

REGIONAL EMPLOYMENT CHARACTERISTICS OF THE MOST UNDERDEVELOPED HUNGARIAN MICROREGIONS

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1. INTRODUCTION

In Hungary, more than two thirds of the microregions that are assigned by assessing their social, economic, infrastructural and employment indicators based on the government decree 64/2004 (IV.15.) and that benefit from the point of regional development are in three regions: in the North Plain, in North Hungary and in South Transdanubia. The regional differences are even more visible when the main aspect of the study is where the most disadvantageous microregions are located (Figure 1).

In the 1990s, the disadvantageous microregions were characterised by below-average unemployment and income conditions, and low rates of entrepreneurial activity and foreign capital. Among the reasons we can find the fact that most of the regions were agrarian regions, they had a low rate of entrepreneurial capacity and insufficient infrastructure, they were near the border of the county or the region or they were lacking a significant regional centre. In the affected areas the inactive people and the unemployed were not only high in their numbers but also had a disadvantageous composition, meaning that the rate of unqualified and permanently unemployed people were higher than average. The lack of workplace creating investments continuously hindered these regions in falling into line. This was due to the insufficient infrastructure and the unqualified workforce (HAMZA E. 2003). However, differences in the labour market were significant both at the regional and also at the microregional level. Moreover, these were subtle differences so it was necessary to examine the regional differences during the period after the turn of the millennium at a microregional level.

2. RESEARCH METHODS

The government decree 64/2004 (IV.15.) classifies the microregions that are advantageous from the aspect of regional development (statistical agglomerations) into three groups. Those regions are underdeveloped from socio-economic aspects where the regional development funds and the complex indicator that is formed according to the system of indicators defined in Annex 3 of decree 24/2001 (IV.20.) on the principles of decentralisation and the criteria for the classification of beneficiary regions are equal to or below the national average.

The regions of industrial restructuring are those where the number of people employed in the industry were more than one and a half of the national average in 1990, moreover, where the decrease between 1990-1999 in the rate of people employed in the industry, and the level of unemployment on 20 December 1999 exceeded the national average.

Areas of rural development are those where less than 50% of the population live in settlements with a population density of more than 120 people/km², the rate of people employed in the agriculture exceeded the national rural average in the 1990 census, the individual taxable income was below the national average and the level of unemployment on 20 December 1999 exceeded the national average.

The microregions examined in the present survey are those from the beneficiaries of regional development the complex indicator of which fails to reach 60% of that of Budapest, therefore they are described as the most disadvantageous microregions regarding regional development.

The first step of the survey was to draw up the questionnaires necessary for the examination and to determine the range of the survey and the population to be examined (registered unemployed people, human resources, business organisations). In the course of the survey both the nominal (genders, age groups, qualifications, etc.) and the interval-level variables (unemployment rate) were surveyed. Data collection relied on the regional databases of the Hungarian Central Office of Statistics and the National Employment Service between 2000-2006. When counting the unemployment rate, the active age group was in the denominator because there were no values available regarding economic activities at the microregional level. The target groups of the questionnaires were the largest employers and the managers of the job centres of the regions in question.

3. RESULTS

3.1 Regional characteristics of unemployment

It is characteristic of more than half of the 48 Hungarian microregions qualified as the most disadvantageous that their unemployment rate is twice of the national average. Most of the microregions in this group can be found east of the River Tisza. These regions in Northern Hungary, in the North Plain and in Békés County can be qualified as intermittent from the point of view of the survey. Only certain microregions in the Counties of Csongrád, Bács-Kiskun, Tolna and Somogy and two microregions in Heves and Szabolcs-Szatmár-Bereg Counties respectively have better values.

In the case of exactly one seventh of the microregions, the rate of job-seekers is over three times the national average. These microregions, which can be regarded unfavourable even among the most disadvantageous ones in terms of unemployment, can all be found, except for Sellye, in the north of Borsod-Abaúj-Zemplén County, in the regions of Cserhát, Hernád-valley, and the Zempléni Mountains mostly by the borders, and to the south the Szerencsi-hills and Taktaköz. There are two microregions in Hungary where the rate of job-seekers is four times higher than the national average. These are the regions of Sellye and Abaúj-hegyköz.

In the case of the former, even after the turn of the millennium there was no such investment that would have fundamentally and positively influenced the employment conditions in the region. Furthermore, one of the largest food-processing companies in the region made the socio-economic situation worse by laying off 40 people in 2004. Despite the distance, the low level of qualifications and the adverse transport conditions, the biggest employers are Elcoteq in Pécs and the municipal governments. Due to the latter ones, public-welfare services and public projects have a significant role in employment. Besides the lack of infrastructure, the underdevelopment of education and the already mentioned economic disadvantages, it can also be seen that the younger generation is slowly moving away from the region, thus these settlements are ageing, and become deserted. The rate of the population decrease is well over the county average. The problem of ageing, of course, is not only characteristic of the Sellye region. The rate of people aged over 60 within the total population exceeds the national average in the most disadvantageous microregions of Tolna

County, the South Plain and Jász-Nagykun-Szolnok County. The unfavourable ageing figures in certain North-Hungarian and South-Transdanubian microregions are compensated by the settlements mostly populated by Romas (Figure 15).

In the case of the latter microregion, there was not such job creation either which would have significantly affected the employment situation. Even before the change of regime, the region was unable to provide for the people living there, as it is well-known that in the 1960s and 70s about 6500 people commuted to work to the Borsod industrial area and to further places, mainly to the capital. Due to the tense situation in employment, today Miskolc is still unable to absorb the workforce. As the co-operatives disappeared, agriculture has a decreasing role in employment. Because of the low level of income, the local market can provide very limited opportunities to increase employment in the area. The seriousness of the problem is indicated by the fact that the rate of the Roma population is well over average, and that about two-third of the people registered at job centres are unqualified. Although the large-scale lay-offs already took place in the 1990s, the up-to-date developments and investments that would have induced higher employment levels did not occur.

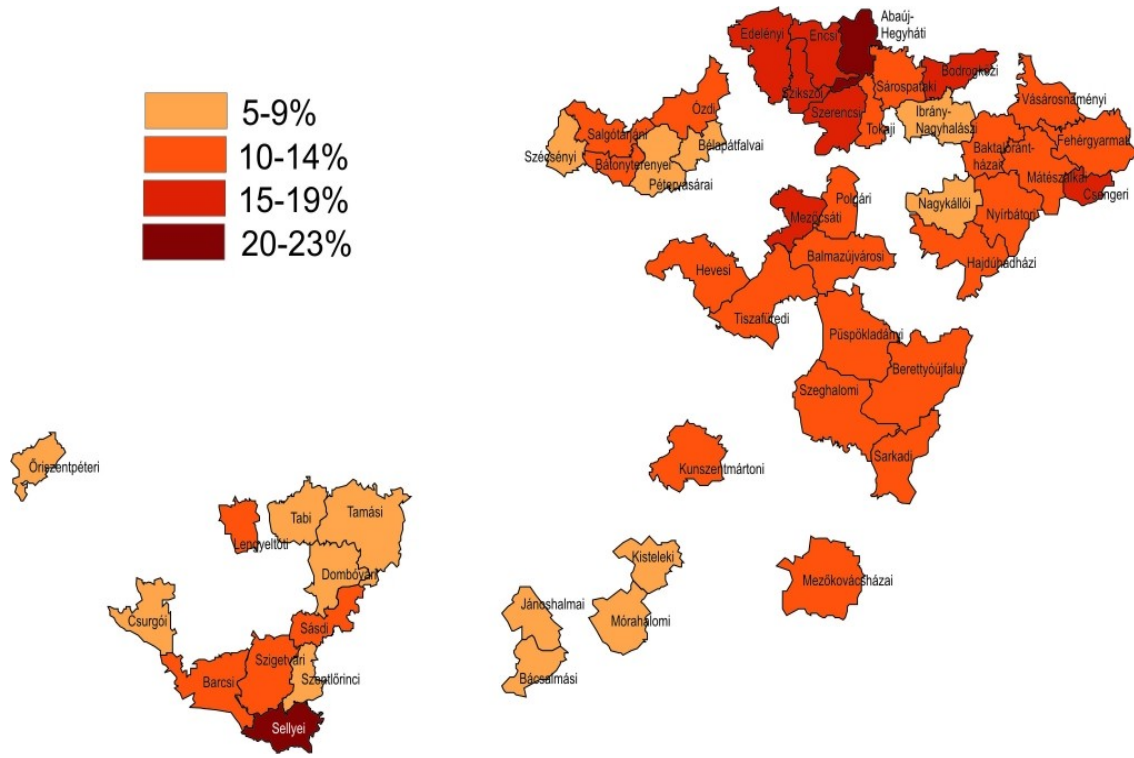


Figure 1
 Unemployment rates in the most disadvantageous microregions in terms of regional development (2002)
 (Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

