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11 Some Aspects of Regional Development in Hungary

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11.1 Introduction

Accession to the European Union is a significant strategic aim of every Central and Eastern European country (CEECs), including Hungary as well. In accordance with the present state of negotiations on accession, the first group of countries is going to become members of the European Union in 2004. But the accession of the CEECs to the European Union is presumably to lead to conflicts between the present and new member countries, because the CEECs are much poorer and have proportionately much larger agricultural sectors than the average EU country.

The starting years or (decades?) of the Union membership are going to pass in the spirit of catching up, which are actively contributed by the budget of the Union. The instruments used by the EU have been incorporated into the Community Support Frameworks (CSF) supported by the Structural Funds. The sources paid out for every country are maximised in 4% of the GDP which, in case of Hungary, is equal to about 2.3- 2.5 billion € per year. This sum in order is equal to the amount of foreign direct investment flowing annually to the country, which has been one of the most important factors of economic growth following the transition in Hungary. The regional policy of the Union is of special importance for Hungary, since the financial support may become the factors generating economic growth and development, moreover may moderate the regional disparities (Barlow at al 1998, Bartke 1997, Horváth 1999, Rechnitzer 2000).

In this paper we are going to analyse what characteristics do have the economic growth and catching up of Hungary and the spatial differences among its regions[1]. The structure of this paper is as follows*. In section 2 we are going to examine four closely related macroeconomic variables. First of all, we are investigating how the rate of GDP per capita changed in the last few years. Its importance lies in the fact that the level of GDP per capita is the main criteria of whether the Hungarian regions (NUTS II level) and counties (NUTS III level) (Figure 11.1) can be expected to gain share of financial support through the Structural Funds after accession to the

[1] In order to make distinction between the two levels, we are going to use the expressions *region* for the NUTS II level regions and *county* for NUTS III level ones, as used in Hungarian public administration. There are 7 regions at NUTS II level and 19 counties and Budapest at NUTS III level in Hungary.

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European Union. In section 3 we are going to study unemployment as one of the aims supported by Objective 2 of the Structural Funds. In section 4 we are analysing the change of employment, which serves as an interesting experience in case of Hungary. The conclusions are set out in section 5.

Figure 11.1 Regions and counties in Hungary

Source: Hungarian Central Statistical Office

11.2 Regional differences in GDP per capita

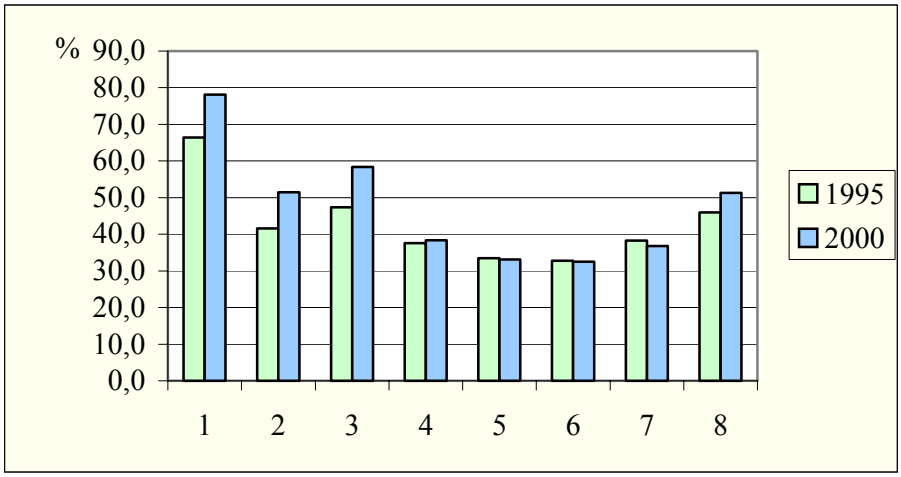
In the economic literature of integration theory, there are two different views concerning the process of regional growth and the catching up hypothesis (Marques and Soukiazis 2000). According to the first, higher integration increases factor mobility and concentration of economic activity, which can be in favour of developed regions and leads to regional divergence. From the second point of view higher integration causes increased factor mobility and trade, which eliminates income differentials through equilibrating tendencies in income levels and more efficient specialization in production and leads to regional convergence in the long-run.

