

Labour shortage at Hungarian companies: perception and reactions

– Summary in English –

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The Institute for Economic and Enterprise Research operated by the Hungarian Chamber of Commerce and Industry (IEER or GVI in Hungarian) is a non-profit economic research institute indulging in applied research in several subfields of economics. Our mission is to provide empirically and theoretically substantiated knowledge and analysis of the economic and social processes that influence the actual situation and perspectives of Hungarian economy and Hungarian companies.

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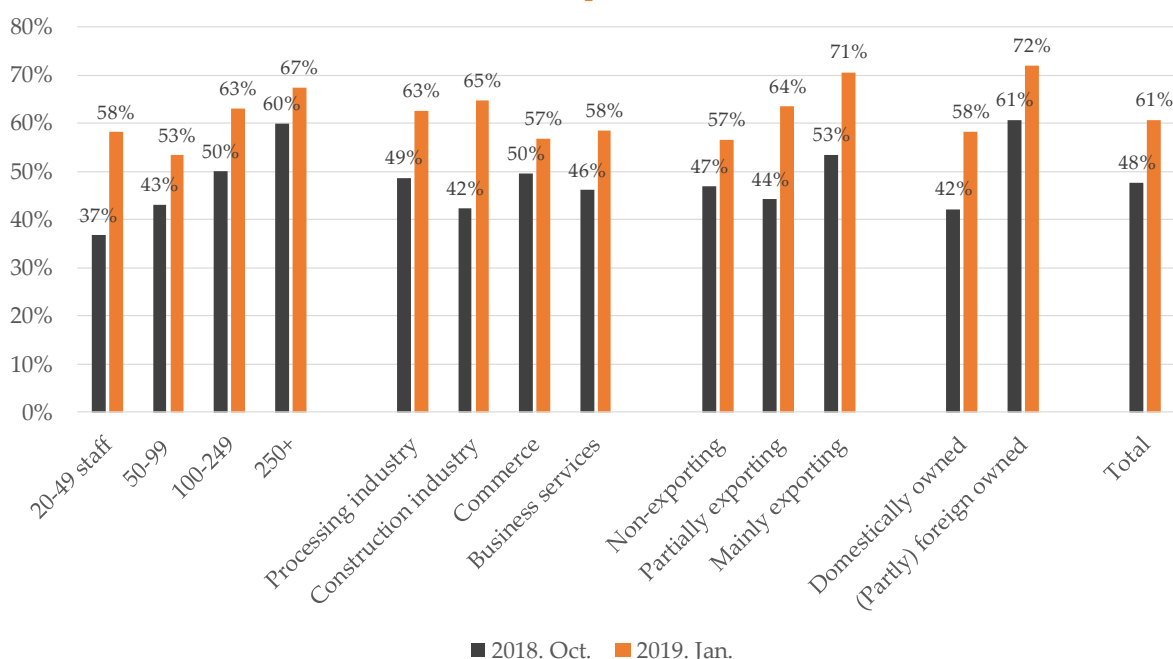
In this month's analysis we shall examine the rate at which domestic companies faced problems caused by labour shortage in autumn 2018 and in January 2019, with special highlight on the types of companies that were primarily affected by this issue. The measures companies take to keep existing employees in place and to keep labour shortage in hand will also be presented in detail, including the employment of foreign citizens.

Data of the Quarterly Business Climate Survey from October 2018 and January 2019 recorded by IEER (Institute of Economic and Enterprise Research) were used to make this analysis. On both occasions, 400 CEOs were asked about their companies' business situation and economic expectations. In the course of the same two waves, labour shortage rates, prevention measures and remedies were also surveyed. The full sample consisted of 300 SMEs (20-249 employees) and 100 large companies (250+ employees) in both cases.

How labour shortage is perceived

In October 2018, almost a half of our respondents (48%) faced problems in the year preceding the survey that could be traced back to labour shortage. In January 2019 this rate jumped to close to two thirds (61%). Labour shortage was felt the most intensively at companies that are major exporters or that are of a (partially) foreign ownership.

Figure 1: Rate of companies that experienced problems due to labour shortage in the previous year, N2018=400, N2019=398; per cent; 2018.10., 2019.01.

