

# **COMMON EMPLOYMENT POLICIES OF THE EU – CHALLENGES AND OPPORTUNITIES FOR HUNGARY**

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## **ABSTRACT:**

Numerous objectives, targets and measures are envisaged in the National Action Plan for Employment in order to address the low employment level, which is considered as one of the biggest problems of the labour market in Hungary. It remains to be seen, however, how effective these measures will be especially in the short run because many of the factors underlying this problem require long-term solution. For example, employability of the unskilled people cannot be improved overnight, and the same is true for large regional disparities. It will take a long time to overcome regional labour market diversification, and this would obviously require an efficient use of the EU-funds, which is far beyond the scope of the employment policy, and would need close coordination with other economic and social policy measures.

**KEY WORDS:** employment, policy measures, labour market, Hungary

# **POLÍTICAS DE EMPLEO COMUNES DE LA UE – DESAFÍOS Y OPORTUNIDADES PARA HUNGRÍA**

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## **SUMARIO:**

Un gran número de objetivos, enfoques, y medidas son contemplados en el Plan de Acción del Empleo Nacional para enfrentar la tasa baja de empleo, que es considerado uno de los problemas más grandes en el mercado de trabajo en Hungría. No obstante, no se sabe si estas medidas serán eficaces, especialmente en el corto plazo porque muchos de los factores fundamentales de este problema requieren soluciones a largo plazo. Por ejemplo, la posibilidad de encontrar empleo para trabajadores sin cualificación, no se puede hacer en una noche, y ocurre de igual manera con las diferencias regionales. Llevará mucho tiempo superar la diversificación regional del mercado de trabajo, y este obviamente requeriría un uso eficaz de los fondos de la UE, lo cual queda más lejos del alcance de la política de empleo, y necesitaría una coordinación próxima a medidas políticas de carácter económico y social.

**PALABRAS CLAVES:** empleo, medidas de política, mercado de trabajo, Hungría

## 1. INTRODUCTION

The employment policy guidelines of the EU had an effect on the Hungarian labour policy already during the accession process. An Employment Policy Review was prepared in 2001, in accordance with the provisions of the Accession Partnership. The aim of the Review was to evaluate the country's preparedness for implementing the European Employment Strategy. It concluded that although "Hungary is functioning market economy...", there remain some areas of concern - "...fiscal consolidation, in particular in the areas of health care, transportation and local government" and "...the employment rate is still at a low level compared to the EU average...". The Joint Assessment of the Employment Policy Priorities (JAP) identified some key areas, which need to be reviewed. They include, among other things, job creation in the service sector and in the SMEs, especially in the technology-intensive branches, "interaction between different tax and benefit schemes and their impact on the incentive to work...", adapting initial education and continuing vocational education to labour market needs, with special emphasis on the links between schools and enterprises, etc. These include obviously such areas which require long-term measures. So it is understandable that the JAP served as a starting point for the annual Progress Reports (the first one was submitted to the Commission in May 2002, the second in April 2003). All these documents have helped in preparing the country for full participation in the coordination of employment policies at the European level. Therefore, the first National Action Plan for Employment (NAP), which was prepared after the accession in September 2004, could be built on several previous documents. The aim of the NAP was to describe the employment strategy of the Hungarian Government for the period between 2004 and 2006.

In the light of the current challenges the Hungarian labour market has to face nowadays, the paper is to be concerned with those plans and possible responses the government and some actors of the civil society envisaged recently. The New Member States (NMS) often have similar problems due to some comparable difficulties they had to cope with during the period of transition from a planned to a market economy (restructuring, privatisation, trade re-orientation, integration to the world economy, improving competitiveness, etc.) First the main trends in employment, participation and unemployment are to be described. Then the some special features of the Hungarian labour market will be highlighted. The third section is to analyse response from labour policy, i.e. the shift from passive to active measures, and it gives a brief overview on the main objectives of the National Action Plan for Employment (NAP). The fourth section looks at the experiences of the NAP and describes some of those measures which are envisaged for the next year. The concluding section will highlight those challenges Hungary is most likely to face in the future.