Papers by Armstrong (1995), Boldrin and Canova (2001) and Marques and Soukiazis (2000), among others, argue that, the deeper economic integration of the

USA yields lower regional disparities than in the European Union, which suggests that higher integration of the EU will lead to regional convergence rather than divergence.

The strategy underlying the CSF is consistent with the second point of view expecting that the transfer of resources to the poorer Member States and regions will hasten the process of convergence among countries and regions of the EU. A large proportion of support through the Structural Funds is expended on regional development programs within the framework of three objectives in the European regional policy (EC 1999). Objective 1 serves as a support for the regions whose development is lagging behind. Objective 2 supports the regions faces with structural difficulties, and are in need of social and economic change. Especially the regions formerly declining in industry, the population largely employed in agriculture in the rural areas and respectively, the regions afflicted by high rate of unemployment are involved. Objective 3 is to help the development of human resources in the regions out of support in Objective 1 (Hall et al 2001).

Figure 11.2 The purchasing power adjusted GDP per capita relative to the EU-average (15 countries) in %, 1995 and 2000



Note: 1: Central Hungary, 2: Central Transdanubia, 3: Western Transdanubia, 4: Southern Transdanubia,5: Northern Hungary, 6: Northern Great Plain, 7: Southern Great Plain, 8: Hungary

Within the framework of Objective 1, those NUTS II level regions are entitled to support in which the GDP per capita does not reach the 75% of the EU average. In case of Objective 2 the assessment of competence may be made by several criteria in consideration. In fact, there is a list to make of regions entitled to support, and in its construction the national governments have special privileges to make the European

Commission support the most serious problems in the economy of a certain country. As criteria, the change of unemployment, the rate of the young-age unemployed population, the rate of long-term unemployment, the change of employment in industry and finally the rate of employment in agriculture can be taken into account. Regions entitled to support may be located at NUTS II and NUTS III levels.

In Hungary, between 1995 and 2000 the GDP per capita amounted to half of the EU average, increasing in 5.3% in its relative situation in 6 years (Figure 11.2, Table 11.1). While the GDP was increasing at a very low rate around the middle of the 1990s, on volume index 1.5% in 1995 and 1.3% in 1996, economic growth has gathered pace rapidly from 1997 onward with 4.6% in 1997, 4.9% in 1998, 4.2% in 1999 and 5.2% in 2000. GDP growth exceeded the average of EU countries after 1997 and as a consequence, a process of catching up is outlining (Lengyel 2002, Lengyel and Deák 2002, Rechnitzer 2000).

Nation-wide economic growth has been distributed among the regions in a very unequal way. Three regions (Western Transdanubia, Central Hungary, Central Transdanubia) show spectacular increase in GDP relative to the EU average, while the other four regions have grown at a rate close to the EU average (or even less in Southern Hungary, in the northern and southern parts of the Great Plain). Therefore, three out of seven regions are catching up with EU average, meanwhile the remaining four regions only have stopped lagging behind further.

In Hungary, between 1995 and 2000, the purchasing power adjusted GDP per capita of regions reached 32.0 to 78.1% of the average of the fifteen EU member countries (Table 11.1). The region of Central Hungary is in sharp contrast to the other Hungarian regions, of which purchasing power adjusted GDP per capita has exceeded the 75% threshold value quantified in Objective 1. Nevertheless, all the other regions can be found under the threshold value. Thus, following the accession to the Union, the regions are expected to receive support on the basis of Objective 1.

Provided the growth of GDP is compared to the growth of the national average, much difference can be pointed out between the regions (Table 11.1). The three catching up regions have produced growth exceeding the national average, meanwhile the remaining four regions seem to lag behind.

On the level regions and counties as well, increase in difference can be experienced between the most developed and the less developed counties. The discrepancy on the level of regions was 33.5 percentage points in 1995, meanwhile it was as much as 45.5 percentage points in 2000. In case of the counties it was 55.9 percentage points in 1995 and 72.3 percentage points in 2000. Figure 11.3 also confirms the increase in inequalities at both level and illustrates that this increase is still taking place.[2]

