

Brief Summary of the Articles

Financial Support from the European Union – a New Phase of Redistribution?

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Having joined the European Union, Hungary now receives financial support from the community. Is this support something different from state aid, well-known even in the transition period, or international funds become the part of domestic redistribution processes? Initial and still partial experiences show that instead of a sharp turnover we only face a modification of quantities and methods in providing state aid to enterprises. Additional funds in the first years are still modest but considering the nearly unchanged level of aids from national government, the total level of support to the firms has slightly increased, despite that enterprises received only one third of the European structural and cohesion funds – the rest went to nonprofit organizations, local governments and to state apparatuses. The method of redistributing via open tenders is not the only channel of redistribution, case-by-case decisions of state bureaucracy remained important.

The Hungarian minimum wage in international comparison

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In 2001 and 2002, the Hungarian minimum wage increased in real terms by 65% percent. In 2006, this was followed by a further increase of 6.5 %, and a new regulation that sets a higher minimum wage for employees with secondary education at 110% of the general minimum. In the 25 EU member states, 19 members have a compulsory minimum wage and 6 members (including Germany) have no such regulation. Some member states set different minimum levels for various labour market groups; in most cases this is supposed to account for the lower average productivity of these groups (for example school leavers). Empirical evidence on the employment effect of minimum wage increases is mixed, but large increases almost always seem to lead to losses in employment. In Hungary, the large increase in 2001–2002 was followed by a significant drop in employment in some branches of the economy, but there was no decline in total employment. The increase in 2006 is expected to affect 700-900 thousand employees and self-employed and is likely to significantly reduce the employment opportunities of low skilled and older workers.

From crisis to crisis? Development and prospects in the Hungarian textile and clothing industries

JUDIT HAMAR

Policies and studies on competitiveness of the Hungarian economy, its growth prospects, on employment and social problems, rarely mention problems and challenges in the TC industry, while the world conditions for this sector are under dramatic changes. Geographical location has been restructured radically, essential transformation has reached in each segment of the production line in the sector. All of these certainly do affect Hungarian actors in the sector; the new challenges force them to adjust more, than ever before. What is happening meanwhile in Hungary? What are the possible answers to the international challenges, and what is the role of policies to help this adjustment? Based on the relative small share of the sector in the economy, previous expectations estimated relatively few detrimental impacts – of the EU-accession and that of the WTO liberalization process – on the Hungarian TC sector. Contrary to this, our analytical results proved a strong declining trend of this sector. TC sector (especially clothing industry) was the first being able to succeed after the transitional crisis, and was a leading export-oriented industry during the 90s. Since 2000, however, it seems to be “out of breath” as a result of its ways of adjustment to the new emerging situation. Our main conclusion to macro and industrial policies is that the similarly serious problems to the agriculture can be eased and competitiveness of the sector can be improved only by introducing and applying the already existing measures invented, decided and already used by the EU and by some EU member states. This would, however, require a “new way of thinking” of policy-makers at macro and even at local level.