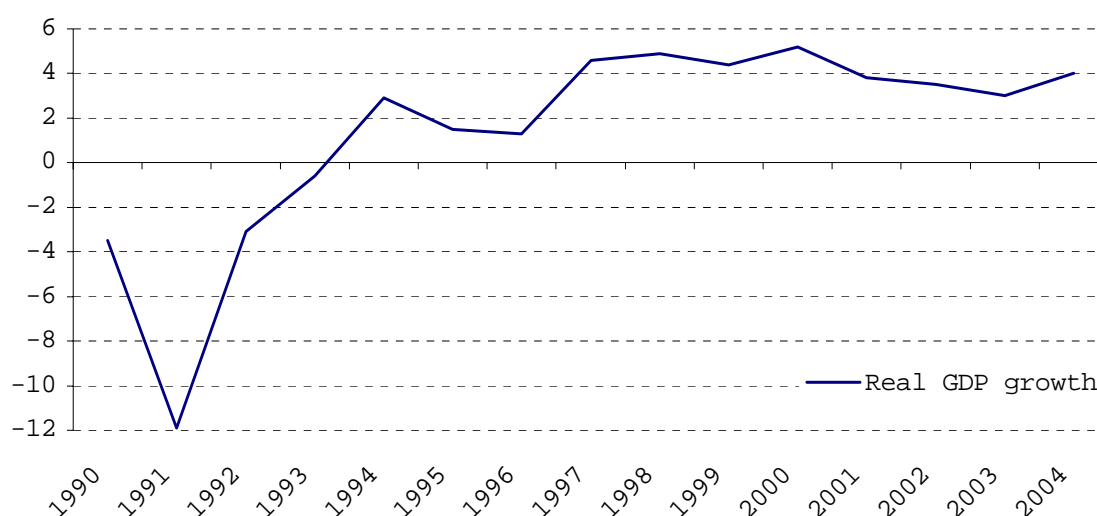
## 2. LABOUR MARKET SITUATION: PAST AND RECENT TENDENCIES

Since the beginning of the transition process, labour market has been undergoing not only large-scale changes, but also considerable fluctuations. After the years of the "transformational recession" (1990-1993), when, as a consequence of drastic fall in employment over 1.5 jobs were lost, unemployment started to decrease slowly. At

the same time, however, a large mass of people left entirely the labour market (with the help of large-scale early retirement schemes, disability pensions, etc.) Relating to this, the ratio of the inactive population increased and low participation rate is still one of the major problems of the current labour market in Hungary.

In terms of *GDP growth*, the most recent period of more than a decade since 1990, known as the period of economic transformation, can be divided into *four phases*, as Figure 1 shows. *The first (1990–93)* brought the collapse of the state-socialist economy and an aggregate GDP decrease of more than 18 per cent. *In the second (1994–6)*, the recession gave way to a modest rate of expansion: aggregate GDP growth of 5.8 per cent, which was equivalent to an annual average of almost 2 per cent. *In the third phase (1997–2000)*, the annual average growth was almost 5 per cent, which can be regarded as outstanding compared with the historical performance of the Hungarian economy and with the performance of EU members and other Central and Eastern-European (CEE) countries at the time. *The fourth phase*, which began *in 2001* and seems to be persisting nowadays, has seen a deceleration of growth. For example, in 2003 GDP grew by 3.0 per cent, which is the lowest figure since 2001. The phases are illustrated by Figure 1.