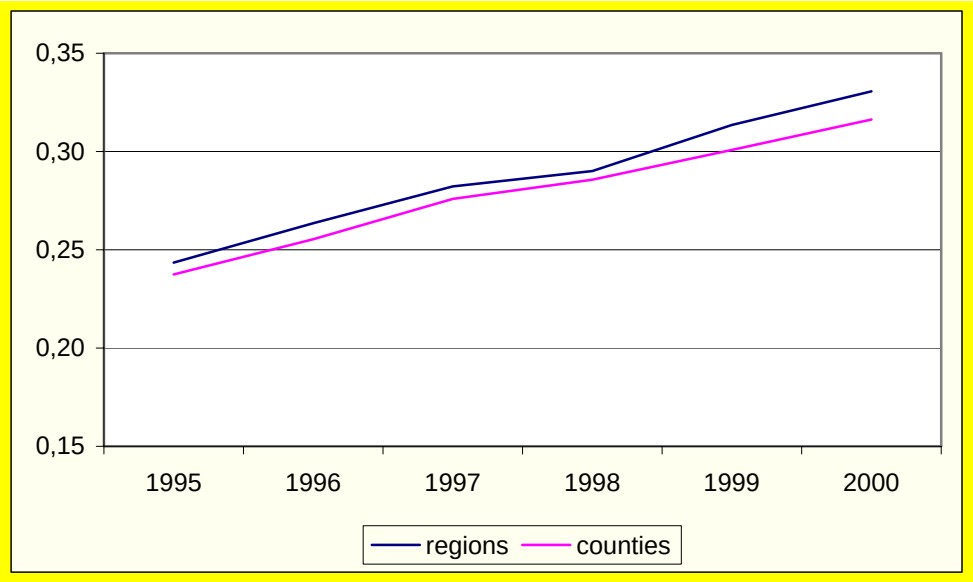
[2] This measure of GDP per capita disperson is called σ-convergence in the literature (see Sala-i-Martin 1996).

Table 11.1 The purchasing power (PPS) adjusted GDP per capita relative to the EU-average (15 countries) in %, 1995-2000

Region, County	**1995**	**1997**	**1999**	**2000**	**Average difference per year (2000-1995)**	**Average difference per year over national average (2000-1995)**
Budapest	83.3	89.0	94.8	100.1	3.4	2.3
Pest	33.4	36.9	40.0	40.1	1.3	0.3
Central Hungary	*66.4*	*70.9*	*75.1*	*78.1*	*2.3*	*1.3*
Fejér	45.5	55.6	56.5	65.0	3.9	2.8
Komárom-Esztergom	39.8	40.9	41.0	42.7	0.6	-0.5
Veszprém	38.8	38.1	40.0	43.4	0.9	-0.1
Central Transdanubia	*41.6*	*45.6*	*46.6*	*51.5*	*2.0*	*0.9*
Győr-Moson-Sopron	50.0	52.0	65.0	68.5	3.7	2.6
Vas	49.0	54.2	58.5	58.6	1.9	0.9
Zala	42.2	43.3	44.5	43.5	0.3	-0.8
Western Transdanubia	*47.4*	*50.0*	*57.1*	*58.4*	*2.2*	*1.1*
Baranya	36.7	37.9	38.9	38.8	0.4	-0.6
Somogy	35.1	33.3	34.2	34.9	0.0	-1.1
Tolna	42.4	39.9	44.3	42.4	0.0	-1.1
Southern Transdanubia	*37.6*	*36.9*	*38.6*	*38.4*	*0.2*	*-0.9*
Borsod-Abaúj-Zemplén	35.0	33.0	33.4	33.3	-0.3	-1.4
Heves	34.3	34.3	35.9	36.2	0.4	-0.7
Nógrád	27.3	25.1	27.2	27.9	0.1	-0.9
Northern Hungary	*33.5*	*32.0*	*33.0*	*33.1*	*-0.1*	*-1.1*
Hajdú-Bihar	35.7	36.3	35.6	36.3	0.1	-0.9
Jász-Nagykun-Szolnok	35.6	35.8	33.5	34.2	-0.3	-1.3
Szabolcs-Szatmár-Bereg	27.9	27.6	27.1	27.8	0.0	-1.1
Northern Great Plain	*32.8*	*32.9*	*31.9*	*32.5*	*-0.1*	*-1.1*
Bács-Kiskun	36.2	34.7	34.7	34.7	-0.3	-1.4
Békés	36.0	34.1	33.9	33.8	-0.4	-1.5
Csongrád	43.0	42.7	42.9	42.5	-0.1	-1.2
Southern Great Plain	*38.3*	*37.0*	*37.0*	*36.8*	*-0.3*	*-1.4*
Hungary	**46,0**	**47,5**	**49,7**	**51,3**	**1,1**	**-**

