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SOME IMPORTANT FACTORS OF WAGE TRENDS IN HUNGARY

Abstract

The basic aim of this paper is to present the Hungarian wage trends in the recent years. To show them, I chose some very important factors to examine from. It is very important to put it into 'regional picture' that is why I compare them to European wages. In this way, we can easily evaluate the earnings in Hungary.

In my article, to start with, I present the European wages to see the wage situation globally between 1995 and 2004. Afterwards, I show the Hungarian ones according to ages, qualification and on the average, from the point of view of genders and scopes of activities, too, regarding recent years. It is very important to show them in public and private sectors as well because there are some different features.

I used European database (Eurostat) and compiled table and charts from them, so it was mainly a secondary research. My general topic of research is in connection with compensation and benefit in general. Particularly, I research the situation of women in the labour market and their competitiveness.

Key words: Wages and salaries, Employment (J16), Economics of Gender (J16), Wage Level and Structure (J31), scopes of activities, genders

Introduction

There are two very important things what I have to speak about if I would like to describe wage trend in a country. These two dominant factors are both external.

Firstly, wages in a company are influenced of numerous things:

- national surroundings (political, economical, social and technical conditions)
- state and features of branch industry
- corporate wage and benefit policies

The second factor is, generally speaking, the increasing role of learning in the whole world. We live in a society based on knowledge, which has many implications. The relative importance of human resource is growing, the legislation is changing in this way, and the pay gap is deepening between scopes because of growing need for higher knowledge. These dominant implications can be felt in Hungary as well.

European wage trends and gender pay gap

For the start, I present the European wage trend so that we could understand Hungarian wages between 1995 and 2004. In this period, the country was just after the transition (1989), so it was a very 'sensitive' term. After that, in 2004, Hungary joined the European Union, and a new chapter started in the country.

On the Table 1, we can observe average gross annual earnings in **industry and services** of **full-time employees** in enterprises with 10 or more employees (ECU/EUR). Certain yearly data are not published in particular countries. Gross earnings are remuneration (wages and salaries) in cash paid directly to the employee, before any deductions for income tax and social security contributions paid by the employee.¹

Switzerland, which is not European Union member states, had the highest wages in this region. The table also shows that the Scandinavian countries had the highest compensation during this term while the newly joint member had the lowest one at the given period. The highest pay growth can be observed in Norway and Luxembourg during these nine years, whereas the lowest in Bulgaria.

Hungary, the new EU member state, was in the last quarter of the list, with other East-European countries such as Slovakia and Poland.

Table 1. Average gross annual earnings (1995-2004)