**Figure 1. Annual real GDP growth between 1990 and 2004**



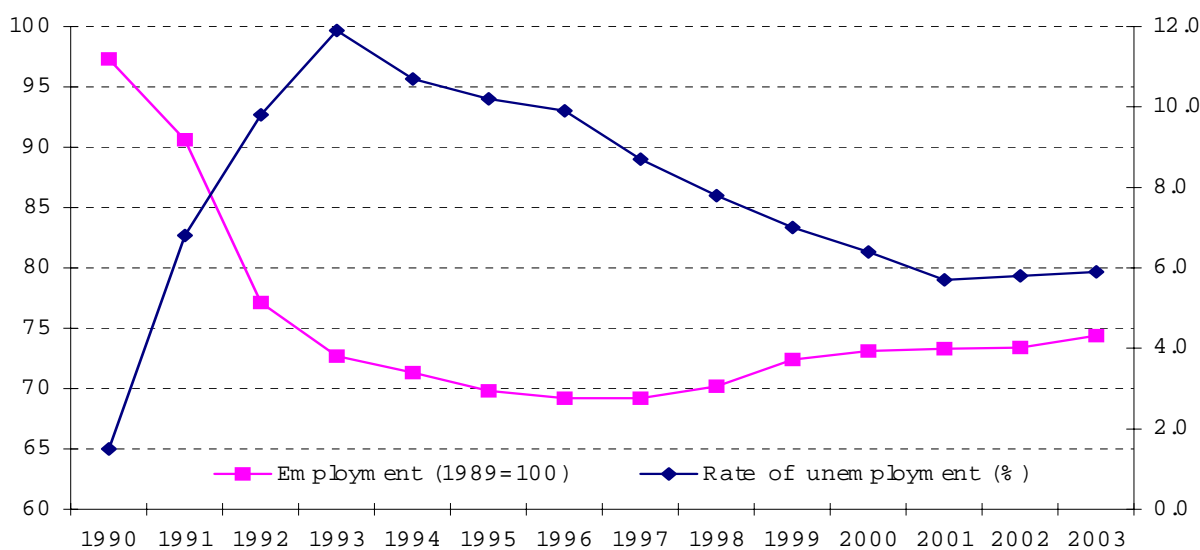
Source: Central Statistical Office

As a result of considerable economic growth in the third phase, i.e. between 1997 and 2000, when it well exceeded the EU-15 average, labour market indicators also showed apparent signs of an improvement. Employment increased at the beginning moderately, by more than 50 thousand, later more visibly, by more than 110 thousand. Rise in employment, however, could not offset its large decline at the beginning of the transition period. Therefore, the employment level is still well below the pre-transition one, and has not reached even the level of 1992. The main reason for this lies in the fact that the meaningful economic growth was accompanied by improving productivity and major restructuring within and across industries. Employment share of agriculture almost halved between 1992 and 2000 (from above 10% to 5-6%) and the proportion of industry also fell, albeit to a much lesser extent (from nearly 30% to

27%) during this period. Employment gain was evident in the case of the service sector, of which share in employment increased from 54% to 60%.

As regards labour market performance, it followed more or less the trend of GDP with a slight time lag. This is reflected especially in the employment figures although it has to be noted that the employment level even when it recovered slightly in the late 90s, has never approached that of the year 1990 (this is understandable since full employment has been given up and high inactivity characterises the Hungarian labour market, as mentioned before). Of course, unemployment shows an opposite trend to employment, but its peak was reached earlier (in 1993) than the nadir in employment (around 1996). The reason for this disparity is assumed to lie mainly in the tighter eligibility conditions for unemployment benefit, which were introduced already in 1992, when the rapid increase in unemployment put strong pressure on government spending. The entitlement period was cut initially from two years to 18 months, and then in late 1992 to one year, which caused large falls in registration. In addition, the ratio of benefit to last wage was reduced. So the more restrictive system offered less incentive for the unemployed to register.

**Figure 2. Trends in employment (indices, 1989 = 100) and the unemployment rate (right-hand scale) between 1990 and 2003**



Source: Central Statistical Office, Budapest.

As can be seen, the fall in the number of unemployed continued towards the end of the 90s. An undoubted contribution to the impressive improvements in the unemployment figures at the turn of the new Millennium came from a further cut in the entitlement period for unemployment benefit in 2000, to only nine months. In 2004, however, unemployment rate increased slightly, to 6.1%, being 0.2% higher than in the previous year. Employment has been stagnating since the late 90s.

### 3. MAJOR CHARACTERISTICS OF THE LABOUR MARKET IN HUNGARY

When examining the labour market, it should to be emphasised that growing imbalances led not only to unemployment, but also to a sharp fall in the population's participation rate in economic activity at the beginning of transition. The CEE countries in the state-socialist period, including Hungary, had participation levels far higher than the developed market economies. In the case of Hungary, participation has fallen to an even lower level than in the 'old' members of the EU<sup>1</sup>, being at about 60%, whereas the average of the EU-15 is around 69%. This happened due to some measures against unemployment and also because a massive number of people voluntarily withdrew from the labour market. Examples of the former are 'soft' methods of laying off workers—widespread resort to pre-retirement and early-retirement schemes and to disability pensions, especially in the first half of the decade. Since the beginning of transition, it has also been a conscious policy to admitting more students into higher education (by giving them more places, financed by state budget, and this tendency was reinforced by the emerging new private colleges and universities. (By reducing the available labour supply, this also contributed to a decline in the participation rate).