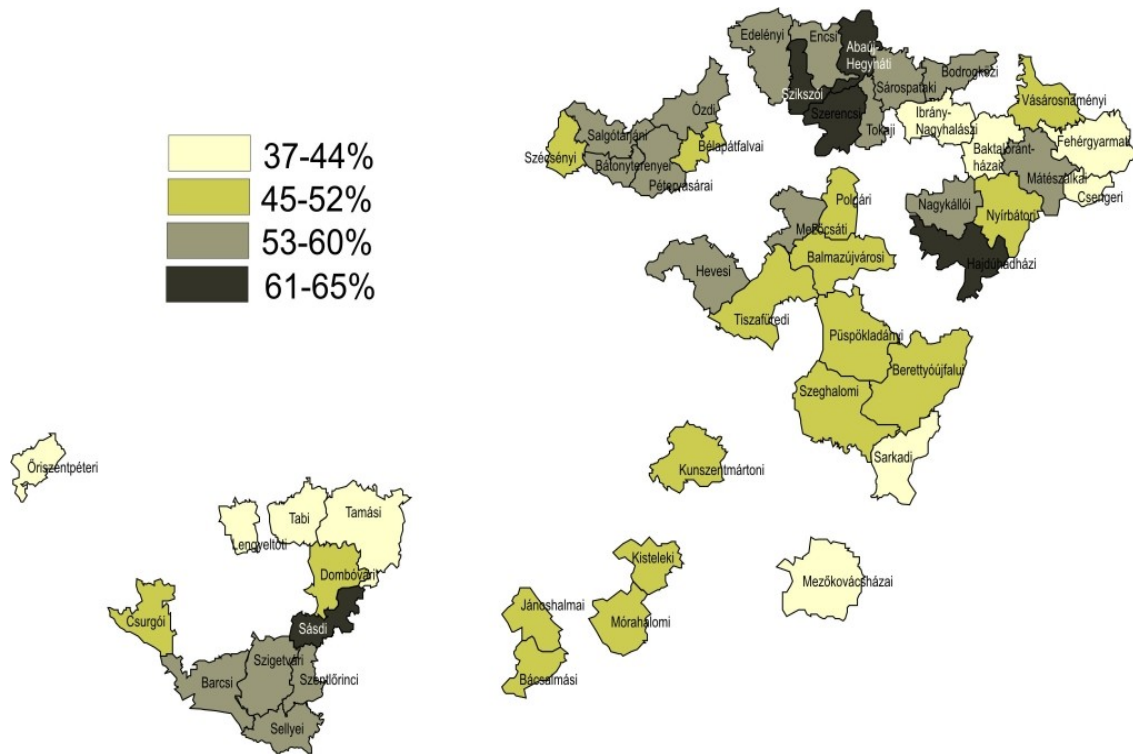


Figure 2
 The permanently unemployed within the number of unemployed (2002)
 (Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

The relatively low level of production culture and the unqualified labour force did not encourage companies with a huge capital base to invest in this underdeveloped, agricultural region. The unfavourable economic characteristics - the distance from the main through routes, the closeness of the border - clearly hinder development even today.

On the other hand, it must be stated that the unemployment rates described above do not provide too much information in themselves. A period of unemployment that lasts for a few months is practically a transition between two jobs. Therefore, it is not surprising that the rate of the permanently unemployed in the above regions is markedly higher compared to that of both the economically active people and the unemployed. However, it must be added here that a similarly serious problem is indicated when the rate of job-seekers is accompanied by an above-average rate of the permanently unemployed in a microregion that can be positioned in the middle among the most disadvantageous ones. Such areas are the Szentlőrinc- and Sásd microregions in Baranya County and the Tokaj- and Sárospatak microregions in Borsod-Abaúj-Zemplén County. The biggest danger in these areas is that the longer time the unemployed people spend out of work, the less they are attached to the labour market, making it harder and harder for them to find a placement. The high rate of the permanently unemployed is not exclusively caused by the region's dropping behind. It is those who do not have even a primary qualification, as well as those whose profession is outdated or has already disappeared, and who have no hope to find placement if they do not find one for a few years. The people in question have a significant disadvantage in terms of the information necessary for the efficient presentation, the connections and the assertion of their interest. It is very difficult to create a direct demand for these mostly underqualified people without drastic intervention in the economic processes. The majority of the labour-market programmes, however, neglect this group, as participation in these programmes almost always requires previous qualification or, at least, the completion of elementary education. If job-seeking is permanently unsuccessful, it can happen that these people need social care instead of active programmes. Then, employment policy must give up on them, handing them over to social policy (Figures 1, 2).

3.2 Spatial relations of unemployment and population

The population in the settlements of the examined microregions is far behind the national average. Naturally, here the areas of small villages in Baranya and Borsod fundamentally contribute to the formation of these statistical figures. In general, it can be stated that an obvious spatial relation can be observed between the size of the settlement and the rate of unemployment. Although, the population or population density are not major differentiating factors, after the turn of the millennium the following statement is still true: the smaller a settlement is, the higher the unemployment rate will be. Of course, there are exceptions to the above principle. An example can be the Szentlőrinc microregion, where the average population of the settlements is less than 800 people, whereas the unemployment rate of the microregion stays less than the double of the national average. This suggests a remarkably serious problem, however, the values for some similar microregions having an average population (microregions of Szigetvár, Sásd, Edelény and Szikszó) are three or four times higher than the quoted average. Szentlőrinc and its economically stagnating region is not characterised by the increasing number of businesses, either. The region does not have large companies and the number of medium-size enterprises is rather low as well. The small enterprises, however are closing down in large numbers. In this case, being near a city fundamentally determines the relatively favourable unemployment rate. The role that Elcoteq in Pécs plays in employment should especially be noted here. In 2001 alone, this company employed nearly 300 people from the region, apart from the centre from Szabadszentkirály, Királyegyháza and Bükkösd (Figure 3).

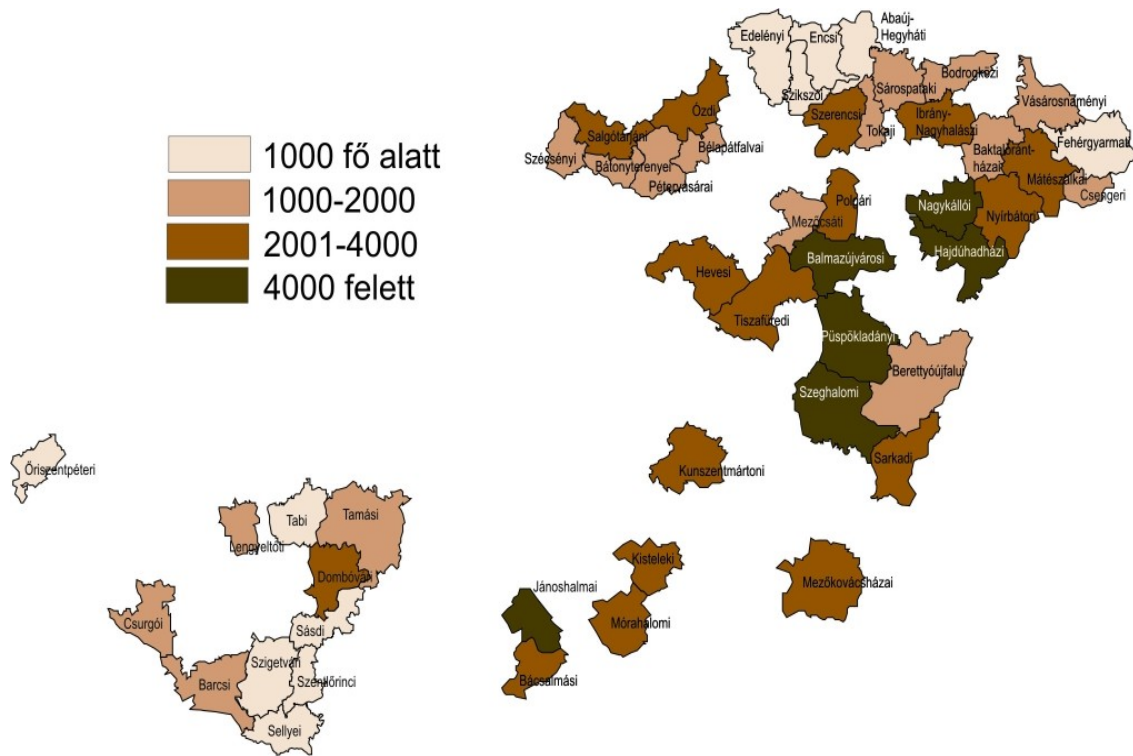


Figure 3
Average population of microregion settlements (2002)
(Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