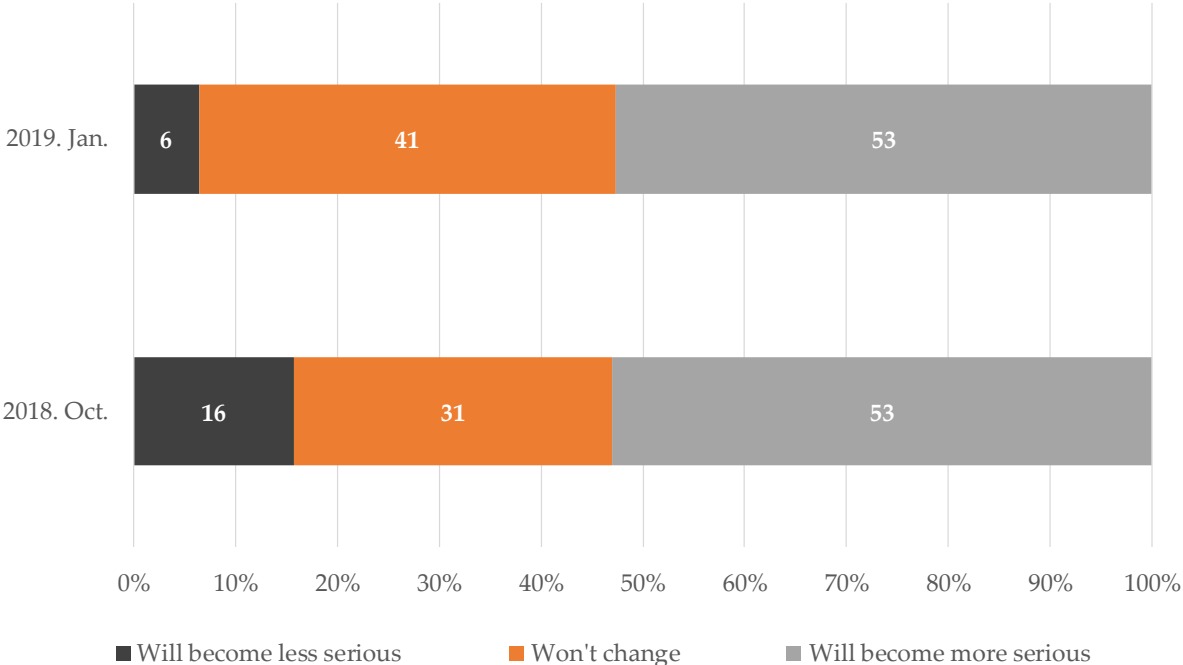


Source: IEER 2019

In both waves the issue was surveyed, over a half of our respondents (53%) expected labour shortage to become more acute in Hungary in the forthcoming one year. 31% (October 2018)

and 41% (January 2019) of the respondents felt that these problems wouldn't change in a year, and only 16% (October 2018) and 6% (January 2019) expected the issue to become less severe.

Figure 2: Respondents' expectations about labour shortage-related problems in Hungary for next year, N2018=400, N2019=393; per cent; 2018.10., 2019.01.



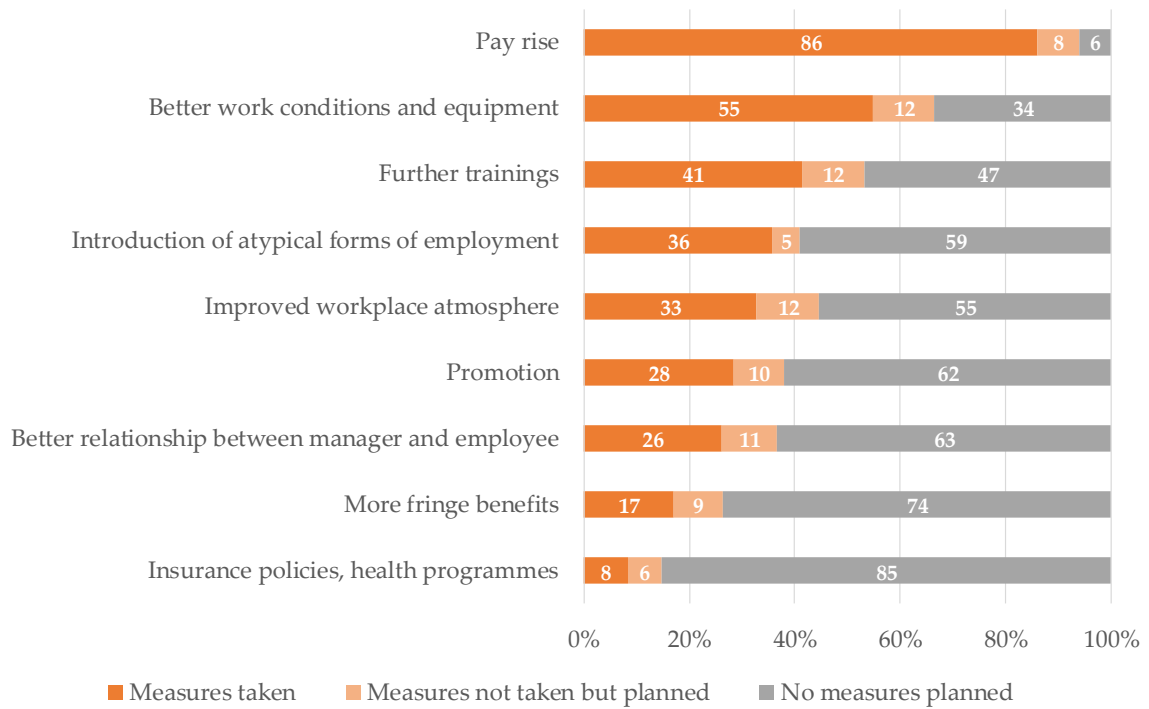
Source: IEER 2019.