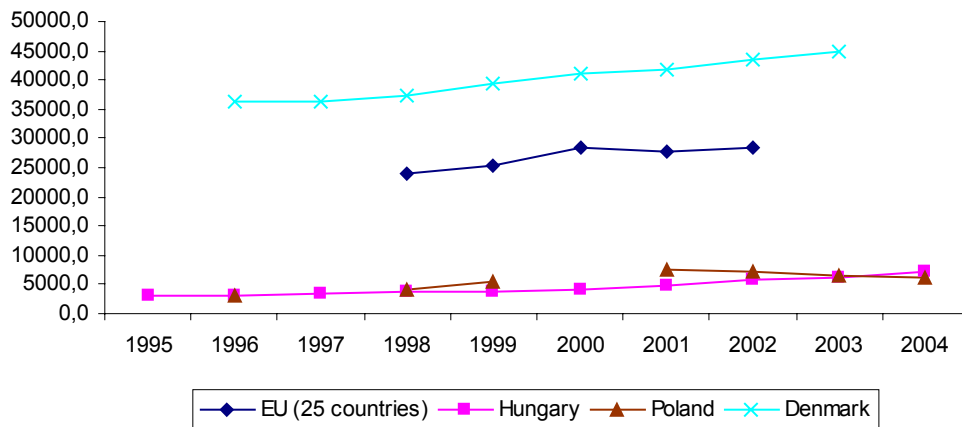
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	28945,0	29131,0	28901,0	29616,0	30701,0	31644,0	33109,0	34330,0	34643,0	
Denmark		36376,0	36235,1	37208,7	39514,7	40962,2	41661,2	43577,2	44692,0	
Germany	34584,0	35254,0	35093,0	36033,0	36862,0	37253,0	38204,0	39440,0	40375,0	
Greece	11291,1	11916,9	12604,8	13209,5	13925,7	14721,0	15431,3	16278,4	16738,5	
Spain		16043,0	16192,0	16528,0	17038,0	17432,0	17768,2	18462,3	19220,0	19827,8
France	24693,0	25089,0	25545,0	25777,0	26339,0	26712,0	27418,0	28185,0	28847,0	
Cyprus		12980,1	14021,0	14708,6	15161,1	16334,9	16947,6	17740,3	18406,4	
Lithuania	1385,3	1597,2	2285,6	2799,1	3016,9					
Luxembourg			32600,0	33337,0	34462,0	35875,0	37745,0	38442,0	39587,0	40575,0
Hungary	3062,3	3157,7	3543,1	3685,9	3770,4	4172,5	4898,1	5845,9	6196,2	7099,5
Malta	8746,7	9287,2	10114,4	10713,1	11581,3	12552,6	13319,9	13459,9	13602,7	11925,9
Netherlands	27966,0	28140,0	28061,0	29189,0	30426,0	31901,0	33900,0	35200,0	36600,0	37900,0
Poland		3076,0		4155,5	5309,7		7509,5	7172,4	6434,2	6230,3
Portugal						12619,6	13338,0	13450,0		
Slovakia			3178,9	3291,8	3125,0	3583,1	3836,8	4582,3	4944,5	5706,1
Finland	23584,0	23883,0	24005,0	24944,0	25739,0	27398,3	28554,8	29916,0	30978,0	32126,0
Sweden						31620,8	30467,1	31163,9	32177,4	33620,0
United Kingdom				29370,2	32269,4	37676,5	39233,0	40553,0	38792,5	41253,4
Bulgaria			895,7	1216,1	1330,2	1436,1	1518,3	1587,8	1676,8	
Iceland					32311,1	37638,5	34100,7	36764,2		
Norway				31455,7	33740,8	36201,5	38603,8	43736,3	42882,3	42223,7
Switzerland		42194,0		40726,7		43683,0		48498,0		
EU (25 countries)				24088,8	25234,5	28468,3	27582,3	28445,3		

Source: own compilation based on Eurostat database

On Chart 1, I illustrated the wage situation in Hungary during the period, comparing to the EU 25-average. These data are only one-sixth of the average. I also described Polish wages, where a similar trend can be seen than in Hungary, and Danish wages, which are very high in the Union.

¹ Eurostat

Chart 1: Average gross annual earnings in industry and services (1995-2004)



