

**INTERNATIONAL MIGRATION
PAPERS**

92

Migrants and Informal Work in Hungary

Judit Juhász



INTERNATIONAL MIGRATION PROGRAMME

INTERNATIONAL LABOUR OFFICE GENEVA

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Preface

The ILO has always maintained that the functioning of labour markets is the main determinant of migration, the characteristics of migrant workers flows, their pattern of employment and their terms and conditions of work in countries of destination. Thus the functioning of labour markets determines the regularity and/or irregularity of flows and stocks of migrants in terms of, both migration and employment statuses. If access to, and stay in, the territory of a country is restricted; flows and stocks may be irregular in terms of their migration status and consequently, employment situation. But if the right to enter and stay in a territory is recognized for nationals of a country or a group of countries, while access to the labour market is not, it is only the employment situation of migrants that will be irregular. The irregular employment of regular, legally residing, migrants in old receiving countries in Western Europe has been observed since the 1980s. These migrants were essentially Third Country Nationals (TCNs), i.e, nationals of countries other than members of the European Community. In sum, the situation existed of migrant workers being irregular both in terms of migration and employment statuses and some irregular only in terms of employment.

With more open borders, from and into countries of Eastern and Central Europe, in the 1990s and more so with the accession to the European Union of new member States in 2004, the situation has extended. It is important to note that migrant workers only join natives in practicing irregular employment even though not necessarily in the same occupations. In other words, like in other European countries, especially in the south of the continent, migrants do not create irregular employment but benefit from the opportunities it offers.

This paper on Hungary is the third of three studies (on Austria, the Czech Republic and Hungary) that examines this situation of irregular employment of migrants, its terms and conditions of work, its evolution, its causes and the policies needed to eliminate such a situation. The premise is that irregular employment is detrimental to national economies, to native and migrants workers in regular employment as well as to those workers involved in it. The study prepared by Judit Juhász adopts -as in the papers on Austria and the Czech Republic- a Delphi method, which is amply explained in the paper. Suffice to say, it is about the considered perceptions of a problem by a number of experts, and the author's examination of these perceptions.

The term used at the ILO with regard to irregular work is employment in the informal economy. Informal economy conveys the idea that irregularity does not only affect employment relations but extends to other areas such as taxes paid and services received from the state. However, "irregular work" has been kept because it was the term used in the two rounds of surveys of the Delphi method.

Ibrahim Awad
Director
International Migration Programme

1. Migration and Irregular Work¹

1.1. Background of the research, objectives

Irregular employment of foreigners has attracted much media and political attention in recent years. It has become an everyday issue, however, the extent, the economic impact, or the composition of the numbers involved are not consistently described. Different, often contradictory studies come to light. Due to the nature of the subject, precise figures and direct information are unavailable. This explains why there has hardly been a systematic study in this field. *Whitening the labour market is a strategic objective of the Hungarian Government, for which there is a need for a comprehensive study of the situation.*

The main topic of the research is the irregular labour of migrants in Hungary, where the irregularity is the consequence of the legal and administrative situation at entry and during the stay in Hungary, on one hand, and of the economic activity on the other. In this context, we consider migrant labour irregular when *the residence or work of foreigners is not in accordance with applicable rules and regulations.*

This study outlines the *reasons* of foreign irregular labour, discusses the *main problems* and possible *solutions*. It is an objective to make a suggestion on how to minimize the negative and maximize positive effects of labour-migration between Eastern- and Western-Europe, and between certain Eastern-European countries.

Main tasks of the research:

- Collection and analysis of available data and experts' opinion on the size and trends of the phenomenon.
- Analysis of the demand for foreign irregular labour: involved sectors, types of employment; mapping of specific characteristics and needs of the national economy, which lead to the typical forms of foreign irregular labour. Analysis of employers' motives.
- Identifying sectors and professions where foreign irregular labour is generally, or within certain migrant groups prevalent.
- Analysis of the role of family- and other social relations, relationship networks.
- Analysis of the role of recruitment, the (illegal) mediators and the network of agents.
- Migrants' motives and strategies related to work abroad.
- Social, economic and demographic characteristics.
- Effects of political actions and „social control” (acceptance), consequences of administrative and control mechanisms. Effects of state policies on employment of foreigners.
- Did the accession to the EU change the situation, and to what extent?
- Alternatives to labour-market liberalisation; the view on the free movement of labour within the EU.