Source: HCSO (2000, 2001)

Figure 11.3 GDP per capita dispersion (standard deviation of the log) among Hungarian regions and counties, 1995 and 2000



Source: own calculation

The averages of GDP per capita in the regions hide the differences clear between the counties and within the regions, since in the developed regions there are only one or two counties with prosperous economy (Table 11.1). Considering the values in 2000, Budapest has already reached the average of the EU countries. Besides the capital, the county of Győr-Moson-Sopron is outstanding, furthermore the counties Fejér and Vas. In the region of Western Transdanubia there are two counties with high values, meanwhile in the Central Transdanubia region there is only one such county. The GDP per capita of the county Győr-Moson-Sopron is twice as much as of the counties in the Great Plain regions.

In accordance with the change of GDP four groups of counties can be distinguished (Lengyel 2001, Nemes Nagy 2001):

- the catching up counties (Budapest, Fejér, Győr-Moson-Sopron), which show impressive economic growth exceeding the national average,
- the slowly catching up counties, which have grown at a rate close to the national average (Pest and Veszprém),
- the slowly lagging behind counties, which have grown at a rate close to the EU average but fallen back relative to the national average (Komárom-Esztergom, Zala, Baranya, Somogy, Tolna, Heves, Nógrád, Hajdú-Bihar and Szabolcs-Szatmár-Bereg) and

- the rapidly lagging behind counties, which have fallen back relative to both the EU and national average (Borsod-Abaúj-Zemplén, Jász-Nagykun-Szolnok, Bács-Kiskun, Békés, Csongrád).

There are two homogeneous regions, of which all counties can be ranked in the same group. The counties of the Southern Transdanubia are in the group of those slowly lagging behind and the counties of the Southern Great Plain region fall in the group of those rapidly lagging behind.

11.3 The change of regional unemployment

The Hungarian Central Statistical Office (HCSO), in the spirit of Union harmonisation, has been using a different methodology from the former one in calculating the unemployment rate in Hungary since 1996. Before 1996, the rate of unemployment was equal to the rate of the registered unemployed population on the basis of the registrations by the Labour Office. Since 1996 the measuring of unemployment has been based on the survey of workforce through sampling in accordance with Union recommendations. Therefore, in our analysis we are going to rely on the data taken between 1996 and 2000, since they are adequate for comparison to the Union. Moreover, it is also an important difference that in the Hungarian tradition the employment survey covers the population between 15 and 74 years of age, while in the EU it is between 15 and 64 years of age. It is worth noting that the age group 65-74 being present at the labour market is at low rate, thus it does not cause much difference in the data (in 2000 the 0.6% of the population between 65 and 74 years of age was active in terms of economy).

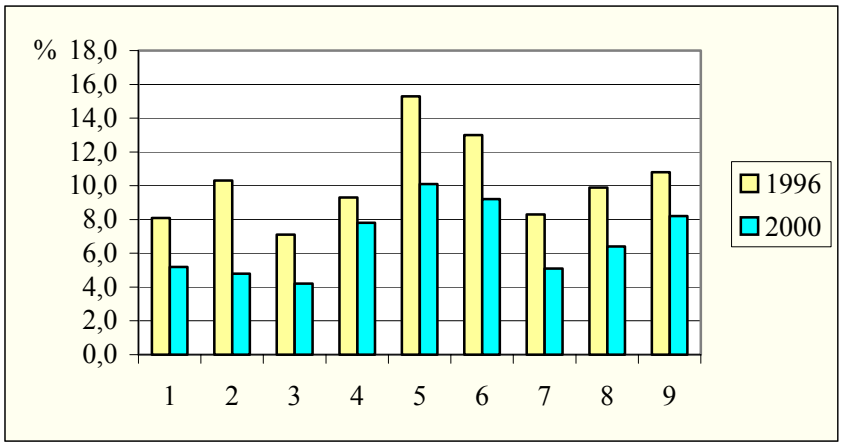
In Hungary, between 1996 and 2000 the rate of unemployment was very low relative to the EU average (Figure 11.3, Table 11.2). Although the difference already mentioned was decreasing in the beginning, since 1997 it has been 2 percentage points in long term.