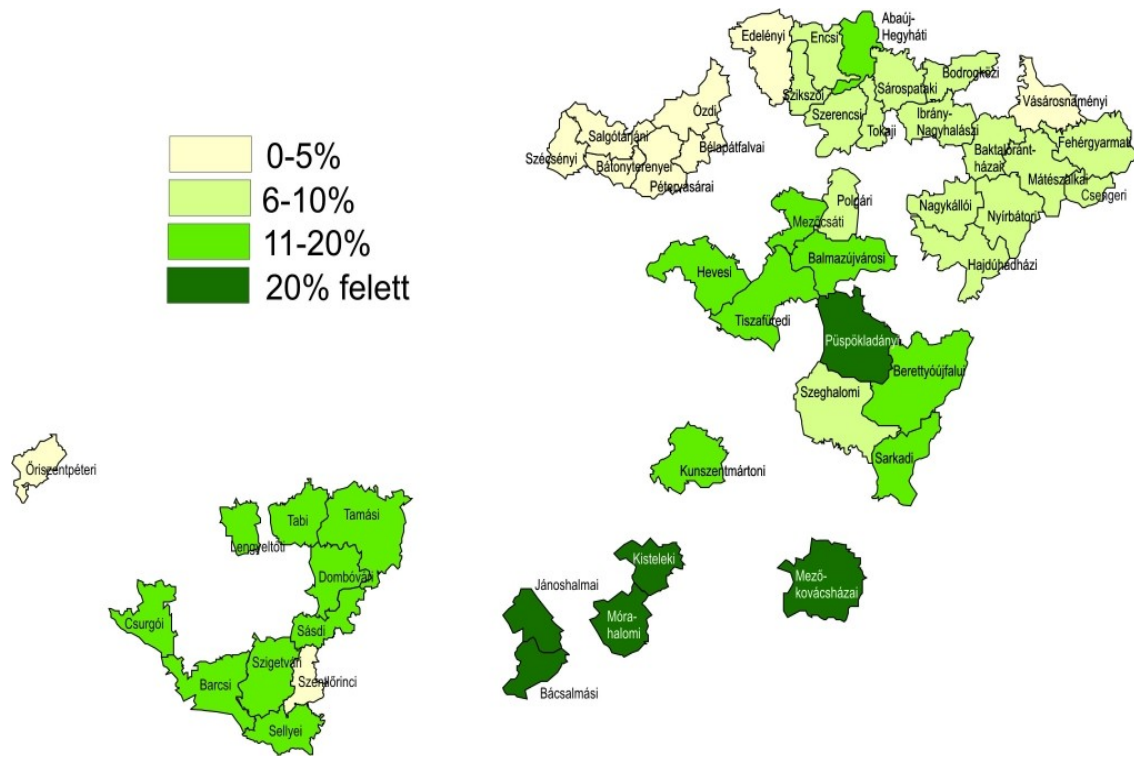


Figure 4
 Proportional rate of people employed in agriculture (2002)
 (Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

The situation is eased by the closeness of Lake Balaton in the case of the Tabi microregion, while the city of Nagykanizsa 25 kms away from the Csurgó microregion, and the relatively easily accessible Zalaegerszeg lying 30 kms away from Óriszentpéter also have positive effects. Examples for the low average population accompanied by a relatively favourable rate of job-seekers can be found in North-Hungary too.

In the microregions of Bélapátfalva and Pétervására, the average population of the settlements barely exceeds 1000. However, in both cases the figures are improved by the proximity of Eger, which has a population of 56,000 and is within a reach of 30 kms. On the other hand, the city of Miskolc, with its population of 175,000, is difficult to access. Overall, the connection among the microregions within the North-Hungarian Region on public roads is not sufficient, primarily due to the geographical features and the poor quality of the road network. The problems experienced in traffic are partly determined by history and geography. In many cases, two settlements lying near each other can only be reached on a long roundabout route. The situation is made worse by the countless "cul-de-sac" settlements too. The road connection between county seats is especially bad. It is a big problem that even in the smaller Nógrád County, but especially in Borsod-Abaúj-Zemplén, certain microregions and settlements are far from the centre due to their marginal position.

3.3 Structural and spatial characteristics of employment

The differences in employment structure can well be isolated spatially. Within the most disadvantageous regions, in North-Hungary, complemented by the region of Edelény, it is only in the microregions of Nógrád County that the rate of people employed in agriculture does not reach the national average of a bit more than 5 per cent. The second group consists of the regions east of the River Hernád and those in Nyírség, where figures slightly over the national average can be found. The third group is made up of the majority of the microregions in the North Plain and South-Transdanubia, with figures two or three times higher than the national average. Based on the

proportionate rate of people employed in agriculture and forestry, naturally the leaders in the list are the regions in the South Plain, that of Jánoshalma, Mórahalom, Bácsalmás, Kistelek and Mezőkovácsháza (Figure 4).

The latter microregion, one of the most fertile lands in the country, saw the deepest economic-social crisis. After the change of regime, the extremely rapid and profound changes that affected every field of economic life - the privatisation and the structural changes in the economy - had a dramatic effect on the region. At least 70 per cent of the lands became privately owned, and most of the new owners are unable to finance the cultivation of the land. The amount and the composition of the supply for privatisation failed to attract a significant amount of foreign capital into the producing sectors, a quite significant proportion of outer sources of capital appearing in the region are connected to the energetic sector. Until quite recently, the local economic structure was dominated by the crisis sectors (agriculture, light industry), the industries suffering from overproduction (food industry), those sub-sectors which produced especially for the local market that had a limited demand. On the other hand, those industrial and service activities that induced a dynamic development were not present sufficiently. Moreover, the local economy was lacking large companies operating in the economic key sectors, multinational companies which could have a dynamic effect on a wider range of businesses through the chains of subcontractors and suppliers.

Most of the knowledge and means required for farming were missing here too, and the situation was even more deteriorated by the subdivision of the land structure. Those who used to live on cultivating the land and on the planted industry are unable to find new jobs as by now the industrial production of the area is almost zero, industrial employment is 23 %, which is among the lowest ones in the country. During the six years after the turn of the millennium businesses employing 5-30 people were started up but none of these were able to have a significant positive effect on the processes of the labour market. Although the most significant lay-offs already took place after the change of regime, there are examples for smaller scale dismissals (in July 2007 the Nagybánhegyes creamery is sending away about 50 workers), but these do not have a major effect on the situation. What remain are the social allowances, the benefit for the unemployed, temporary employment and the escape into black employment.

Although several investments were realised in the Mórahalom microregion after the turn of the millennium (building renovation, construction, purchase and modernisation of means of production) which entailed job-creation too, these changes occurred continuously, in small steps. This is shown by the fact that the increase of employees did not exceed 25 people in any company in any year. As it can be seen from the data of the local job centre, in 2005/2006 among the local employers only the agricultural ones obtained funds for job-creating investments and these were for not more than 10 people. At the same time, a significant proportion of the primary producers -

after several years of losses - gave up farming, while others continue it beside a full-time job. Parallel to this, the concentration of arable lands has begun. The lack of labour force occurring from time to time is usually solved by offering seasonal employment to foreigners.

In the past few years the processing of agricultural products and their launching on the market have improved, mainly due to the Mórahalom co-operative. What could enhance local investments and the establishment of new businesses is the construction of Highway M5 to Rösztke.

Parallel to the above processes, no significant lay-offs occurred because enterprises here also employ only a small number of people characteristically. At the same time, the disappearance of workplaces in Szeged affected the commuters in the region. Unemployment rose when the clothing and canning factories were closed down. Overall, the one-sided economic structure, the deficiencies of the infrastructure, the quantity and quality of the road network, the borderland nature and the shortage of qualified workforce all hinder the expansion of employment.

Together with the job creation of the past three years in the centre of the Kistelek microregion - mainly in connection with the ready-to-wear industry and trade - employment has been expanded to over 100 people here. There are such settlements in the region that carry out agricultural production mainly and has never had a significant industry. Before the change of regime the co-operatives were the main employers. After the turn of the millennium the foil cultivation and free-range production, the floricultural enterprises and the processing industry are the most important sectors, although they are also the source of the cyclical unemployment in the microregion. Trade, services and catering should also be included from the aspect of employment. After Highway M5 was opened the decrease in turnover experienced by the catering establishments serving the through traffic of road E75 was only temporary. The limited capacity of employers is one of the most important factors that hinder the expansion of employment. Many times forced enterprises only provide for the family and they do not have an employment capacity.

Because no significant lay-offs have been suffered, one must inquire about the reason for the parallel growth of the rate of job-seekers. The explanation partly lies in the smaller-range employment decrease at those enterprises that employ a small number of people that is so characteristic of the employment structure of the region. However, commuting is significant here as well, so the wider range lay-offs in Szeged (at the Pick factory, apart from the before-mentioned canning and clothing factories) had an effect on those living in the region too.