¹ The research was conducted with the support of the National Employment Foundation by the Panta Rhei Social Research Group under the leadership of Judit Juhász. Taking part in the research: Judit Csikvári, Mariann Szaitz, Péter Makara, Balázs Tóth

- Does the tightening of entrance regulations and border control imply considerable changes in the cross border relations with neighbouring countries (e.g., introduction of visa obligation with the Ukraine)?

1.2. Methodology

The research in Hungary was conducted with the support of the National Employment Foundation (OFA). The first phase took place between July 2005 and July 2006, and was concluded by the preparation of the national study in the fall of 2006. The second phase, international comparison, was conducted in close collaboration with Czech and Austrian partners, based on experts' opinions. The questionnaire survey among experts lasted from February to April 2007.

The complexity of the problem, the novelty of the approach and the characteristics of the examined group require a *flexible methodology*, and need a carefully constructed theoretical framework. The ever changing (international) political implications, the heterogeneity and mobile nature of the concerned population, their *uncertain availability*, and the fact that due to the *irregular nature of the activity* respondents are not necessarily willing to talk about their jobs, have to be taken into consideration.

In order to give a better description and explanation of the relations of migration and the European illegal labour markets, the first part of the research uses *three complementary approaches*:

- Secondary analysis of existing information (research, literature, statistical data)
- Expert interviews
- Interviews with migrants and employers where possible

In the second phase, we surveyed the opinion of *experts who have direct information on foreigners' irregular labour in Hungary*. We asked them about the phenomenon, available information, their attitude towards the subject and views on possible political alternatives.

The sample was designed to represent a range of views, understandings, and assessments based on the experiences of individual experts and key informants from various institutions dealing with different aspects of the problem (ranging from research, legislation and surveillance to law enforcement at local and national levels). This means that, similar to our Czech and Austrian partners, the expert group included representatives of ministries (Ministry of Employment, Ministry of Foreign Affairs, Ministry of Economy, Law Enforcement); experts of political parties; independent researchers; senior officials, experts and operative associates of relevant authorities (Office of Immigration, Labour Inspectorate, Employment Service, Border Guards); entrepreneurs; employers; representatives of both employers' and employees' unions of the most concerned sectors; representatives of local governments, non-governmental organizations (NGOs) and the press.

The research was based on a modified version of the Delphi method combined with standard questionnaire.

We based the questionnaire on structured, in-depth interviews with experts and migrants during 2006 and on the results of an existing research conducted in 1999-2000². We also took the results of the two-round Delphi research in Austria and the Czech Republic into consideration.

The questionnaire of the survey was mailed and filled-in by experts. We processed the answers of 303 respondents³, 25 of whom in-depth interviews were made in the first phase. We also asked experts who were in the sample of a similar research in 2000.

The concept of the standard questionnaire matches that of the Austrian and Czech research, with many questions identical or similar. This makes it possible to compare the results.

Certain groups were combined due to similarity or low number of responses.

To be able to better compare results we selected an “expert panel” of 80 respondents based on a quota corresponding to the composition of that of the Austrian and Czech research.

Table 1. Respondents

Institutional background	No. of respondents	Of which		Institutional background (re-grouped)
		In-depth interview was done	Panel	
border guards	8	1	1	control bodies (Control)
labour inspectorate	95	4	5	
National Employment Service	121	1	6	National Employment Service (NES)
trade unions	10	2	10	Interest groups of employees (trade unions) (unions)
interest groups of employers	9	1	9	Employers
entrepreneurs	9	3	3	
researchers	15	2	15	Researchers
ministries	7	2	7	politics
politicians	6	5	6	
local governments	12	2	7	local government (local gov.)
NGO	3	2	3	NGOs
Press	3	0	3	
Other	5	0	5	
Together	303	25	80	

We compared the results with the 1999’ survey and identified the differences between countries.