In the Hungarian regions significant regional differences follow closely the discrepancies in GDP per capita. On one hand, there are regions with a low rate of unemployment (Western Transdanubia and Central Transdanubia), and there is Central Hungary with traditionally good economic indicators. All the three regions successfully adapted to the international division of labour, thus a large proportion of direct investment flow to the regions already mentioned.

On the other hand, there are the Eastern regions afflicted by high unemployment. The reason in the regions of Northern Hungary is of structural nature. It used to be the most important Hungarian basis of heavy industry before the transition, and in the region a large number of workplaces ceased to exist during serious economic recession after economic and political transition in 1989-90 (Lengyel 1993). The region of the Northern Great Plain, due to its agriculture and eastern location (it is

located far from the western border of the country and traffic is poor), shows high unemployment indicators. However, it can be stated that in both regions the rate of unemployment decreased more relative to the EU average between 1996 and 2000, thus their backward position partly became moderate.

Figure 11.3 Unemployment rates, 1996 and 2000



Note: 1: Central Hungary, 2: Central Transdanubia, 3: Western Transdanubia, 4: Southern Transdanubia,5: Northern Hungary, 6: Northern Great Plain, 7: Southern Great Plain, 8: Hungary, 9: EU

The regions of Southern Transdanubia and Southern Great Plain can be found between the two extremes. The former was characterised by unemployment close to the EU average in the period of survey. Although the latter region can be considered as lagging behind in terms of GDP per capita, unemployment was much lower than the EU average. Moreover, in 2000 it exceeded the more advanced Central Hungarian region.

We note that most of the CEECs are characterized by this spatial structure as a result of the transition. The western regions of the countries and the capitals are usually the 'flagships' of the restructuring with above national average number of private businesses, share of FDI and service sector. In contrast the monocultural industrial regions and rural areas at the eastern part of the countries are the obvious losers of the transition (Horváth 1995). The extensive and forced centrally planned industrialization after World War II preferred the eastern regions to the western ones and induced an artificial convergence process. The spread of the market economy and the establishment of the modern economic structure reversed this process (Barta 2002, Souza and Korompai 1995).

Table 11.2 Unemployment rates of regions and counties, 1994-2000

Region, County	1996	1997	1998	1999	2000
Budapest	8,4	7,0	5,5	5,3	5,2
Pest	7,5	6,6	5,9	5,0	5,2
Central Hungary	*8,1*	*6,9*	*5,6*	*5,2*	*5,2*
Fejér	8,8	8,4	7,1	6,0	5,1
Komárom-Esztergom	13,3	9,7	6,5	6,6	5,3
Veszprém	9,6	6,3	6,4	5,6	4,0
Central Transdanubia	*10,3*	*8,1*	*6,7*	*6,0*	*4,8*
Győr-Moson-Sopron	6,7	6,2	5,1	3,7	4,2
Vas	5,5	4,2	5,5	4,7	4,6
Zala	8,9	7,4	7,9	5,1	3,8
Western Transdanubia	*7,1*	*6,0*	*6,0*	*4,4*	*4,2*
Baranya	7,8	9,0	7,8	7,3	7,1
Somogy	9,7	10,7	10,3	8,9	8,3
Tolna	11,1	10,1	9,5	8,8	8,2
Southern Transdanubia	*9,3*	*9,9*	*9,4*	*8,2*	*7,8*
Borsod-Abaúj-Zemplén	15,6	15,3	13,8	13,1	11,7
Heves	14,2	11,3	9,7	8,7	7,6
Nógrád	15,7	13,2	10,8	10,9	9,1
Northern Hungary	*15,3*	*13,9*	*12,1*	*11,5*	*10,1*
Hajdú-Bihar	13,3	11,6	9,7	8,8	7,2
Jász-Nagykun-Szolnok	13,3	11,2	11,8	10,9	9,4
Szabolcs-Szatmár-Bereg	12,5	12,8	11,8	11,0	11,2
Northern Great Plain	*13,0*	*11,9*	*11,0*	*10,1*	*9,2*
Bács-Kiskun	7,8	7,6	8,5	6,4	5,6
Békés	9,4	7,9	8,1	6,2	5,8
Csongrád	6,4	6,4	5,4	4,5	3,9
Southern Great Plain	*8,3*	*7,3*	*7,1*	*5,7*	*5,1*
Hungary	**9,9**	**8,7**	**7,8**	**7,0**	**6,4**
EU	**10,8**	**10,6**	**9,9**	**9,1**	**8,2**

