Government deficit and debt

Combined European Union government deficit as a proportion of GDP for 2015 is projected to decline to 2.5%, it will be 2.2% in 2016 and in 2017 will reach 1.8%. The aggregate deficit of the euro zone is estimated to be 2-3 percentage points lower than this for

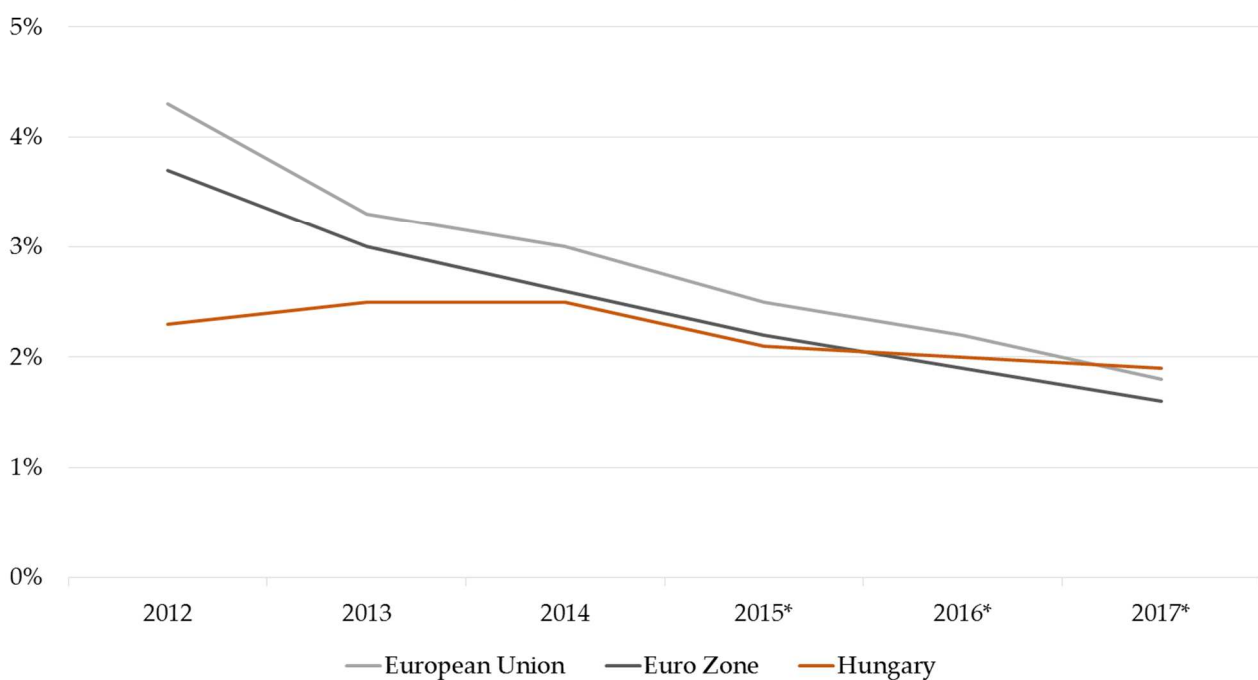
each year. Hungary appears to have stabilized at budget deficit of around 2%, with a slight downward trend. This represents values below the official target, largely due to the fact that in 2015 tax collection efficiency has increased. Declared expenditure-increasing

measures for this year and the following year will be offset by a reduction in capital costs, the moderation of social spending, and by the EU funds so the level of the deficit is expected to remain stable.

The combined level of public debt within the EU for 2015 is forecast at 87.2%, and will decrease in 2016 to 86.9%, and in 2017 to

85.7%. The public debt to GDP ratio for the euro zone is 5-6 percentage points higher than this. Our country's indebtedness, mainly due to delays in EU subsidies, will decline more slowly than previously expected: in 2015 to 75.8%, for this year to 74.3%, and next year it could be 72.4%.