² The survey was conducted in 1999-2000 commissioned by the ILO, under the leadership of Judit Juhász. 220 experts were questioned.

³ In total 315 questionnaires were filled in, however, a few were disregarded due to inadequacy or misinterpretations.

Besides closed questions in the questionnaire (choosing between given answers), respondents had the opportunity to make comments in almost all cases. These comments are cited in *italics*. After each quote, the respondent is identified in brackets.

1.3. Informal economy, black (irregular) labour

There are many expressions to describe the informal economy: hidden economy, illegal or black economy, etc. The term “informal economy” is one that includes all economic activity which is not officially reported, registered or is neglected when calculating the GDP of the economy. Activities of the informal economy are usually paired with tax-evasion.

Estimates of the size of the informal economy on average are between 7 to 16 per cent⁴ of EU GDP. In case of Hungary, this value is double, 20 to 30 per cent⁵, despite the fact that in recent years this level did not increase, but rather decreased in certain segments⁶.

In Hungary, according to the Labour Code and the Act on Labour Inspection, numerous forms of employment are irregular and punishable (such as underage employment, discrimination, lower than minimum wage, disobeying work-hour rules, lack of written contract). In practice, punishment is limited to activities which hinder the state budget or involve foreign labour without permits.

Employment is irregular when:

- Employers fail to register their employees (thereby evading taxes and contributions)
- Employees accept the omission of registration, thereby fail to pay their personal taxes and contributions
- the employee does not report that they are not entitled to unemployment benefits (as they are working);
- employing foreigners without a permit
- Registering at minimum wage. In this case the employee and part of the work is registered, but the remaining, usually larger part of the wage is paid into pocket, evading further charges.

The terms “irregular”, “black”, “informal”, “not registered labour”, “irregular work” relate to similar phenomena, but they refer to different levels and forms of anomalies.

The term “irregular labour” usually implies that the employee is not registered with the tax authorities, taxes and charges are not paid. Foreigners usually do not have a permit, but even if they do, they are not registered. The permit can be valid for the given employer, or might have

⁴ COUNCIL DECISION of 22 July 2003 on guidelines for the employment policies of the Member States (2003/578/EC) (Official Journal L 197 , 05/08/2003 pp 0013 – 0021)

⁵ Futó, Belyó, Kutas, Ékes

⁶ According to Belyó: “In the beginning of the ‘90s the share of hidden economy in Hungary could have been 25-30% of the GDP, since then it declined to 20-22% in 2000” (A rejtett gazdaság lakossági megítélése - The hidden economy according to the population. In: Statisztikai Szemle, 81. évf. 2003. 07.)

been issued for a previous employer who did not report the termination of the employment. Some only use it on paper, while others take up other jobs parallel to one which is legal and registered.

“Grey labour” refers to registered labour, where the actual employment differs from prescribed conditions. Often, the employer registers the employee at minimum wage, bearing the lowest tax burden, but in practice they pay more, and the difference is transferred tax-free from pocket to pocket. Employing with a fictitious entrepreneurial contract also belongs to this category. Another type of grey labour is when the employed foreigner is not in the profession or at different geographical location than the permit allows. These three forms are difficult to prove or control, therefore are popular among the different strategies of irregular labour.

There has been much debate regarding the hidden, informal economy in recent years. According to surveys (TÁRKI 2004., Belyó-ECOSTAT 2002.), it is a common view that unlawful and illegal economic activities, especially the concealing of income from tax authorities, is common practice among players of the economy. It is practically a part of everyday norms. A major part of the society, one of five people according to the TÁRKI survey, does not strictly condemn when one hides their taxable income. Our expert interviews confirm these views. According to a union leader:

“Here we live happily with this thing. Employees also accept being employed “grey”, registered at minimum wage and getting cash from time to time. They don’t work usual hours, but when work is needed. If they are in, there is no complaint. If an inspector comes, what they see is that employees are registered for 8 hours a day, and everything is just fine. Of course, they might be working overtime, if needed, which is not registered. In general, I think that the situation has improved, however, the attitude is not rights just yet.” (trade union representative)

The 2002 ECOSTAT survey reflects similar opinions. One-third of the population did not clearly reject taking part in the hidden economy (23% would take part if there were no negative consequences. Five per cent would consider the circumstances before making a decision).