Note: On the basis of the Labour Force Survey of HCSO (for population aged 15-74)

When analysing data of counties, such differences are highlighted that the regional data may hide (Table 11.2). It is apparent that the division of unemployment in the developed western and central regions is even among the counties, only the county of Komárom-Esztergom is worth underlining. In 1996 unemployment highly exceeded the EU average due to structural problems, i.e. the leading industry was mining which collapsed after the transition. Car industry meant the way out of crisis as the SUZUKI assembly plant started its operation in the

county at the end of 1992. Later on the foreign suppliers of the factory also began enterprise there. Consequently, several new workplaces were established, thus considerably improving the unemployment indicators of the county.

In the regions of Southern Transdanubia, Southern Great Plain and Northern Great Plain there is similar inner structure on the level of counties. In all three regions there is such a county in which the rate of unemployment is more favourable than in the other counties of the regions. In the three regions the counties in order are Baranya, Hajdú-Bihar and Csongrád. It is a significant feature of the counties mentioned above that the largest towns of the regions are located there. The towns can be described as the centres of the region with a large-scale of public sector making good impact on unemployment (for instance universities, regional hospitals). Besides, the regional management of enterprises with extended regional network (for instance trade, financial services, insurance companies, gas and electricity supply, etc.) are located in the centre towns affecting unemployment positively (Lengyel 1993, Mészáros 1998, Timár and Váradi 2001).

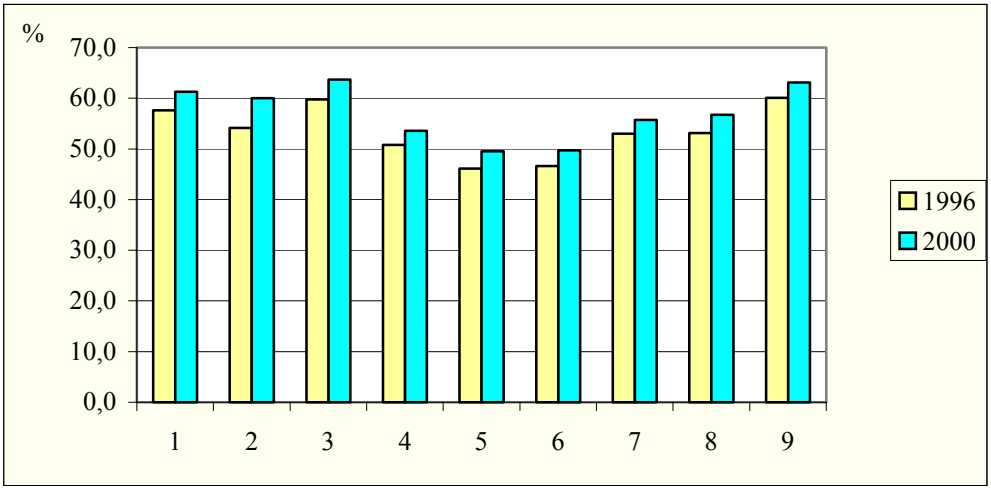
The county of Borsod-Abaúj-Zemplén plays a similar role in the life of the Northern Hungarian region, nevertheless in contrast to the former counties, the rate of unemployment is the highest here. The reason for it is that in the structure of employment in the county heavy industry (mining, chemistry, metallurgy etc.) was dominating before the transition but it went bankrupt and as a consequence the county is now a region afflicted by serious structural problems.

On the basis of the data, the situation of labour market in Hungary is approving, since in only four out of twenty counties on NUTS III level the unemployment rate is higher than the EU average. Nonetheless, the situation is not that favourable. In the questionnaires and methodologies there are significant differences between the countries, i.e. the registration of unemployment is not consistent, mainly in comparison to the participation rate. For instance, while the unemployment rate was 16.1% in Poland, 9.0% in the Czech Republic and 6.5% in Hungary in 2000, there were 146 non-active inhabitants to 100 active members of the labour force in Hungary as opposed to 123 in Poland and 98 in the Czech Republic. To sum up, beside the low rate of unemployment in Hungary, the rate of employment was also low, thus the number of the non-active working-age population is extremely high. As there is no such difference in the age structure, the contrast is obvious and several answers may be given, however, none of them is satisfactory in terms of profession.