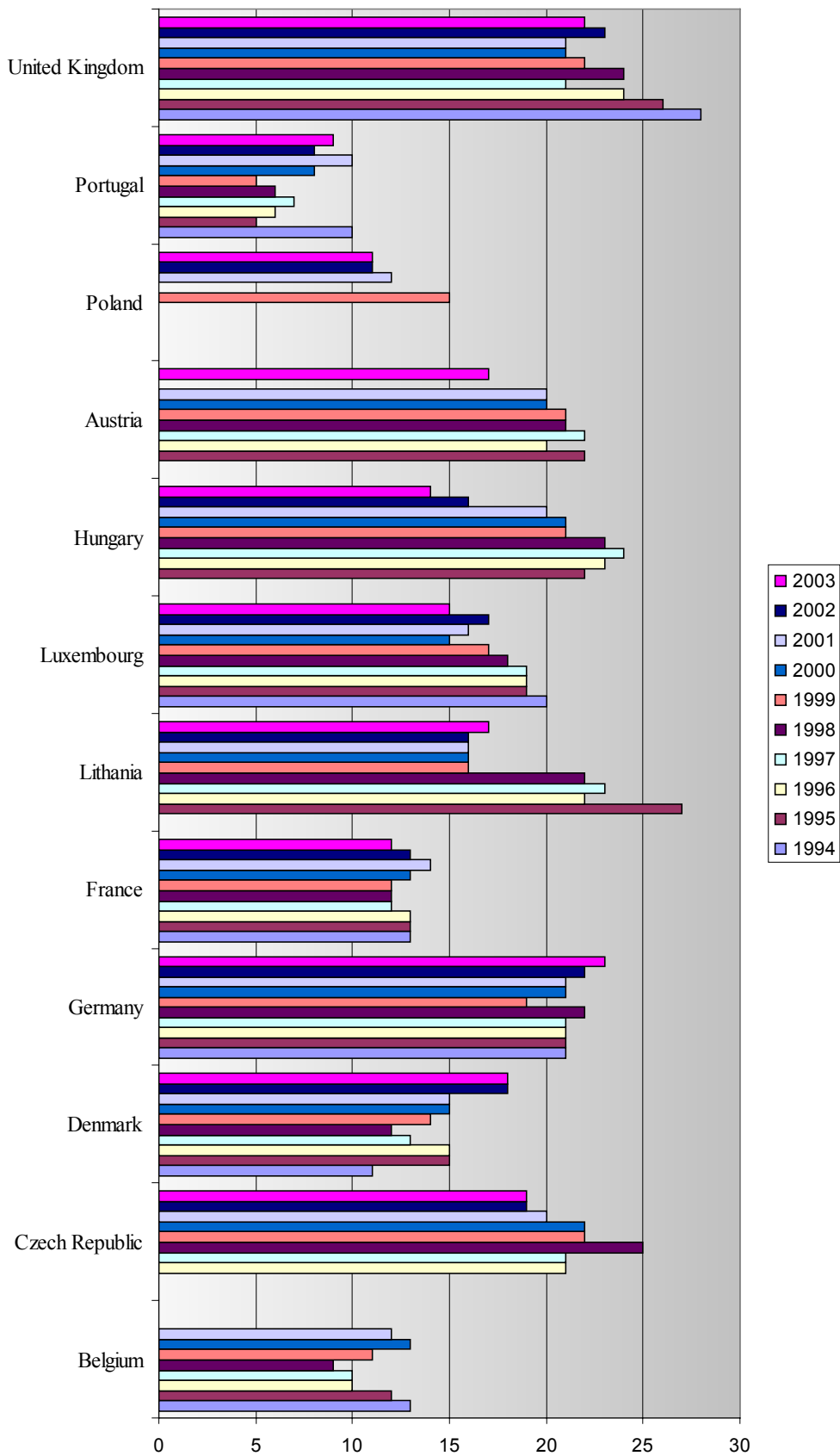
Source: own compilation based on Eurostat database

On the Chart 2, we can see the **gender pay gap** in some European countries. Gender pay gap is given as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The population consists of all paid employees aged 16-64 that are 'at work 15+ hours per week'.²

In 2003, the gender pay gap was the highest in Germany (23), the United Kingdom (22), while the lowest in Portugal (9), France (12), and Poland (11). The European average was 15 percent. If tendencies are right, the gap is increasing in Portugal and Denmark, and decreasing in United Kingdom, Austria, Hungary, Luxembourg, and Czech Republic.

² Eurostat

Chart 2. Gender pay gap in Europe (1994-2003)



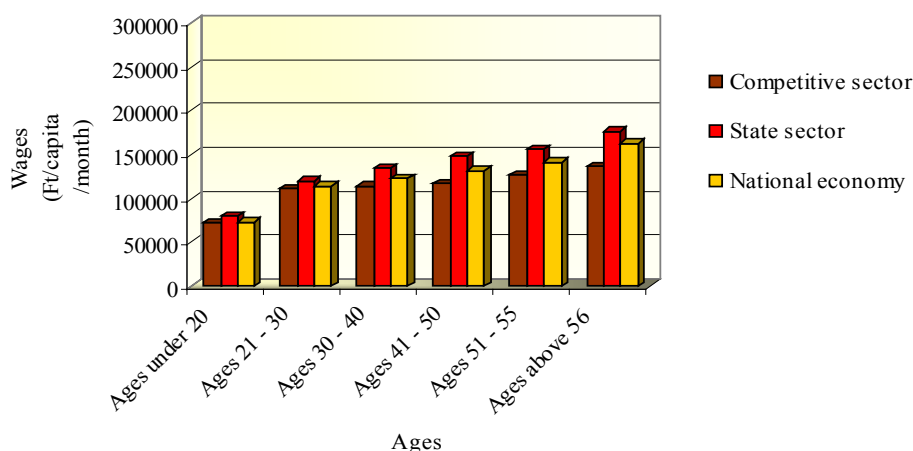
Source: own compilation based on Eurostat database

Hungarian wage trends and gender pay gap

For the next step, we can read about Hungarian wage situation. I present it according to some important factors.