Entrepreneurs are even more willing to take part in the hidden economy, only 44 per cent rejected it clearly.

Table 2. Propensity to take part in the hidden economy (percentage)

respondents	Would take part	Depends on circumstances	Would not take part	Does not know, no answer	Total
	distribution of answers (percentage)				
private citizens	23	5	66	6	100
entrepreneurs	45	2	44	9	100

Compared to other aspects of the informal economy, stance on irregular labour is even more permissive: 84 per cent expressed disapproval of employing irregularly, while only 55 per cent, condemned taking up work without registration, irregularly.

Table 3. In your opinion are the following activities morally condemnable (incorrect)?

	Yes	No	No answer	Does not know	Total
	Distribution of answers (percentage)				
Employing without registration	84	12	0	4	100
Working without registration	55	37	1	8	100

Due to its nature, there are no, and even cannot be accurate data. Only estimates based on assumptions and indirect information is available, however, it is undisputable, that in this subject Hungary ranks close to the top within the EU.

Within the informal economy, households and the organized economy have to be separated. The organized economy comprises legal, registered entrepreneurs, businesses (1,3 million such organizations in mid-2007). Generally, employment regulations limit irregular labour to the organized economy. Households are typically occasional employers, including for many types of jobs for a short, fixed-term, a few hours a week, or a month. Nowadays, household work is generally not regulated, and can be considered irregular. Neither the employer, nor the employees pay taxes or charges on the value of the labour.

Irregular labour (black, grey) is one of the most popular informal economic strategies. It is an effective tool to reduce costs and improve flexibility.

Most identify this phenomenon as one of the biggest obstacles in the path towards the efficient, productive economy. There are views, however, which point out positive aspects of the informal economy.

The major part of the informal sector – including irregular labour – operates within formally registered businesses. The reason for this is that it is relatively easy to launch a business in Hungary, while, on the other hand, costs of operation, taxes and common charges are very high. The main priority is to evade taxes⁷. A part of the business is visible and pays taxes, while the other is hidden. Irregular employment reduces labour costs, with unregistered or partly registered labour the value of charges is, in fact, extra revenue.

Entrepreneurs are often “forced” to go around laws and regulation, at least in their opinion. They argue that there is no alternative without jeopardising their existence. They could not avoid losses and would lose in the competitive environment. As the vice-president of IPOSZ⁸ put it:

“Taxes and charges on wages are second largest in the region, which is one of the reasons why we are not competitive at all. Furthermore, the intensity of labour is also lagging behind European norms. Therefore, the costs of labour are very high, while the GDP generated with each labour hour is relatively low. Unfortunately, we make labour very expensive when it is what we have the most of. In other words, there is an economic force which drives employers

⁷ Dezsériné Major Mária - Futó Péter - Kállay László: Mekkora az informális gazdaság Magyarországon? The size of informal economy in Hungary. Budapesti Negyed 22. (1998/4)

⁸ Hungarian Association of Craftsmen's Corporations

to favour irregular employment, because they cannot afford to employ legally. If an employer wants to stay alive, they have to utilize irregular labour from time to time.”

In some cases, informal solutions can help economic players tackle barriers which otherwise they could not, at least in the short-run. It is often easier, faster and cheaper to conclude transactions irregularly, and both parties share the benefits. The informal sector can be examined from the consumer side as well. There are consumer groups who almost exclusively purchase products of the informal economy. These groups are often not effective demand for legal, taxed products. It might be an exaggeration to say that the needs of these segments can only be satisfied by the secondary economy, however, there are products which reach end-users only by saving on taxes and charges. This is a further motive for the hidden economy. The fact that products of the informal economy contributes to the GDP can not be neglected either.