It can be said about all of the most disadvantageous Hungarian microregions that after the turn of the millennium - especially between 2003 and 2007 - the rate of job-seekers increased by several percentages. However, those regions where the rate of unemployment increased more than the average, belong to a separate group. One of these is the microregion of Bácsalmás, in the centre of which only one company, a limited company dealing with rehabilitational employment carried out a significant improvement affecting approximately 50 people. However, the dismissal of

altogether more than 100 people from the Agráripári Plc. was more determinant. This company dealing with yarn production felt the changes of the economic and tax conditions and the deterioration of production conditions and was unable to compete with the supply of the Far-East. Even after the turn of the millennium, in this peripheral microregion that is far from the highways and main roads, the transformation of industrial and agricultural co-operatives and enterprises employing a bigger number of workforce, the closing down and significant shrinkage of subsidiaries and plants were still characteristic. On the other hand, agricultural activity has been atomised, while the small number of enterprises that have strengthened hardly employ any people. The capacities that process the agricultural products produced in the area have shrunk significantly or disappeared as well. Therefore, new workplaces that would be able to employ a significant number of people have not been established.

Based on agricultural employment, the next group is represented by the microregions in the North Plain and South Transdanubia (Figure 4). The settlements of the Berettyóújfalu microregion are characterised by the almost complete lack of foreign technology and capital. Except for the centre of the region it can be stated that since the settlements do not have industry, the standard of living of those residing here is determined by the opportunities offered by agriculture. The conditions of the habitat, however, and the size and technical level of the capacities in food industry can usually result in the reproduction of underdevelopment. In the region there are no farms bearing integration functions, the profitability of production has decreased in several areas (partly because of the poor infrastructure and natural endowment, the insufficient information network, bad organisation of production, etc.). At the same time, in Berettyóújfalu, or in its vicinity, there is no such industrial activity that could be a key sector representing state-of-the-art technology (micro-electronics, telecommunication, biotechnology, etc.). The region does not have an industry producing special products that, though not being a driving force, could be in demand in the market due to its unique nature. Earlier, Berettyóújfalu was mostly a settlement where the remote plants of industrial establishments operating elsewhere were placed. The processing industry created this way formed an industrial capacity that has a low-level technology, an uncertain market, and that demands a low level of qualification. An establishment like this does not form such a regional innovation base that could found the development of a competent regional industry of modern technology and the development of key sectors. On the other hand it fails to represent a really attractive target for foreign investors, it is unable to solve the regional unemployment problems and is subject to the markets and the industrial establishments that offer outworking.

In the microregion of Kunszentmárton the unfavourable economic changes continued even after the turn of the millennium. Workplaces disappeared and only a few new jobs were created. The loss of markets in the shoe-making industry, in the area of leather and fur ready-made clothes, and in the food processing industry resulted in the lay-off of more than 100 people in several

cases. These were mainly characteristic of the centre, particularly the ready-made clothes industry and the shoe-making industry, the shoe-making at Martfű, and the dressmakers in Szelevény. On the other hand, the majority of new jobs are connected to the rehabilitational employment in Kunszentmárton and in Csépa (rag carpet-weaving, packaging, seed selection), and the investments of the local government in Kunszentmárton and in Cserkeszölő. In the region, further expansion in employment took place at the small- and medium-size businesses of plastic- and metal-processing as well as of the leather garment trade. The agricultural business in Öcsöd was able to increase the number of its employees in the greenhouse cultivation of vegetables in 2004. At the small settlements, the only solid employer is the local government with its compulsory tasks to be performed. A significant proportion of the small businesses dealing mainly with agriculture, commerce and transport are forced enterprises. The lack of their own capital, and thus the lack of creditability, and the developments not coming about all mean a disadvantage that cannot be made up. Market seeking, however, is also hindered by the lack of human resources. Given the agricultural traditions in the region, seasonal employment is characteristic, but the same cannot be said about employment opportunities in the construction industry. Although agricultural production has traditions, the machinery is still good, and there are empty places and capacities in livestock farming, the profitability and competitiveness of the farms is far from the desired level.

In the Sásd microregion, expansion of employment worth mentioning only took place in the last three years, although none of these meant more than ten people. While in the case of Vásárosdombó and Mágocs there was a slight improvement in trade and services, in the case of Sásd and Alsómocsolád the same was seen in the construction and food industries. On the other hand, significant lay-offs affecting about 100 people were characteristic of the garment trade of the region. If we add the dismissals from the Dombóvári Bőripari^[1] Plc. which had its effect on the labour market situation of the region of Sásd, too, then it is obvious that the lack of orders for the light industry in the microregion, the lay-offs of the dressmakers and the closing-down of the shoe industry had the most unfavourable effect on the tendencies of employment.

In order to compensate for the negative labour market tendencies of the microregion of Szigetvár since 2003, the Schenk és Társa Food Processing Ltd. produced a statistical workforce increase of 70 people as a yearly average by an investment in 2004. However, the expansion of employment is hindered, among others, by the underdevelopment of the infrastructure, i.e. the radial, bad quality regional road network - except for roads No. 6 and 67 - the more than 20 "cul-de-sac" settlements, the small-village settlement structure and the resulting scattered free workforce. On the other hand, besides the low ability to absorb capital, the economic participants of the region are also lacking funds, the majority of the population only have an allowance type of income, thus

the internal purchase power is low. Overall, according to the data of Hungarian Central Office of Statistics, the number of employers shows a decreasing tendency. The rate of foreign working capital is the lowest in the microregion. After 1996, no significant employer appeared in the region.

In the past years, agriculture was the determinant sector in the microregion of Csurgó. However, the transformation and closing down of co-operatives resulted in basic restructuring. Accordingly, 60 % of those who are employed now work in one of the services. There are not many business associations in the region, which is mainly characterised by private enterprises. According to the labour-market prognosis, the plans of the participants of the microregional economy are optimistic and their realisation could raise the number of employed people by 300-500 by the end of the decade. Job creation that can be realised with the participants' co-operation can come true through the development of food processing, the placement of plants into the industrial park and the whole-scale development of the sewage system in the region. During the past five years or more, however, there was no significant expansion in employment. Regardless of a public limited company dealing with the production of clothes that has since been closed down, the examples for job creation only involved 2-7 people in agriculture, woodworking, poultry processing, metal industry as well as in the tertiary sector. Apart from the centre, three other settlements are affected by the above: Csurgónagymarton, Berzence and, further from the centre, Inke that is situated by road 61.

At the same time, besides those more significant lay-offs that were announced and altogether affected about 300 people in agriculture, woodworking, meat processing, ready-to-wear industry, plastic and electronics industry, the employers who operate outside the border of the microregion also contributed to the negative tendency. The Nagykanizsa branch of the railways and the Railway Construction Ltd. that is in Dombóvár dismissed another 30 people in the region. The rate of job seekers in the region increased by 7% between 2000 and 2006 due to, among others, the lack of orders and the low level of profitability of the enterprises, the high level of taxes on wages and the resettling which was a result of the cheaper labour force.

After the turn of the millennium, in the Barcs microregion there were staff-increases every year in the fields of woodworking, engineering industry and retail sales (Billa, Spar, Lidl) which, to a certain extent, could compensate for the effects of major lay-offs in woodworking, construction industry and agriculture. The investment of the Barcs creamery in 2006 also contributed to the maintenance of the level of employment. By transforming the plant according to the EU standards, the product produced here would have the chance to also reach EU consumers besides the consumers of the home market. The majority of the existing businesses, however, lack capital in this region too, so they have minimal chances for development. Because of the unemployment rate

that is more than twice the national average and the low level of incomes, the purchase power is also weak, there is no significant need for services. The situation is further worsened by the fact that as a result of tax changes several small businesses were closed down in this region too.

In the field of industrial employment, those microregions that have the most disadvantageous situation significantly exceeding the national average can be found, besides the ones in Ózd and the Bodrogköz, in the eastern areas of Nógrád County (Figure 5). Due to its peculiar economic structure and the crisis of the changing economy, Nógrád County got into a situation more severe than the national average in the early 1990s. The moderate increase of production which was followed by a sudden stop and then a recession, and the fluctuations seen in certain sectors suggest that the process of economic stabilisation cannot be regarded completed. In the eastern half of the country (in the microregions of Salgótarján, Szécsény and Bátorfyerenye) the relative level of unemployment is continuously above the county average. At the same time, in the three regions adjacent to Pest county the rate of job-seekers is lower than the average. The difference between the average unemployment rates of the more advantageous and the most disadvantageous regions was two per cent in 1993, but it was seven per cent in late 2000, and over eight per cent in 2006. This tendency between the eastern and western regions of Nógrád County after the turn of the millennium shows a further increase in regional differences. While the investments realised in the area of Balasgyarmat, Pásztó and Rétság by 2003 resulted in an improvement of 1-2 per cents, in the regions where economy improves more slowly the level of employment typical to the turn of the millennium was maintained by the labour market programmes and the construction of supports.