The first aspect is **age**. On the Chart 3, we can examine wages in each sector. With age growing, the state sector offers higher wages than the average. The wage difference is a little bit more significant above 30. There is slight difference between genders according to this view.

Chart 3. Wages in Hungary according to ages (2004)



Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

The second aspect is **qualification**. The wage trend can be observed from the point of view of blue and white-collar workers, and men and women, too.

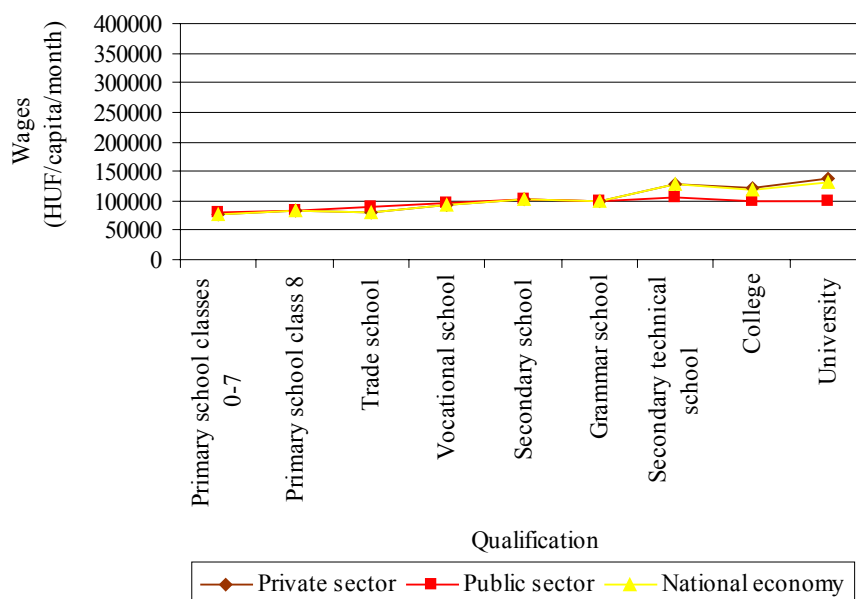
On the Chart 4, there are wages of blue-collar workers. The difference between wages in private and public sector is not so significant.

Nevertheless, the wage difference is more remarkable regarding white-collar employees (Chart 5). From secondary school, the private sector compensation is higher than the public one, and the difference is increasing with higher qualification.

According to this point of view, the private sector has the dominant role and the public sector is under the average. Concerning scopes of activities, blue-collar employees have much more equated waging.

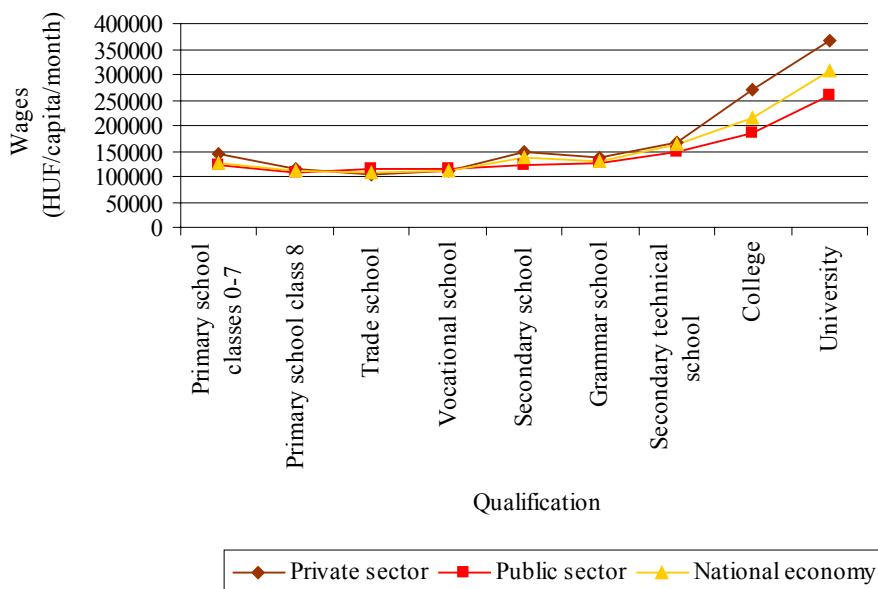
If we examine wages according to qualification, regarding genders, a similar tendency can be seen. On the Chart 6 and 7, there are the Hungarian wages in 2004 for men and women. The tendency is similar than according to the previous aspect.