Regarding the interrelations of taxes and the hidden economy, the already mentioned article (Dezsériné - Futó - Kállay, 1998.) highlights that: *“one of the key debates of the Hungarian informal sector is how taxes and thereby informal activities could be reduced without resulting in a dramatic drop in tax revenues.”* In the meanwhile, it also draws attention to the fact that increasing taxes above a certain level leads to falling tax revenues.

Besides tax evasion, flexibility is also an advantageous factor for participants of the hidden economy (and disadvantageous for their legal counterparts). Given parties know and trust each other, transactions can be faster and more simple by by-passing red-tape. Not only material advantages play a role, but speed, easier involvement of business partners, etc. as well. These are essential factors of business success.

“We dealt with migration and irregular labour at MGYOSZ⁹, because it is an important issue for members. It is important because when competitors utilize irregular labour, they gain competitive advantage, enabling them to offer lower prices than regular employers. In certain sectors and areas, this is an exceptionally significant matter. “(Vice-president, MGYOSZ)

Further encouraging factors are the rigidity of lawmakers and the time consuming and complex procedure of acquiring a work permit.

Workers’ unions often argue that, as a VOSZ representative put it:

“Besides the high level of charges, the lack of flexible law-making is a reason for inflexible labour-market, atypical forms of employment are rare.”

Mentality also plays its part in the expansion of the grey economy. The gentry-type client system, based on relations and acquaintances is not only a heritage of the socialist era, as this sort of behaviour was present between the two world wars in Hungary.

“Formations and attitudes inherited from the “planned economy”, which mean the survival of processes of the secondary economy” also help the expansion of the informal sector. *“Some actors of the secondary economy integrated into the formal economy, others conduct mixed*

⁹ Confederation of Hungarian Employers and Industrialists

(formal and informal) businesses, and many – continuing the tradition – step into the informal economy. (Dezsériné Major - Futó - Kállay, 1998.)

2. Foreign irregular labour and the Hungarian labour market

2.1. Situation analysis

We asked the respondents to evaluate eight statements with regards to the interrelations of the labour market and foreign irregular labour. These statements were emphasized by the experts interviewed in the first phase of the research and we also considered the experiences from the Austrian and the Czech researches.

Experts were asked to indicate to what extent they agree to the statements on a five-grade scale¹⁰. Based on this there were three statements the experts generally agreed with (the mean of the grades was higher than three).

Table 4. To what extent do you agree with the following?

Statements	Distribution of answers, % (panel)					Average of panel answers
	1- Completely disagree	2	3	4	5- Completely agree	
The spread of the hidden economy is primarily owed to the high tax burden, in this respect there is no difference between the irregular employment of Hungarian and foreign workers	3,8	7,7	20,5	25,6	42,3	3,94
The domestic labour market is characterised by the irregular employment of Hungarian workers, the major source of problems is not the irregular employment of foreigners	1,3	5,1	25,6	47,4	20,5	3,81
The involvement of sub-contractors makes irregular employment easier	9,1	10,4	20,8	27,3	32,5	3,64

According to the answers there is a wide consensus in that “the real problem is not the irregular employment of foreigners, but irregular labour in general”. The main source of such activities is the high level of taxes and labour costs. Two-thirds of the respondents agreed with both of the above statements. This opinion is well illustrated by the following quotes:

“Irregular labour and the hidden economy is a much larger issue in Hungary than simply the irregular employment of a few hundred foreigners. The point is not the nationality of the irregular worker but the irregular employment as such. Maybe even a bigger problem is that entrepreneurs are forced to employ irregular labour because of the lack of competitiveness of the tax system. “ (CEO, AMCHAM¹¹)

“The typical is the irregular employment of Hungarian workers, especially in construction and agriculture. However the presence of irregular employment of foreigners can not be neglected, mainly in the border regions in the agriculture. Employers often argue that they do not

¹⁰ Generally we applied the 5-grade scale in the questionnaire (similarly to the school grades where 1 means the worst and 5 means the best). If not indicated otherwise we use this system in the following.