In the Bátorfyerenye microregion the closing down of the mines created a critical situation in the early 1990s, which situation was permanently conserved. Employees still rely on the industry but the changes in the numbers of job-seekers are basically determined by employment in the public projects. If we can talk about an increase in the demand for labour force in the past few years, then it is primarily due to the demand of companies that successfully applied for supports for public projects. However, the lay-offs mainly affected those working in the processing industry. The composition of the available labour force is unfavourable, the majority of those older people who have outdated professions are not in demand at the labour market. Besides, it is very hard to include them in the retraining programmes. A few viable enterprises, mainly in the metal industry, can become decisive players in the economy of the region. However, no employers with a huge capital have moved in the region. Due to the lack of job-creating investments, the local inhabitants are increasingly bound to opt for commuting to the capital and the county seat. Overall it seems that industrial restructuring has not been finished yet, the lack of capital is a general characteristic of business organisations and circular debt is a typical feature. The small- and medium-sized enterprises are struggling with market difficulties, and a large proportion of employees have to commute.

In the Szécsény microregion there are several economically underdeveloped small settlements without employers who would employ a large number of people. The new plant deployed in the town in 1998 seemed to be a promising start. Over 500 people, most of whom had been permanently out of work, were employed there, but the expansion of the staff has come to a sudden stop. The majority of employees found a job in the neighbouring microregions or perhaps outside the county. From 2004 this opportunity has also narrowed down significantly, as the labour market became saturated in the regions of both Salgótarján and Balassagyarmat. Because of the relatively isolated situation of the settlements, the peculiar transport conditions and the unfavourable composition of the available labour force, this microregion of the county is avoided by investors. Back in late 2004, the two major employers in the region already employed 1500 people, although, during the year one of them had decreased its staff by several hundreds of people due to the fall in orders. Then in 2003 the economic situation of the enterprise became hopeless because of the bankruptcy of a foreign customer. The company became liquidated and it put at risk the future of 750 people. The newly formed companies, businesses operate with one or two employees, usually providing a living for their family members.

In the microregion of Pétervására, the villages got into a difficult situation after the heavy industry and the mines were closed down and the industry of the region shrank. In 1998 the ÁPV[2] Rt. reached a decision on flooding the deep level mine and thus closing it down. Therefore, production has been permanently suspended in the mine since 1999. This resulted in the dismissal and retirement of about 100 people. Several ideas have come up regarding the utilisation of the mine. Besides restarting the mining of non-ferrous metals, it has also come up that the mine would be used as a water power plant. Re-opening cannot be realised yet, as it would require an investment of over HUF 70 billion. Because of this, none of the interested companies have thought that the mine could be operated economically. After the change of regime, besides the ore mine, the Mátravidéki Fémművek[3] also shrank to its fragment and the Parád Kristály[4] Rt. of Parádsasvár was also liquidated. The company that was insolvent since January 2005 was acquired by a company that deals with graphic design and the sales of casting. Glass manufacturing with a new technology can begin in spring 2007 with about 50 employees.

Between 2003 and 2006 there were three expansions of staff each affecting about ten people. These can be connected in terms of sectors to the plastic processing industry, the textile industry and to woodworking. At the same time, the number of enterprises that significantly reduced their staff continuously year after year has increased since 2001. These reductions affected the light- and food industries, namely the textile- and milling industries, and also metal processing and agriculture. The public administration reform mentioned several times had already had its effect at the beginning of the decade. There was a reform in the military forces, too. Thus, in the microregion more than 200 people were directly affected by lay-offs. The reason for the adverse labour market tend-

encies was the significant decrease in the orders from the foreign and the Hungarian market, and the changes of profiles at several enterprises. Also, in one case, after the closing down of the parent company, the affiliated company stopped its operation.

The Bodrogköz microregion can be characterised by an adverse geographical location and an underdeveloped infrastructure (no electrification of trains, distance from highways). To make it more serious, the labour force are very poorly qualified, half of the people registered at the job centres have no qualifications. Besides, there is a rapid decrease in the population, only an insignificant proportion of the young professionals return to the region. The working ability of permanently unemployed people is also dramatically decreasing. The number and proportion of Roma population significantly exceeds the national average. The economic development has not even been outlined.

In the past years about 80 people were employed in companies in Sátoraljaújhely that deal with metalworking and the manufacturing of heat resistant ceramics. These companies are outside the microregion but can be accessed easily. However, besides a few municipal investments, there were no such investments that would have provided continuous employment for a large number of people. Thus, in the small settlements and villages of the region the only source of income is still the public projects. The image of several settlements have changed but they still fail to provide jobs with a perspective for the local inhabitants. The well-known signs of permanent unemployment markedly appear in the people living here. In the region there are countless people receiving social allowances who have not been working for 10-15 years. A generation has grown up seeing unemployment as an example. The largest employer of the region has been liquidated. In 2004-2005 the textile-processing factories in Sátoraljaújhely and Karcsa dismissed a total number of about 800 people. The reason for the crisis of textile-processing, especially the one relying on foreign lease-work, is among others connected to the increasing production costs which could not appear in the fees of lease-work with long-term contracts that were agreed upon earlier. The enterprises were unable to compensate for the increase of minimal wage by increasing their income. Besides, several other problems of work organisation contributed to the liquidation of two traditional enterprises. For the female employees all of these resulted in a hopeless situation in the microregion.

The Ózd microregion has been struggling with serious employment tension, the precedents of which developed in the late 1980s and early 1990s. The one-sided industrial structure, forced at that time, and the swollen number of employees faced the market requirements, the economic regulations and the requirements of the world trade which made it impossible to operate, or stopped several companies, or even sectors of the national economy. These had an accumulated effect on the players and employers of the local economy. Several of those companies that were prospering earlier have been closed down or transformed in the course of the years, or new businesses developed from them. A common characteristic of these businesses is that they employ much fewer

people compared to the earlier period. According to the data of the local job centre, in the period after the turn of the millennium the processing industry "released" more than 1000 people. The only exceptions may be those companies that found new investors and could further operate and develop through changing their owners or becoming suppliers. The negative tendencies affecting the most disadvantageous areas can also be found in the economy of the Ózd microregion. Besides the deteriorating state of the arable lands and forests, the environmental damages, the inner inequalities in the economic structure, the lack of capital and the low level of income producing ability there is an underdeveloped human infrastructure as well. This is reflected by the migration of the active population, ageing, short life expectancy, the low level of school qualifications, the rapid increase in the numbers of residential groups depending on allowances and the unintegrated nature and inner tensions of the Roma population.

Despite the above mentioned dramatic reductions, it is the processing industry, namely metal-working, that still has the leading role. The newer problems that have appeared in the course of time (energy prices, lack of basic material, increasing labour costs, changes in market conditions, losing markets, etc.) posed further difficulties to the sector. Although there has been some fluctuation in the operation of the small- and medium-size firms functioning in the metal-processing sector, still these firms may be the only places where one can feel the effect of the efforts made to get out of the difficult situation and the effects of the initiatives for long-term development, such as the continuous increase in the number of the employees. The biggest problem here, too, is to produce and export products that are competitive and meet market requirements.

In the past few years the biggest development was experienced in the firms producing electronic or electric devices. Back in the late 1990s some investors with a huge capital base (General Electric, Saia Burgess) moved in the region and changed the earlier image of the area, laying the foundation of the long-term presence of the sector. Within a short period of time, the number of people employed in the sector rose by over 1500.

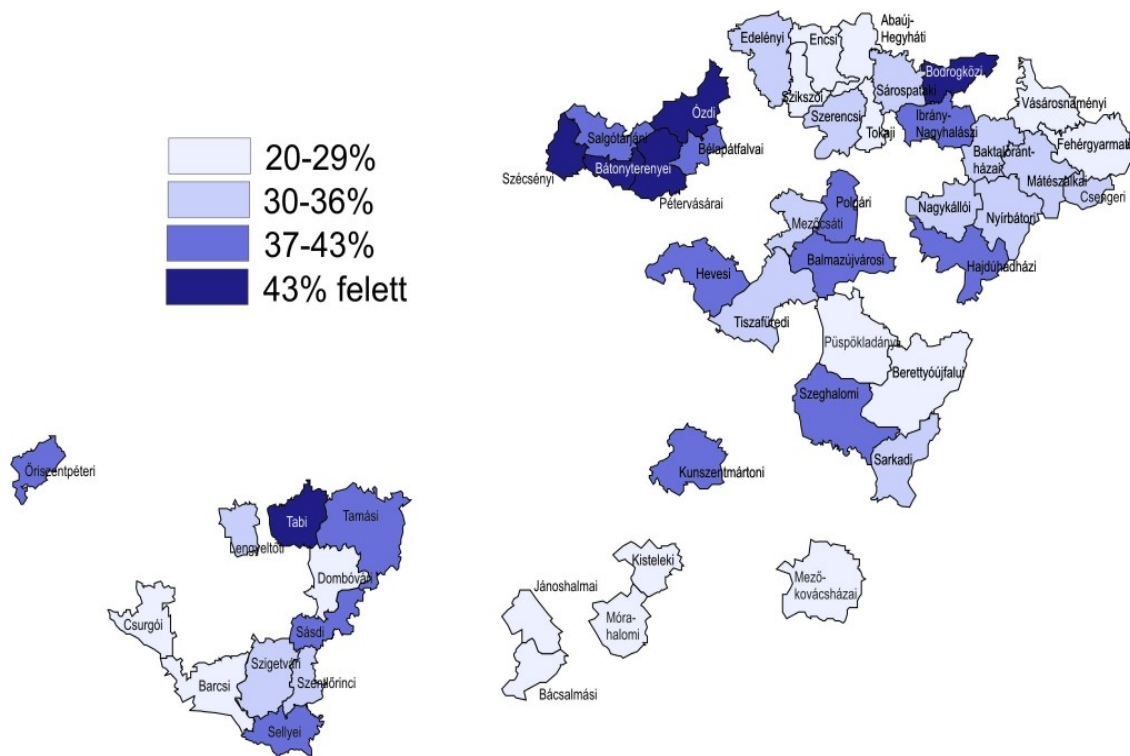


Figure 5
Proportional rate of people employed in industry (2002)
 (Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