Chart 4. Wages in Hungary according to qualification for blue-collar employees (2004)



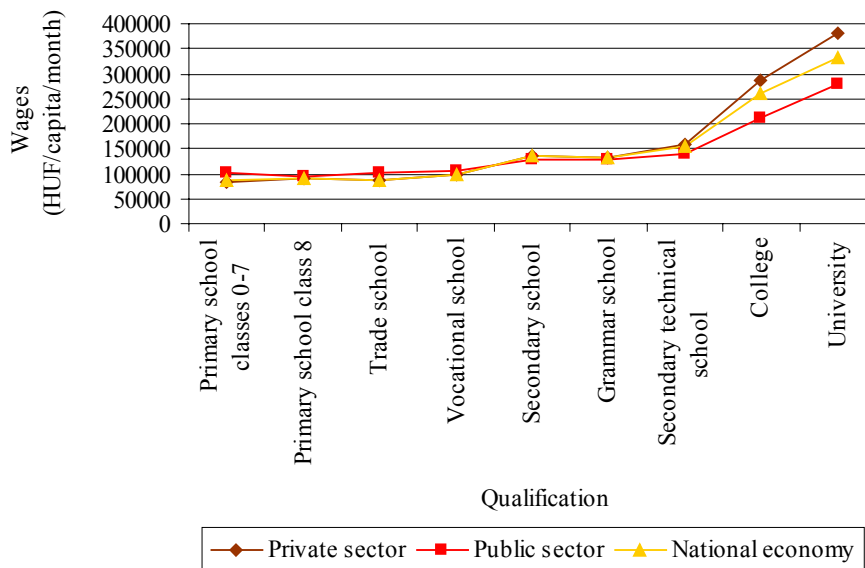
Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

Chart 5: Wages in Hungary according to qualification for white-collar employees (2004)



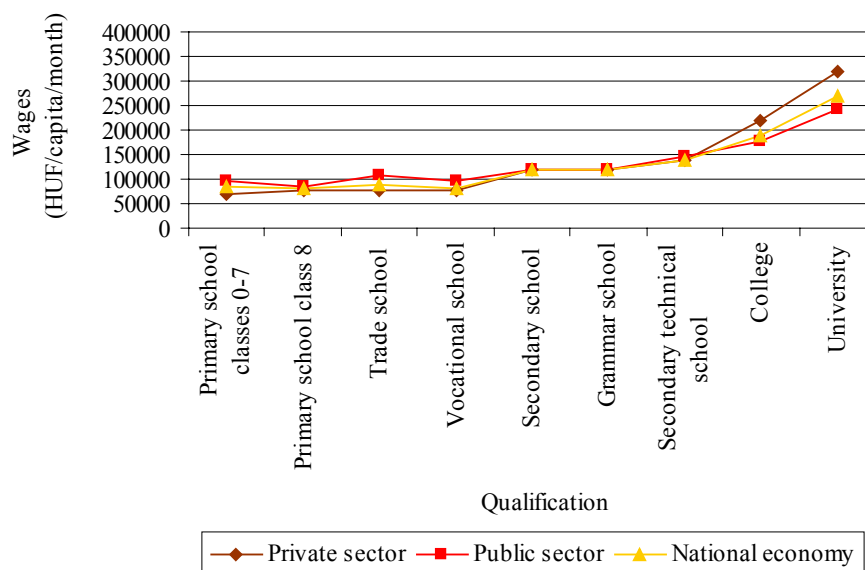
Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

Chart 6: Wages in Hungary according to qualification for men (2004)



Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

Chart 7: Wages in Hungary according to qualification for women (2004)