Changes in government deficit, 2012-2017



Source: European Commission, Eurostat

* European Commission forecast

Source: European Economic Forecast – Winter 2016

http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip020_en.pdf

International trends

Changes in the production, consumption and employment situation in certain major international economies compared with peer expectations and the previous period

		Baseline Reference	Actual	Expectations	Previous Period
Germany	Unemployment changes (thousand persons)	(Mar)	0	-7	-9
	Manufacturing Purchasing Managers' Index	(Mar)	50,4	50,8	50,5
	IFO business confidence index ¹	(Mar)	106,7	106,0	105,7
France	INSEE business confidence index ²	(Mar)	101	103	103
USA	Change in the number of employees (excluding agriculture, thousands)	(Mar)	200	194	205
	CB consumer confidence index	(Mar)	96,2	94,0	94,0
	Manufacturing Purchasing Managers' Index	(Mar)		51,8	51,3
China	Manufacturing Purchasing Managers Index	(Mar)	50,2	49,3	49,0

¹ <https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/>

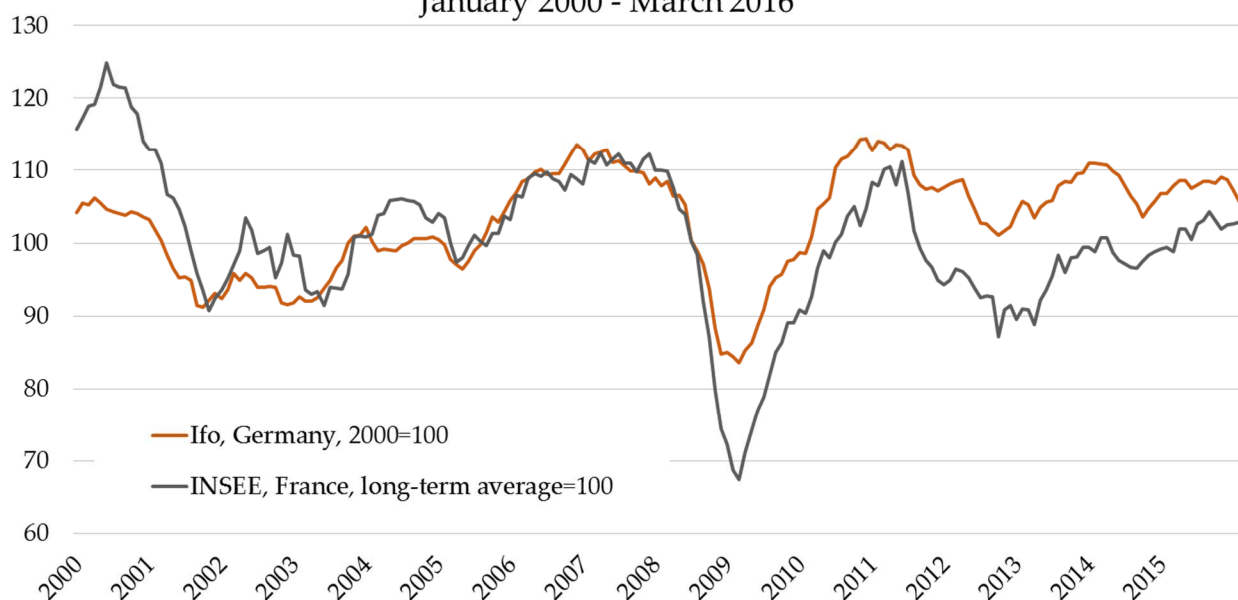
² <http://www.insee.fr/en/themes/indicateur.asp?id=105>

The rest of the data source: <http://worldeconomiccalendar.com>

Contrary to expectations, there was no reduction for March in the number of German unemployed, and the manufacturing manager index fell also. The IFO index of business confidence rose more than forecast, however. Yet, the French business confidence index did not meet expectations. The United States once again performed well in the labor market, and the CB consumer confidence index had a better value than the preliminary expectations. The Chinese purchasing managers' index gained more than expected.

Long-term changes in the business confidence indices

Business confidence in Germany and France based on the Ifo and INSEE business climate surveys,
January 2000 - March 2016



Source: www.cesifo.de, www.insee.fr

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In case of publication please cite as follows:

HCCI-IEER: Monthly Economic Bulletin,
March 2016. Budapest,
2016-03-31