The process of economic transition from a planned to a market economy had catastrophic consequences especially for the Roma people, the largest ethnic minority in the country (their share is about 5-6 per cent of the population). These effects are most apparent in the labour market. The industrialization process that took place under the planned economy facilitated the integration of Roma into a more modern, industrial society, although their inclusion remained unstable even at that time, mainly because of the delay in this and the discrimination against them. This meant that they remained at the bottom end of the labour market, which made them vulnerable to any kind of changes there. Predictably, therefore, Roma were among the first to become unemployed in the late 1980s, when the first signs of economic crisis appeared, before the transition from a planned to a market economy. Most of those who lost their jobs found themselves unable to re-enter the labour market, and most of those who managed to nonetheless lost their chances of permanent employment. (Fóti, 2003.). These trends are clearly reflected in the data available. Representative surveys of the Roma show that between the mid-1980s and the early years of the new Millennium their employment rate dropped from 75 to 35 per cent. The surveys found that Roma employment had characteristically high inflow and outflow rates and their employment is unstable which is manifested in short employment spells.

It has to be emphasized that despite the still relatively low unemployment figures, shown in the official statistics, a massive number of Hungarians do not have a job. Besides the aforementioned facts, it is explained also by high economic disparities across regions, small areas and different types of settlements. Labour

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<sup>1</sup> The large fall in women's activity also contributed to this, which has been greater than men's, leading largely to the decreasing total participation mentioned already. One of the main reasons is that women faced with the difficulty of finding a job were more inclined to choose early retirement schemes as a preferred way of withdrawing from the labour market: several hundred thousand took early retirement or simply became housewives. The fact that the retirement age used to be low under the planned economy (55 years for women, 60 years for men) contributed to the widespread use of these schemes. (Data also reflect these developments: the gender gap is the greatest in the activity rate of the 55–59 age group, where it stands at 45.9 per cent for men and only 16.6 per cent for women.)

mobility is low (due to various reasons, such as for example underdeveloped road network, high petrol prices, an inadequate housing market etc.), so the unemployment differentials across regions, emerged in the early 90s, remained stubbornly large. The eastern part of the country and remote villages are especially adversely affected by the high regional economic disparities. Absence from the labour market constitutes the most important risk factor in the incidence of poverty.

The aforementioned slight growth in unemployment recently (a trend which seems to continue also in 2005) is a further source for concern. At the same time nowadays more people are present in the labour market, which means that the participation rate has recently increased to some extent<sup>2</sup>. The latter can be regarded as a favourable development because the activity rate in Hungary is still very small, over the last couple of years it stood actually at the lowest level (and still does) even among the New Member States: whereas in the Czech Republic and Estonia it is 70% respectively, and in four other New Members the rate is close to this value, in Hungary it is still only 60.5% (see Table in the Appendix.). In addition, this should be seen against the background of worse labour market performance of the New Members than that of the EU-15. For example, on average, unemployment is by more than 5 percentage points higher in Central and Eastern European countries than in the old EU-members. Among the New Members States (NMS), with about 20% it is the highest in Poland, followed closely by Slovakia, where unemployment stands at around 17%. A source of further major concern is long-term unemployment which is particularly high in some New Members. It has to be added that in none of the New Member States do employment rates reach the Lisbon Target of 70% (in the Czech Republic it is close).

At same time, as regards the number of employees in Hungary, a slight shift from the public sector towards the business sector can be observed: whereas their number declined by 1.3% (about 11 thousand persons) in the former, it increased by 1.5% (around 30 thousand persons) in the private sector, and a similar trend continued in the first 8 months of this year. (Source: [www.gkm.hu](http://www.gkm.hu))

#### **4. LABOUR POLICY MEASURES AND THE MAIN OBJECTIVES OF THE NATIONAL ACTION PLAN FOR EMPLOYMENT (NAP)**

As mentioned, rapid growth in unemployment led to tightening eligibility conditions for unemployment compensation during the 1990s (decreasing entitlement period, declining replacement ratio and other restrictions). This is understandable if budgetary consideration are taken into account (to limit the budget deficit), but it has to be clearly seen that lower benefits (and social assistance for the long-term unemployed) increasingly discouraged people from registration. Moreover, if other alternative solutions are in place (early retirement<sup>3</sup>, disability pension, childcare),

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<sup>2</sup> This is not only due to recent gradual increase in the age of retirement (currently, it is set to 62 years for men, and it will be the same for women by 2009, and in the meantime it will be increased by one year in every two years, currently it is 60 years). The recent abolishment of compulsory military service might have also contributed to this. There is, however, an even more important reason for increase in participation: a large number of people lost their job in the early 90s and were unable to find one later (over the last 15 years), so they accounted for a considerable part of those who were still in their working age, but had to give up job search, therefore they became inactive (see: Köllő, 2005.) The overwhelming majority of them must have reached the retirement age by nowadays.