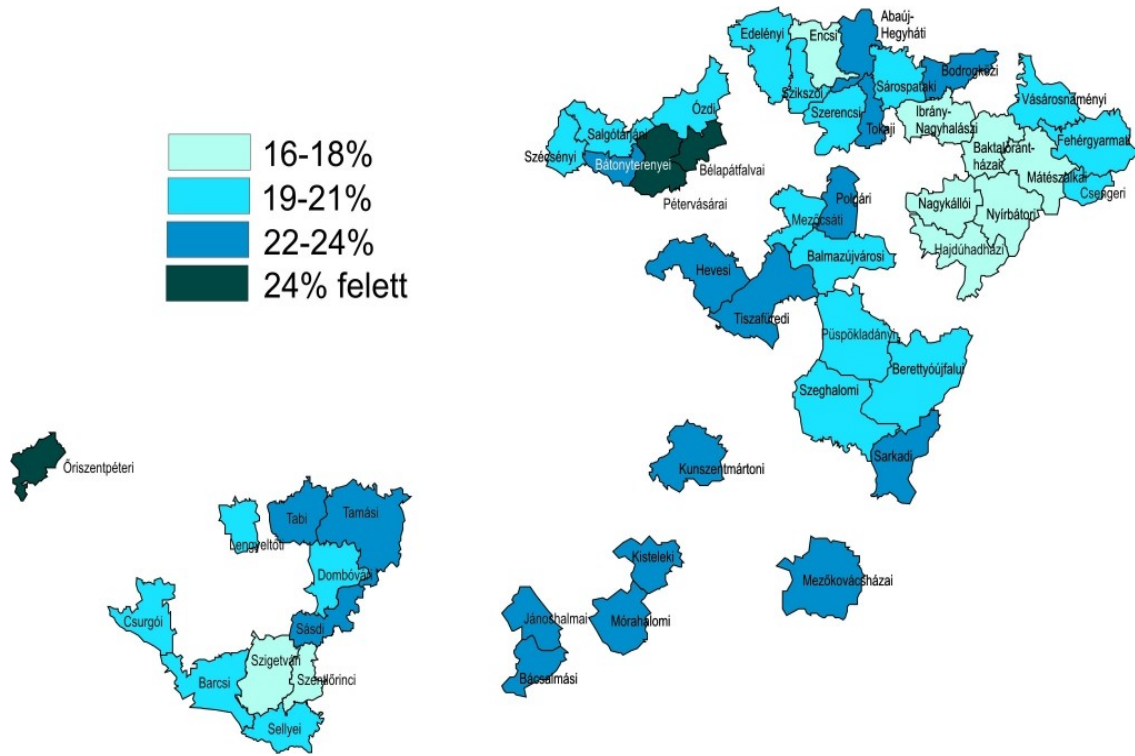


Figure 6
Proportion of people aged over sixty
(Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

3.4. Positive answers that can be given to unemployment as a social crisis

Even among the most disadvantageous microregions, special attention must be paid to those ones that are unable to give any sort of positive answers in the long run either to the social crisis that is present in its most serious form right there. The figures from the latest census prove that the tendencies described in the nineties (Tésits, R. 1998) - and already deemed to be long-lasting - do not show any sign of regional closing up even after the turn of the millennium.

The microregion of Sellye in Baranya County, the microregions of Edelény, Encs, Abaúj-Hegyhát, Mezőcsát, Bodroghöz in North Hungary and the microregion of Csenger in Szabolcs-Szatmár-Bereg County are the areas where unemployment figures several times higher than the national average coincide with the lack of the ability to renew economically within the same territory. The number of enterprises per 1000 people is less than forty in the above regions - that are mainly in the north of Borsod-Abaúj-Zemplén, by the national border. The picture is made even more complex by the fact that while nearly half of the enterprises in the national average are some sort of associated businesses, in the areas in question the proportion of the individual entrepreneurs is over 70 per cent. Based on the above, it can be stated that in terms of employment- and self-supporting opportunities, the majority of the population in these regions are the losers of the change of regime. Only a few of the agricultural firms that were the determining factors in local employment remained, having a slight share in employment. The plants that operate as the local branches of large companies are closing down one by one. The mostly underqualified village people were laid off in the industrial area in large numbers, putting the burden of problems on the helpless small villages. The businesses did not and do not have even the most basic economic and human conditions to gain ground. In the private sector the biggest employer is working with a staff of a few hundred employees. The enterprises are mostly family-based micro-businesses, primarily operating in the service sector. Usually these businesses have no resources for modernisation and improvement. A good example of this is that, for several years, the business organisations have not joined the job-creating tenders that are offered by the job centres. Foreign capital shows hardly any interest in the region. However, the underdeveloped nature of the economy does not make it possible for the service sector to gain ground, so it does not really make self-support possible, either.

The majority of job-seekers do not have qualifications and they are not able to make decisions by themselves, are highly dependent and defenceless. They are not able to provide for themselves or their families due to their age, schooling, lack of proper ability to obtain bank loans and

to start enterprises. Becoming an entrepreneur would be a forced solution, motivated by the need to provide for a living for their families. While the framework necessary for a successful business (infrastructure, demand for services, human factors, etc.) is not given, in the disadvantageous regions the small businesses choose this form of self-support only by force, partly because of the severe lack of capital.

At the same time, it is very hard to find investors who would be willing to invest in these regions which have an extremely outdated communication and infrastructural network, are far from Budapest and are in need of qualified labour force. Thus, one can find all the features of a dying economy here. The investors are also kept away by the fact that the job seekers are not only unqualified but unfortunately the majority of them lack the motivation as well, and the work socialisation of these people is very difficult. What makes the situation still worse is that the qualified workers suffer from insufficient training and practice opportunities, moreover, their trades are not among the wanted ones. With circumstances like these, no enterprise will move into these regions.

Besides the above mentioned facts, the missing renewal abilities could also be illustrated by the economic situation of the Szikszó microregion, which did not and has not seen any such positive changes either before or since the turn of the millennium that would have had a noticeably favourable effect on the labour market. Although the Szikszó Industrial Park has been established, the only enterprise wishing to move in there has since been liquidated. No investors with a huge capital base have indicated that they would like to invest there. Regarding its role in employment, agriculture has been losing its significance, though earlier the agricultural activities were crucial in the region for many decades. It seems to prove true that the increasing motorisation in the production results in a decrease in using living labour in the sector. The processing industry is represented by a few small businesses, the building industry by some enterprises employing a handful of people. Due to the rearrangements in market conditions, the profit-orientedness of the service companies has become more important, so in those small settlements where the turnover did not ensure the operation to be profitable, only partial services have been provided, meaning that the opening hours of shops have been reduced. The multinational trading companies have not laid their feet in the region. This is not likely to happen in the future, either, as the proximity of the city of Miskolc makes it unnecessary. The commercial enterprises require only a few employees, they only compensate for the losses of jobs caused by fluctuation. Village tourism cannot gain strength partly because of the lack of programmes, and partly because the local governments of the settlements lack the necessary financial resources: most of them are unable to improve its surroundings to such standards that would make them look attractive in the eyes of the guests.