Future expectations of labour shortage are the same regardless of company size, economic sector, export activity and ownership structure. By examining the measures targeting to keep existing workforce in each business category we found that companies that were more seriously affected by labour shortage problems were also more likely to take preventive and remedying measures. Naturally, the budgets of these companies can and will set limits to the implementation of such measures.

Measures targeting to keep existing staff

The overwhelming majority of businesses have already taken measures in order to retain their employees. 86% increased wages and 55% developed work conditions and equipment to boost their appeal to their existing workers. 41% of businesses sent their employees to further trainings, while 36% introduced atypical employment forms so that employees would stay. The least active companies on this department were in the 20-49 staff range that were non-exporters and fully domestic. The most intent on keeping their staff were 250+, partially foreign-owned major exporters active in industry or business services.

Figure 3: Measures taken or about to be taken to preserve staff, N=394–397, per cent, 2019.01.



Source: IEER 2019

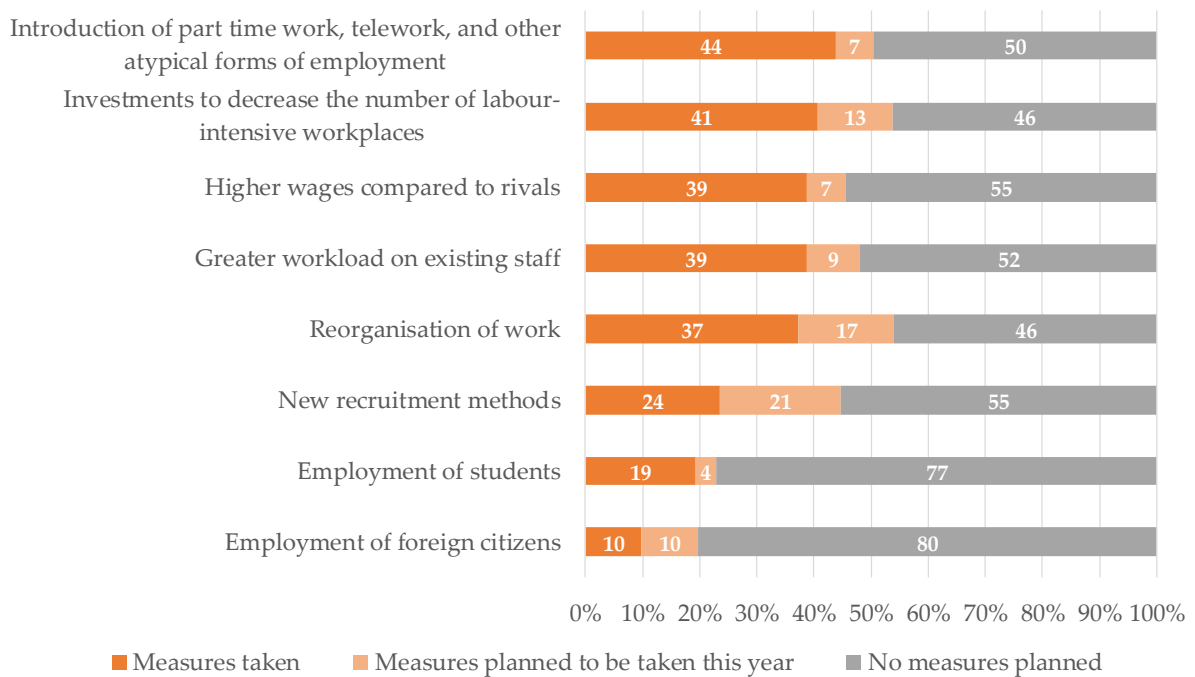
Remedying labour shortage

According to our records, labour shortage-induced problems are combatted most frequently by introducing atypical employment forms (44%), by making investments to keep labour-intensive workplaces at bay (41%), by paying more to employees than rivaling companies (39%) and by increasing workload on existing labour force (39%).