<sup>3</sup> Early retirement schemes were deliberately encouraged also by the government in the early transition years in order to facilitate this soft method of mass layoffs. Its preference is clearly seen from the fact in 1991-1997 it accounted for a high and

which obviously provide a more stable substitution of their lost income, it is natural that people would prefer them to any kind of unemployment compensation.<sup>4</sup> Due to the more and more pressing problem of increasing inactivity, there occurred quite a significant shift towards the active measures, which is clear especially from its growing share in total labour market spending (see Table 2.).

The government is committed to increase employment, however, not only with the help of labour market policy measures, but also by other means. According to the NAP, “The Government will place design and implementation of economic policy and employment policy measures aimed at increasing employment on a close inter-ministry co-operation. The efficient and successful implementation of the strategy demands that an appropriate **coordination** is developed **among the various policies**, especially in three areas. Firstly, economic policy should pave the way to employment efforts, and the labour market impacts of the expected processes and envisaged measures should be calculated with. Secondly, education and training should be adjusted flexibly to the continuously changing demands of the labour market. Thirdly, social and employment policy measures should be coordinated, in view with making work attractive and strengthening social cohesion alike”. In line with these plans, the targets are also quite ambitious (Table 1.). It envisages an increase in employment by 1 per cent annually (between 2006 and 2010)<sup>5</sup>.

**Table 1. The EU and the Hungarian employment targets**

| Employment rate | EU average      |       | EU target |      | Hungary<br>Baseline<br>(2003) | National target |      |
|-----------------|-----------------|-------|-----------|------|-------------------------------|-----------------|------|
|                 | Baseline (2003) |       | 2005      | 2010 |                               | 2006            | 2010 |
|                 | EU-15           | EU-25 | EU-25     |      |                               |                 |      |
| Total           | 64.3            | 62.9  | 67        | 70   | 57.0                          | 59              | 63   |
| Women           | 56.0            | 55.0  | 57        | 60   | 50.9                          | 53              | 57   |
| Men             | 72.5            | 70.8  | -         | -    | 63.4                          | 64              | 69   |
| 55+             | 41.7            | 40.2  | -         | 50   | 29.0                          | 33              | 37   |

Source: National Action Plan for Employment – Hungary, 2004. Ministry for Employment and Labour, Budapest.

As can be seen from Table 1, the gap in employment is the widest in the group of the older workers (above 55), where there is an 11.7 percentage point difference between the EU-15 and Hungary. Although the 4 percentage point increase (from 29% to 33%) could seem to rather ambitious, if the rise in retirement age is considered (see details in footnote 2.), the target might be achieved<sup>6</sup>.

Of course, the aforementioned quoted objectives do not mean that the government want to neglect the labour market policy measures. On the contrary, it still aims at putting an emphasis especially on the active (and preventive) measures, in order to integrate the unemployed and the inactive more effectively into the labour market. The long-term commitment of the successive Hungarian governments

growing share of total (including also old age and disability) retirement: 23% in 1991, 27% in 1994 and 30% in 1997. (Károly, 2004.)

<sup>4</sup> As indicated in the Introduction such problems seem to have already been recognised in 2001

<sup>5</sup> The target is also ambitious in the case of the participation rate which is to be increased from 60.5% (see Table A1) to 66.4%.

<sup>6</sup> Although the health status of the Hungarian population is still worse than that of most of the neighbouring countries (for example in the other New Members of the EU), which is reflected in the relatively low average life expectancy at birth. It stands at about 72 years nowadays (and it increased recently!). Due to the ill health status, there is a danger that the quite widespread practice of turning to disability pension before old-age retirement could dilute these plans. But in principle, an increase in employment of older workers could be achieved by such institutional arrangements, like rise in retirement age. (For example, in the EU25 an increase in employment of this group can be observed between 1997-2003, which shows obviously its success, and this is in contrast of the trend in women's employment which, despite all the efforts, remained stagnating during this period.)



towards the active measures is reflected in the expenditures on the two main types of labour market policy measures (Table 2.)