11.4 The change of regional employment

In Hungary, between 1996 and 2000 the rate of unemployment was very low to the EU rate (Figure 11.4, Table 11.3). The growth of employment was a bit higher than that of the EU average although the difference did not show considerable decrease.

Figure 11.4 Employment rates, 1996 and 2000



Note: 1: Central Hungary, 2: Central Transdanubia, 3: Western Transdanubia, 4: Southern Transdanubia, 5: Northern Hungary, 6: Northern Great Plain, 7: Southern Great Plain, 8: Hungary, 9: EU

Note: Data estimated for the population aged 15-64 on the basis of the Labour Force Survey of the HCSO for population aged 15-74.

In accordance with the rate of employment there are significant discrepancies among the regions. In 2000 the rate was above 60% in the more advanced regions, meanwhile it was under 50% in the other two regions (Table 11.3). Onward the period in the employment survey, the rate is 10-12 percentage points higher in the advanced than in the backward regions, i.e. regional differences hardly changed in the last 5 years. It is worth noting that after 1996 in the population between 15 and 74 years of age employment remarkably increased by 200 thousand in number, meanwhile the number of the employed population was 3684 thousand in 1996 and 3849 thousand in 2000.

The pace of growth in employment was unequal between 1996 and 2000. The formerly higher rate of employment increased at a faster pace in the developed regions, i.e. 1.0 or 1.5% in the western and central regions, thus exceeding the national average growth. In the underdeveloped regions growth fell behind the national average since the rate of employment increased 0.7 or 0.8% per year. These indications imply further increase in regional disparities. Obviously there are not enough workplaces in the backward regions, thus growth in employment is low, too, while it might become slower in Central Hungary as the base of labour force is getting scarce.

Table 11.3 Employment rates of regions and counties, 1996-2000

Region, County	1996	1998	1999	2000	Average difference per year (2000-1996)	Average difference per year over national average (2000-1996)
Budapest	58,5	59,1	61,2	61,9	0,84	-0,07
Pest	55,8	56,8	59,1	60,3	1,11	0,21
Central Hungary	*57,6*	*58,3*	*60,5*	*61,3*	*0,92*	*0,01*
Fejér	55,5	57,7	60,1	60,2	1,17	0,27
Komárom-Esztergom	51,1	54,8	57,6	58,9	1,95	1,05
Veszprém	55,1	57,8	60,3	60,8	1,43	0,53
Central Transdanubia	*54,1*	*56,9*	*59,5*	*60,0*	*1,48*	*0,58*
Győr-Moson-Sopron	59,3	62,1	63,4	62,9	0,91	0,01
Vas	63,2	63,9	64,5	66,2	0,75	-0,15
Zala	57,3	59,5	61,4	62,5	1,30	0,40
Western Transdanubia	*59,8*	*61,8*	*63,1*	*63,7*	*0,98*	*0,08*
Baranya	50,5	51,5	52,5	52,6	0,50	-0,40
Somogy	50,6	50,2	51,6	53,7	0,77	-0,14
Tolna	51,5	53,3	55,1	55,0	0,86	-0,04
Southern Transdanubia	*50,8*	*51,5*	*52,9*	*53,5*	*0,68*	*-0,22*
Borsod-Abaúj-Z.	46,3	43,9	46,0	46,6	0,09	-0,81
Heves	46,4	49,7	51,5	54,0	1,91	1,00
Nógrád	45,3	49,6	50,5	52,4	1,77	0,87
Northern Hungary	*46,1*	*46,4*	*48,2*	*49,5*	*0,85*	*-0,05*
Hajdú-Bihar	48,4	48,7	52,1	52,1	0,91	0,01
Jász-Nagykun-Sz.	47,9	48,8	51,5	52,9	1,23	0,32
Szabolcs-Szatmár-Bereg	43,9	43,7	44,9	45,1	0,29	-0,61
Northern Great Plain	*46,6*	*46,9*	*49,3*	*49,7*	*0,77*	*-0,14*
Bács-Kiskun	53,5	55,2	56,8	57,4	0,99	0,09
Békés	49,1	48,7	50,5	51,0	0,49	-0,41
Csongrád	56,2	57,5	57,3	58,0	0,45	-0,45
Southern Great Plain	*53,0*	*54,0*	*55,1*	*55,7*	*0,68*	*-0,22*
Hungary	**53,1**	**54,1**	**56,0**	**56,7**	**0,90**	**-**
EU	**60,1**	**61,2**	**62,3**	**63,1**	**0,75**	**-**

Note: Data estimated for the population aged 15-64 on the basis of the Labour Force Survey of the HCSO for population aged 15-74.