Therefore, regarding the renewal abilities, the situation is somewhat similar in the most disadvantageous microregions in South-Transdanubia and in North Hungary. The almost complete lack of capital, and this way the lack of their own financial resources for development, results in the

lack of viable economic players. At the same time, the atomization hindering the changes and the collaboration, and the undeveloped co-operational skills lead to an extremely weak network of connections and the lack of co-operation and will to share their experience. The undeveloped and narrow inner market, the lack of effective demand, the undeveloped infrastructure and the low level of schooling (the almost complete lack of professionals, secondary qualifications primarily from trade schools) do not provide the chances even for self-support. The already existing enterprises cannot substantially increase the number of their employees, and the number of the new and viable initiatives coming here is very little. The role of agriculture in employment figures is getting even smaller, and the proportion of those finding work in the service sector is slightly increasing. The affected areas are expecting a progress from the development of village tourism, and the gradual increase in the number of local jobs that accompanies it. Most of the enterprises are family businesses, the overwhelming majority of them are struggling to survive. Based on the above, it is getting more and more difficult for the residents of the small settlement to find jobs. Moreover, the means of public transportation run less and less often, and the road network is getting worse, too.

In terms of the proportion of enterprises, only two of the most disadvantageous Transdanubian microregions can come near to the national average. These are the microregions of Tamási and Óriszentpéter (Figure 7). The latter has a diverse economy, though there are no businesses of outstanding economic potential in the settlement. On the whole, since 2000 there have been hardly any significant employers remaining in the region, which also means that, except for the last few years, there were neither substantial investments nor substantial lay-offs after the turn of the millennium. From 2004 the economic deterioration continued, one of the remaining two significant companies (with over 100 employees), the boot and shoe factory, was closed down for good. In 2005 the only organised co-operative retail chain in the region was wound up. Although the proportion of enterprises is relatively high, most of them are small-size businesses, operating primarily in the building industry and in the field of financial services related to real-estate transactions. Also, in recent years, there have been more and more businesses specialising on accommodation, catering and retail trade.

In the settlements of the Tamási microregion the co-operatives and their related sidelines were reduced one by one. The agricultural activity has become much smaller, though its employment capacity still exceeds the national average. Besides the only large employer, the lamp factory, thousands of self-employers and micro- and small businesses were established on the grounds of the disappearing companies. These enterprises have a very small number of staff, and operate mainly in the fields of metalworking, manufacturing, as well as woodworking and the furniture industry.

Another thing one must not disregard is the fact that each of the counties in North Hungary has one from the most disadvantageous microregions that bear certain signs of economic renewal. In addition, 65-75% of the enterprises in the microregions of Sárospatak, Salgótarján and Pétervására are individual businesses, where the processing industry has a more significant role as opposed to the strong commercial or economic service orientation of the microregions in Tolna county.

The Sárospatak microregion is characterised by the decrease in agricultural production and in employment potentials, which is illustrated by the reductions in stock breeding and woodworking after the turn of the millennium. Besides this, the outworking type of activities in the processing industry and dressmaking have also dropped. The catering industry, tourism and the tertiary sector as a whole shows a slow improvement. At the same time, the technological change and the appearance of the demand for new qualifications in the metal working industry (CNC-machines, metal working centres) are promising.

The special situation of the above-mentioned Salgótarján microregion is caused by the fact that this is the only one from among the most disadvantageous microregions whose centre is also a city with county rights. The economic situation in the county seat and its area does not show noticeable improvement after the turn of the millennium, either. The number of employees stagnates at those employers which moved into the Industrial Park earlier. Apart from the continuous and significant lay-offs carried out year after year, a substantial number of those people who commute to the neighbouring districts or work in the public sector have lost their jobs, too. The newly appearing employers have so far not been able to absorb the redundant labour force, since in 2006 the unemployment rate was still twice as much as the national average. At the same time, the socio-economic role of the microregion is very important in the county and in the region, as the city and the 23 settlements in its microregion have nearly 70,000 residents. This region has over one third of the enterprises found in the county. It must be added though, that the acceleration of the economy only began in the mid-90s, primarily as an effect of the prosperity induced by the infrastructural investments. The process was helped by the Salgótarján-Bátonyterenye business area, or industrial park, established as the second such park in the country in 1997. The aim of the infrastructural development was to facilitate the capital investment, the placement of companies, the industrial development, innovation and job creation. At the turn of the millennium, those infrastructural developments had a priority that were basically aiming to improve the standard of living and at the same time, beyond their role in environment protection, contributed to the improvement of the criteria for economic development too (regional dumping ground, solving problems of waste water management, public utilities in the settlements, infrastructural development in transportation). The aim of the latter was to connect the region to the national and international transportation system,

the European North-South transit route (modernisation of the main road number 21, the ring-road around the city, the modernisation of the track and electrification of the Hatvan-Salgótarján international railway route).

The qualification level of the most disadvantageous microregions, at the same time, is characterised by the fact that in one-fourth of the regions the proportion of those having at least secondary qualification does not reach even half of the national average. Besides the two South-Transdanubian microregions (Sellye and Lengyeltóti) and the Sarkad microregion most microregions can be found in counties Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg and Hajdú-Bihar. Of course, the rate of people having graduated from high school has a close territorial relation to the number of training institutes existing in the region. The examined microregions in South-Transdanubia and North-Hungary have maximum one or perhaps two secondary schools (Figure 8). The other extreme is represented by, among others, the Ózd microregion with a population of 75,000, which maintains seven secondary schools. The professional school in its centre also acts as the regional professional service institute. Furthermore, from 1993 professional education for the seriously disadvantageous young people of mainly Roma origin was also started. The professional training covers mainly catering and food industry trades, as well as the fields of healthcare, public administration, electronics and information technology. Ózd is relatively developed in this field, which is illustrated by the higher education training to be begun in September 2007 together with Zrínyi Miklós University of National Defence. The 13 secondary schools in the Salgótarján microregion are also worth mentioning similarly to the microregion of Sárospatak whose centre has a school town character strengthened by several factors. Although the number of secondary vocational schools is lower, this place has one of the youngest secondary grammar schools in North-Hungary besides the renowned school that has significant traditions and number of students.

In the most disadvantageous regions, living conditions hinder not only the appearance of enterprises but also the employment opportunities and sometimes the life opportunities of those living there. The public utility network shows huge regional differences. In terms of gas pipes the most disadvantageous microregions of South-Transdanubia, mainly those found in Baranya County: Sellye, Szentlőrinc and Szigetvár are at the bottom of the list.

This means, among others, that less than 20% of the flats use installed gas, which is one-quarter of the national average. A special emphasis can be put on the area of Sellye, where this figure is less than three per cent (Figure 9). This average value includes the extreme condition of the Romas, some of who live in colonial conditions. The colonial conditions are mostly disastrous: besides not having gas installed, water can often be obtained from far away, the sewage system is completely missing and in several cases there are no electricity services. As several places can only be reached on dirt roads even the ambulance is unable to approach these colonies. These areas which are ethnically and socially homogeneous, have significantly less public utilities than in their

surroundings, and where the conditions are continuously degrading, and the territories are bound to lose their value and are often inhabited by communities without any cohesion, so deviant behaviour is becoming a norm. The majority of the villages are closed away settlements, where there are no local medical service or pharmacy. There are settlements where even the emergency telephone is out of order. This is supplemented by the small area of the flats, crowdedness which is both physically and mentally unhealthy. It makes relaxation impossible for adults and the children obviously cannot learn with an appropriate concentration. All of this make it more difficult for them to find employment.

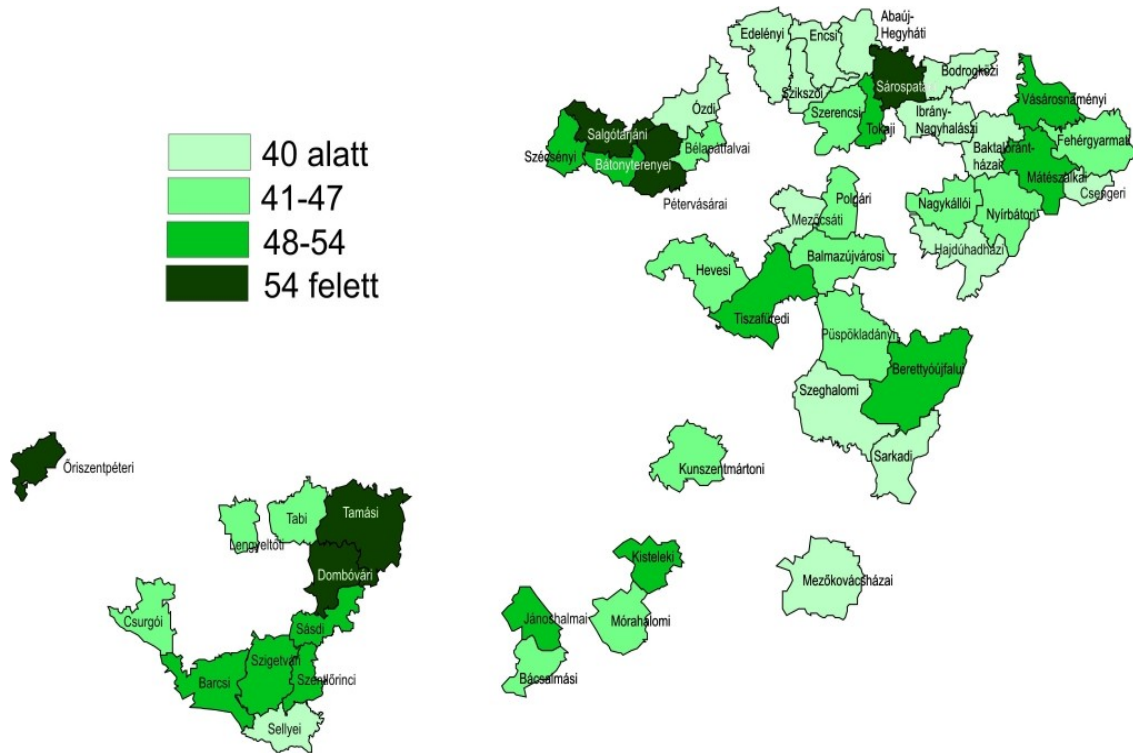


Figure 7
The number of enterprises per 1000 people
(Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