**Table 2. Trends in expenditure on active and passive labour market policy measures (as a percentage of the GDP)**

|  | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|
| Grand total                                | 2.81 | 2.79 | 1.83 | 1.33 | 1.13 | 1.07 | 1.01 | 0.96 | 0.86 | 0.86 | 0.90 | 0.85 |
| Passive total                              | 2.21 | 2.13 | 1.22 | 0.92 | 0.75 | 0.62 | 0.61 | 0.56 | 0.47 | 0.39 | 0.38 | 0.36 |
| Active total                               | 0.60 | 0.66 | 0.61 | 0.41 | 0.38 | 0.45 | 0.40 | 0.40 | 0.39 | 0.47 | 0.52 | 0.49 |
| Unempl.benefit                             | 2.15 | 2.02 | 1.07 | 0.72 | 0.60 | 0.46 | 0.45 | 0.47 | 0.44 | 0.38 | 0.38 | 0.36 |
| Early retirem't.                           | 0.05 | 0.11 | 0.15 | 0.19 | 0.15 | 0.17 | 0.16 | 0.09 | 0.03 | 0.00 | 0.00 | 0.00 |
| Training                                   | 0.15 | 0.23 | 0.19 | 0.13 | 0.08 | 0.08 | 0.07 | 0.07 | 0.07 | 0.07 | 0.06 | 0.06 |
| Subsidised empl.                           | 0.31 | 0.28 | 0.27 | 0.17 | 0.18 | 0.23 | 0.20 | 0.22 | 0.22 | 0.29 | 0.34 | 0.30 |
| Share of active measures of total spending | 21   | 24   | 34   | 32   | 34   | 42   | 39   | 42   | 46   | 56   | 58   | 57   |

Source: National Action Plan for Employment – Hungary, 2004. Ministry for Employment and Labour, Budapest.

As can be seen, especially from the mid-90s there is an almost continuous shift towards the active measures, and this tendency has especially strengthened since the late 90s. Spending on these programmes, however, remained lower than the EU average in 2001 (being 0.66% of the GDP). About 80-90 thousand people participate simultaneously in one of the programmes (NAP, 2004), which is about 2.0-2.5% of all persons in employment. The table shows that subsidised employment remained a popular measure (fluctuations here are relatively low). According to the NAP, this has proved the most effective programme because three months after the programme finished, 62% of the participants still worked for the same employer, and in the case of the labour market entrants this share is even higher, being almost 80%.

Besides the aforementioned objectives, the National Action Plan for Employment envisaged a number of other ambitious aims, such as for example to reduce long-term unemployment, extend the provisions of the Public Employment Service (PES) also the inactive people, improve the efficiency of employment services and active programmes. In addition, in line with the general objectives of the EU, and Lisbon agenda, the NAP also wants to “create a more favourable environment for businesses, ensure employment-friendly wage developments, boost the competitiveness of SMEs and promote job creation, strengthen the cooperation between the R&D sector and businesses, foster entrepreneurship and management skills”. As regards “employment-friendly wage developments”, the NAP points out that it attaches great importance to such wage developments, which are in line with productivity improvements, and do not exceed that. The objectives include also promoting higher flexibility, while preserving security for workers. The NAP puts an emphasis also on human resource development, including life-long learning. Therefore, it even sets up a national target, which is as follows: “The proportion of people aged 25-64 participating in education and training should reach 10% by 2010.” As regards promoting women’s employment, it seems a relatively new objective that the NAP intends to promote day care services (partly with the assistance of the ERDF for the period 2004-2006). The NAP addresses the issue of large regional labour market disparity in the country, by suggesting that the physical

infrastructure should be upgraded and encourage investment, job creation and human resource development in the backward regions.

## 5. EXPERIENCES WITH THE NAP SO FAR AND SOME LATEST PLANNED MEASURES

The above listed objectives show that the NAP addressed all those main challenges the Hungarian labour market has to face nowadays. From the point of view of the perspectives, however, it is important to mention the context within which the NAP was prepared because this can influence its implementation. Although, as mentioned, the NAP emphasised the importance of coordination between the various ministries which are involved in employment measures, the experiences show that it is mostly formal, instead of real cooperation which would be desperately needed for an efficient use of the resources available for improving employment<sup>7</sup>. In addition, various new employment forms have been recently emerging, which would require major changes in labour legislation. This proved, however, unable to adjust to them, which could further widen the gap between the well protected jobs and those where the employers are much more vulnerable.