Employment has increased in every county, not only in the advanced ones (Table 11.3). It was especially dynamic within the more developed regions such as in the counties Komárom-Esztergom (the reason has already been discussed), Veszprém and Zala by establishing new workplaces. Within the backward regions the counties of Heves, Nógrád and Jász-Nagykun-Szolnok employment is relatively high. Despite the outstanding growth, the country has divided into two parts as in the counties of Central Hungary, Western Transdanubia and Central Transdanubia labour supply and economic activity are much higher than in all the other counties of Hungary. Two neighbouring counties, Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén have lagged behind forming a geographical "block" in the northern-western part of the country.

The rate of employment in Hungarian regions is very low relative to European countries and regions. This fact is only partly explained by the high rate of unemployment. Although employment is closely related to unemployment which is high in the less developed regions, the rate of unemployment does not seem extremely high. When analysing the regional data it is striking that the rate of disability pensioners, especially the rate of early retirement disability pensioners is really high, the 10% of the working-age population is non-active for health problems or other reasons, or get such type of pension (early retirement disability pensioners have been registered since 1998). Following the transition, the system of pension distributed in large scale to lessen the tension in the labour market, consequently serious problems in finance characterised social security. Partly as a consequence, it was inevitable to reform the whole system of pension in 1998.

In Hungary the number of the population between 30 and 60 years of age was about 4100 thousand in 2000, meanwhile (mainly those belonging to this age group) the number of early retirement disability pensioners was 447 thousand (moreover the number is increasing since it was only 421 thousand in 1998). While the number of the unemployed population was 263 thousand in 2000 on the basis of labour force survey, the number of the registered unemployed population was 372 thousand. It is well known that many of the early retirement pensioners are in work, moreover, their increase in number (meanwhile many of them became old age pensioners) implies that in terms of social or other reasons one can easily get pension. It seems that the regional disparities in the rate of employment can be explained by 3 factors, i.e. the number of the unemployed and the early retirement pensioners, and those who try to earn their living from casual or seasonal work but are not at present in the labour registration.

11.5 Summary

In Hungary, after the transition, dynamic economic growth and development can only be detected after 1996 (Enyedi 1998). In accordance with the data of regional disparities, after analysing the GDP per capita, rate of unemployment and employment, we are stating the facts as follow:

- In terms of *GDP per capita* there are significant discrepancies between the eastern and western regions of Hungary. On one hand, the rate of the GDP is 1.5 or 2 times as much in the developed regions and counties as in the underdeveloped ones. On the other hand, the pace of growth is much faster in the developed regions. Thus the western regions of Hungary are catching up to the EU-average, meanwhile the eastern and southern parts of the country merely stopped further lagging behind. Regional differences are still increasing.
- All of the seven regions are entitled to the financial support by the Structural Funds on the basis of Objective 1. Beside the present pace of growth, even the regions most rapidly catching up may receive aids for only 10-20 years within the framework of regional policy.
- In terms of the data of *unemployment*, we can say that the Hungarian statistical registrations do not adequately show the real process undergoing in the country. The data partly reflect the differences in development, but the low rate can be experienced in such regions where it is not supported by economic growth.
- In terms of *employment* almost the whole country can be characterised by low rate of employment relative to the international rate. The differences in the rate of employment are very similar to those of the GDP. The growth in employment is unequally distributed among the regions, since 50% of the increase of the population employed between 1996 and 2000 can be connected to two regions (Central Hungary and Central Transdanubia).
- In Hungary only four out of nineteen counties and two of the seven regions show lower rate of unemployment in comparison to the EU average, thus on the basis of programs in connection with unemployment involved in Objective 2, entitlement is restricted to a small part of Hungary. Nevertheless, in accordance with the employment data we must conclude that the county of Borsod-Abaúj-Zemplén is struggling with serious problems of structural transformation due to the collapse of its heavy industry after the transition. In most counties of the regions of Southern Transdanubia, Northern and Southern Great Plain the rate of employment is slowly increasing. Among other factors, the agricultural feature and the lack of modern, exportable productivity of the regions play important role.

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