Taking a look at future plans reveals that about one in five companies (21%) short of labour would employ new recruiting methods, 17% would reorganise work, 13% would invest to mitigate labour shortage-related problems, and about one in ten companies plans to hire foreign citizens.

Businesses in the 20–49 staff range and construction companies were the most reluctant to take the measures examined. The more a company exports the more likely it is to take measures - this is the pattern our survey revealed. It can also be seen that companies of (partially) foreign ownership were usually more willing to take steps to remedy the issues caused by labour shortage than their domestic competitors.

Figure 4: Measures taken or about to be taken to remedy labour shortage, N=242, per cent, 2019.01.

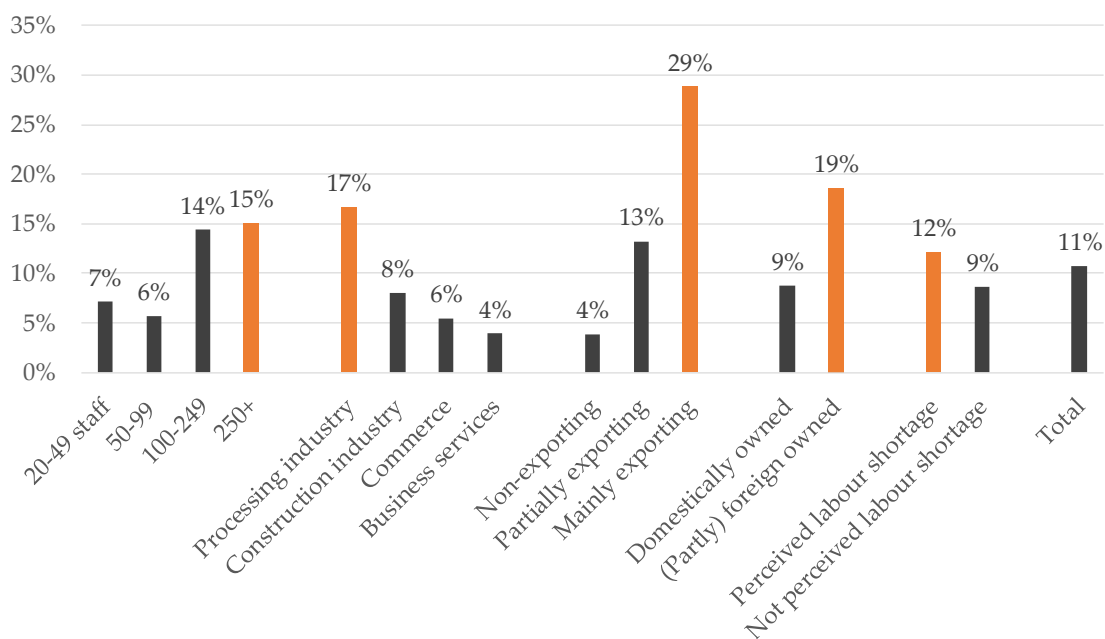


Source: IEER 2019

Employment of foreign citizens

In total, 11% of the surveyed companies (42 businesses) had foreign employees in January 2019. 15% of large (250+) companies, 17% of businesses in the processing industry, 29% of major exporters and 19% of (partially) foreign-owned companies employed foreign citizens. Figures were slightly higher for companies that experienced labour shortage problems than for those that did not (12% vs. 9%).

Figure 5: Foreign citizens employed by businesses, N=382-390, per cent, 2019.01.



Source: IEER 2019