Although only one year has passed since the NAP was prepared, it is worth to look at whether and how the targets have been realised so far. In 2004 there was some increase in employment, but it was slightly lower than it was envisaged by the NAP (instead of 1.23%, it grew by 1.0%). The activity rate however did not rise in 2004<sup>8</sup> (although, as mentioned it increased recently, it remains to be seen whether this is true for the whole of 2005). As regards the labour policy measures, the main institution for their realisation, the Public Employment Service has been modernised recently and the quality of its service has certainly been improved<sup>9</sup>. The role of this service is considerable. For example, for job creation alone, more than 12 billion HUF (about 48 million euro) was spent (from the Labour Market Fund), and about 14 thousand jobs were created over the period of 1999 and 2004.

Recently several ambitious employment measures have been announced within the framework of a large economic policy programme, called “100 steps”. They include for example stricter control for tax and social security collection in the case of workers hired by the temporary work agencies. The small and medium sized enterprises (SMEs), however, are eligible for reducing their social security contribution if they employ registered unemployed, who are out of work more than three months. From January 2006 those women who are on maternity leave (and are paid an allowance for its duration) can work full time if their child is more than one year old (and these mothers are still eligible for the allowance). Although this measure aims at remedying the shortage of places in nurseries it remains to be seen what affects it would have, and whether it could really improve labour market chances of mothers with small children<sup>10</sup>.

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<sup>7</sup> The reasons for this lie not only in the lack of consensus between the major political parties and therefore between the successive governments (leading to uncertainty in public administration), but also in insufficient time, lack of information and competencies, etc. – see: Köllő, 2005.

<sup>8</sup> See: Köllő, 2005., p. 8.

<sup>9</sup> Some recent analyses have shown that its role as a service provider has strengthened (previously its administrative character was dominant – see: Köllő, *ibid.*)

<sup>10</sup> In addition, as one of the analyses concluded, the measure transforms this special support to a kind of family allowance (which is a universal social transfer, given irrespective of the labour market status), therefore changes in the whole system of family allowances would be inevitably needed.

## **6. CONCLUSIONS**

As could be seen from the paper, in Hungary various measures, plans, objectives and targets are in place in order to increase the low employment level and improve labour market performance in general. Indeed, low employment rate is identified as one of the major problems of the Hungarian labour market. A meaningful increase in employment seems, however, still unlikely mainly because the underlying reasons are deeply rooted and cannot be remedied on a short term. Although more emphasis on active labour market policy could help, there is a long way to go before solving the majority of the problems, outlined in the paper. Among the persisting problems regional backwardness and poor employability of unskilled people should be mentioned. These are far beyond the scope of active labour market policy.

It became clear from the paper that the current requirements of the European Employment Strategy help to pay more attention on the employment policy. It remains to be seen, however, to what an extent it can be coordinated with the other economic and social policy measures and objectives. This is an important challenge because it affects the efficiency of implementing the measures. A continuous coordination could contribute even to overcome long-term problems, like regional disparities. Here the central and the local governments because eventually it is their responsibility to use the available resources (both the EU-funds and the Hungarian financial means) in an effective way, with the involvement of the civil society, including the social partners. In addition, new problems of the Hungarian labour market seem to be emerging. One of them is for example the increasing unemployment among young graduates. Active policy alone is unable to cope with these new problems, posing challenges primarily to the education system and also to vocational training.

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## APPENDIX

**Table A1. Participation and employment rates in the Central and East-European New Members, the EU-15 (%) and the EU-25 in 2004**

| Countries      | Participation rate | Employment rate |
|----------------|--------------------|-----------------|
| Czech Republic | 70.0               | 64.2            |
| Poland         | 64.0               | 51.7            |
| Hungary        | 60.5               | 56,6            |
| Slovakia       | 69.7               | 57.0            |
| Slovenia       | 69.8               | 65.3            |
| Estonia        | 70.0               | 63.0            |
| Latvia         | 69.7               | 62.3            |
| Lithuania      | 69.1               | 61.2            |
| EU 15          | 70.6               | 64.7            |
| EU 25          | 69.7               | 63.3            |

Source : Employment in Europe, 2005. European Commission,  
([http://europa.eu.int/comm/employment\\_social/employment\\_analysis/employ\\_2005\\_en.htm](http://europa.eu.int/comm/employment_social/employment_analysis/employ_2005_en.htm))