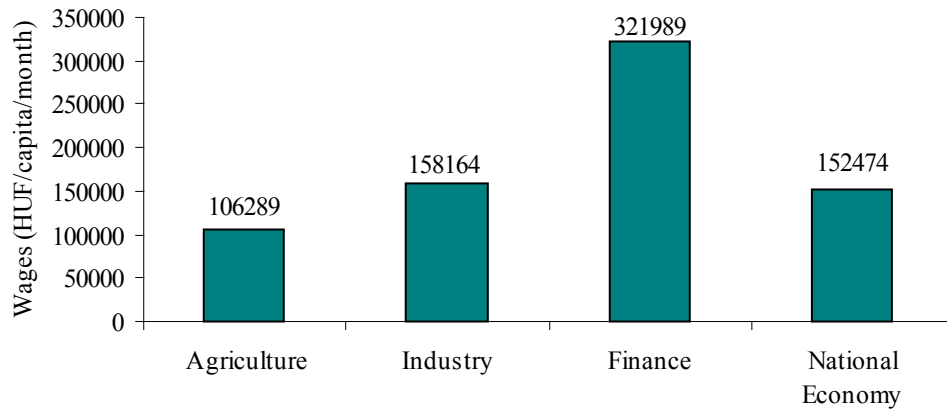


Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

The third aspect shows the **average wages in sectors**. I compared the sector of industry, agriculture, service, and there is the average wage as well in 2005. From the service sector, I chose the finance because it is very dominant. The Chart 8 presents that the highest wages are in the service sector, it is about twice more than the average. The wages in industry are nearly the same with the national economy average, but the agricultural wages are under

this level.

Chart 8: Wages in national economy, on the average (2005)

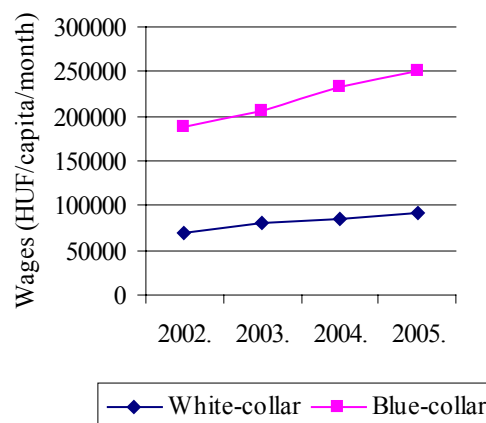


Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

The agriculture was always very important and dominant in Hungary; however, its wage situation is the worst among sectors for the time being. That is why I present some data in details.

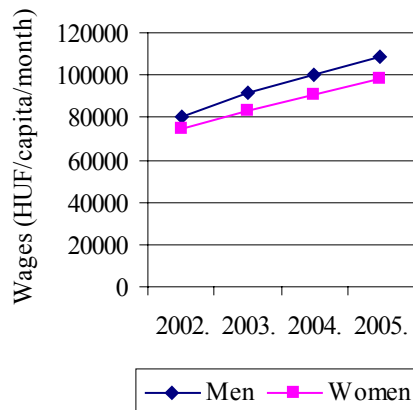
On Chart 9, there are wages in agriculture according for blue- and white-collar employees. The difference is almost threefold, which is enormous. Regarding genders, wage gap is not so significant in this sector, at about 5%. (Chart 10)

Chart 9: Wages in agriculture according to scopes of activities (2002-2005)



Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

Chart 10: Wages in agriculture according to genders (2002-2005)



Source: own compilation based on Állami Foglalkoztatási Szolgálat (Hungarian State Employment Service) database

Conclusions

In this paper, I have presented European and Hungarian wage trends and gender pay gap. Hungary, with similar East-European countries, has at about one-fourth of the highest European wages. The gender pay gap is mostly between 10 and 20 %. The Hungarian one was at about 13% but near the capital it can be 20%.

Regarding Hungary itself, it is very important to remark that female wages are more equated than the males generally, and the private sector usually gives higher wages in the economy. The wage gap is not so high for blue collar workers but significant difference can be seen in the case of white collar employees. In the economy, the average wage was at about 153 thousand HUF (approx. 600 €), concerning economic sectors. The sector of finance had the dominant role, and the agriculture, which was very significant long ago, had the lowest wage. The gap is not very significant in this sector regarding genders, but it is regarding scopes of activities.

We have to mention, that, as in other countries, the black economy distorts the statistics, so these data are not accurate.

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