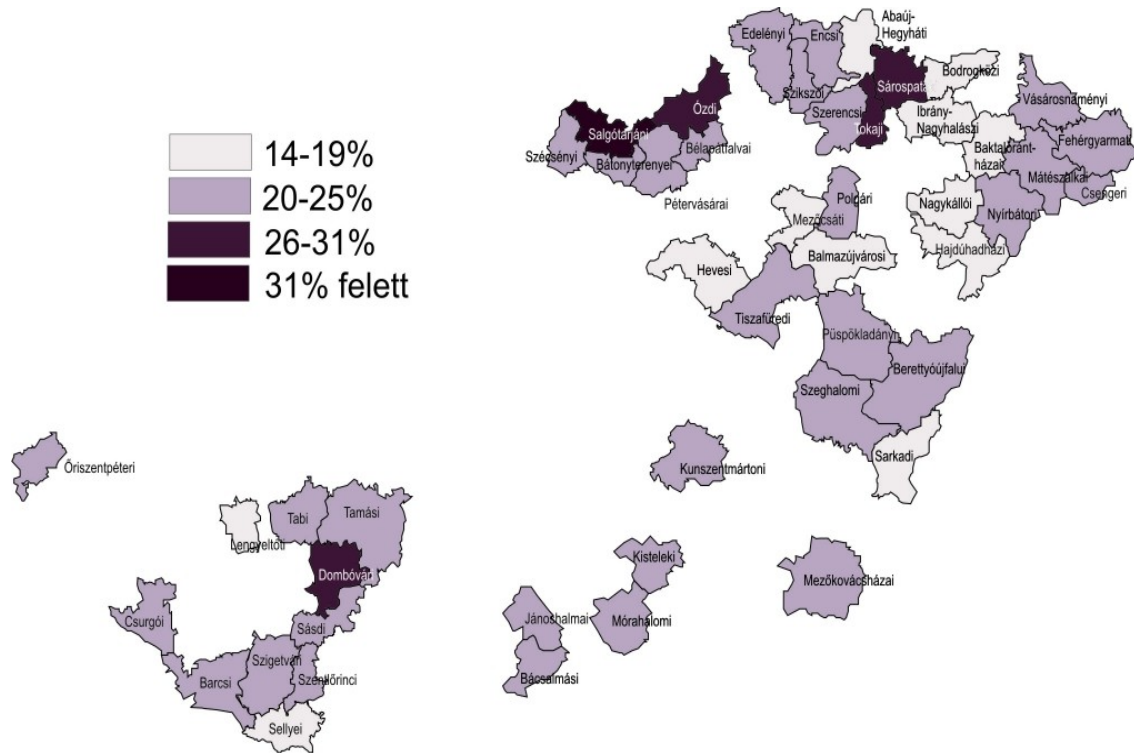


Figure 8
Proportion of people having at least secondary qualification (2002)
(Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

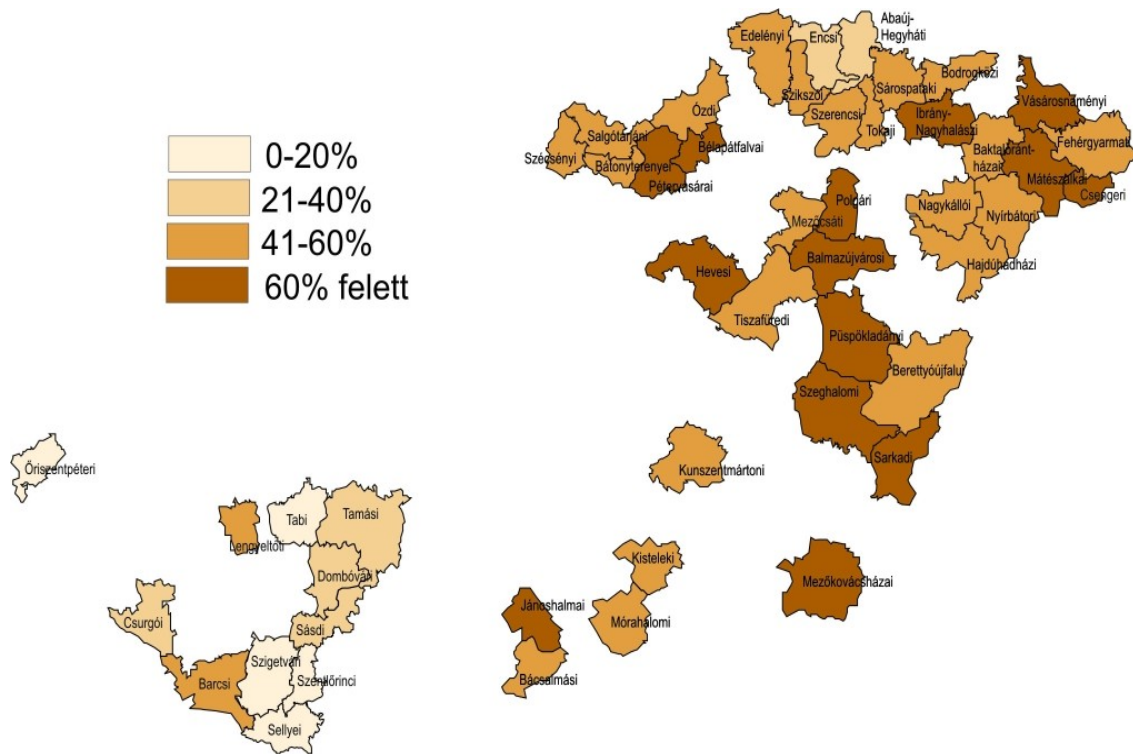


Figure 9
Proportion of households with gas installed (2002)
(Edited: Tésits, R. 2007)

Source: Hungarian Central Office of Statistics (KSH)

4. CONCLUSIONS

The changes in the inner employment structure of the microregions is characterised by the fact that by the turn of the millennium the job opportunities had been concentrated in the employment centres of the microregions. This way, besides the significant decrease in the number of jobs, the way these jobs could be reached had also changed. It can also be concluded that some of the most disadvantageous microregions do not have "real" employment centres. Usually they are those microregions which are unable to come up with any positive answers to the social crisis that is exactly there the most serious. In other words, the unemployment level that is several times higher than the national average and the lack of economic renewal abilities can be found in the same regions.

Following the temporary changes of regional and structural features it can be concluded that the tendencies typical of the European Union enlarged in 2004 - according to which after the turn of the millennium the European periphery began to close up (Tésits, R. 2007) - are not valid for Hungary, as the unemployment rate has been increasing both on a national and a regional level since 2003. At the same time, assessing the regional processes in Hungary, it can be stated that regarding the whole of the microregions the regional differences continued to grow after the turn of the millennium, too. Between 2001 and 2006 the dispersion - that is how much the unemployment rate in the microregion differ from the expected middle value - grew by more than one per cent.

However, an opposite tendency can be noticed if the examination is restricted to the most disadvantageous microregions. Here the dispersion values do not show significant divergence which can have several reasons. The process cannot be explained by the result of the closing up of regions described by the highest rates of job-seekers, but by the decrease in the relative differences. On one side, there is the merely one-two-percentage increase of the microregions in Baranya, Somogy and Borsod characterised by initial values higher than the average. On the other side, there is the four-seven-per cent increase typical of the microregions of Hajdú-Bihar County and a few microregions in the South Plain, which have lower initial values.

Although, in the majority of the most disadvantageous microregions examined in this chapter, the public sector is the most significant employer, seeing the consistent reforms of public administration, here employment opportunities are rather expected to decrease. Because in the future the

improvement of the employment situation can depend primarily on the growth of the businesses of the private sector, it is worth examining the chances to widen employment based on this principle.

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FURTHER SOURCE:

Government Decree of 64/2004. (IV.15.) on the list of regions benefitting from regional development

[1] leather industry

[2] Hungarian Privatization and State Holding Company

[3] Metal Works

[4] producing glassware