¹¹ American Chamber of Commerce

register their employees because of the high tax burden, they would give up this practice if taxes and contributions would be lower. Whether Hungarians or foreigners are employed irregularly it depends on their availability. The objective of irregular employment is realising ever higher profits. Although high tax levels play their part, they are often just an excuse. In general, foreign irregular workers are not the main source of problems, however, in some regions their numbers can be outstanding. Besides high labour costs, wages and the availability of labour force are decisive factors.” (researcher)

The third generally accepted statement concerns the system of subcontracting (mean 3,6). Within this framework the principal contractor passes the responsibility for irregular employment on to the sub-contractor who is, in fact, forced to utilize irregular workers because of the price competition. The following citations describe this sort of mentality.

“The safe haven of the hidden economy is the presence of sub-contractors (traffickers) between workplaces and workers. They are the ones who employ workers black without any registration or registered for 4 hours on minimum wage. They do not pay any taxes or contributions, thereby creating enormous deficiencies in the state budget. They themselves become millionaires, which is in itself irritating.” (Local government representative)

“Using sub-contractors allows for closing the chain with business that is out of operation or under liquidation. In my experience these businesses are often headed by people who are abroad and not available, or a homeless as CEO.” (Labour inspector)

Another back door, paying workers partly legally and partly in cash (from pocket), is found less descriptive of the employment of foreigners by respondents. The statement that “flexible labour-market forms, above all employing part-time or on minimal wage makes irregular employment of foreigners easier” was among the two least agreed with, the average score of the panel was 2,6. This, however, does not mean that these forms are not widespread, rather that they are not specific for the employment of foreigners. This is supported by the answers to another question, namely that registering workers at a lower- or minimal wage is considered among the most frequent forms of irregular employment of foreigners (19% indicated that this is the most frequent, 43% that it is among the three most frequent forms).

Opinions describing the situation:

“Flexible labour-market forms do not only make the irregular employment of foreigners easier, but also that of locals. Here, employers do not use these opportunities, they rather abuse them.” (National Association of Entrepreneurs and Employers)

“Part-time work and the involvement of sub-contractors favour irregular labour.” (human rights activist, former MP)

“I have never seen a work permit for part-time employment, while employing on minimal wage is an attribute of the employment not only of foreigners.” (Labour inspector)

The proportion of Austrian experts agreeing with a similar statement (that flexible labour-market forms, above all part-time employment lead to abuse) was about twice as much (57%) as in Hungary. Whether the reason for this can be traced to the differences in regulations, practices or in the mentality of experts is a subject to further analysis.

In the interviews many of the respondents referred to the deterrent effect of penalties in connection with irregular employment of foreigners. Some argued that the effect is, in fact, not a decrease in irregular employment, only the preference of employing Hungarians.

When evaluating the answers it has to be considered that, as many labour inspectors mentioned, most of the employers are not aware of the differences in sanctions between employing foreigners or locals.

“The sum of penalties might be subject to consideration, however are hardly dissuasive. It is rather the marginal costs (accommodation, boarding, travel) and unstable legal status of foreigners that stop employers from employing higher numbers.” (labour inspector)

“Foreign irregular labour is cheaper, but the chances of getting caught are higher. Therefore, Hungarians from Transylvania are preferred for works in the households, like house-keeping or unskilled work.” (human rights activist)

2.2. Labour-market relations and economic strategies

Just a few have identified a link between the accession to the EU and the necessity to employ irregular foreign labour to stay alive on the new, competitive, common market environment. A quarter of the panel agreed, while 45 per cent disagreed with this. The fact that the proportion of neutral answers is high (almost one-third) can be explained by the view that while the accession increases competition, it also has effects which decrease irregular labour.

“Accession to the EU does increase competition but ,at least in theory, it also means a much stricter framework.” (human rights activist)

“It increases competition, however, the free movement of labour allows the use of legal labour at lower wage levels – see the example of North-Western Hungary with workers from Slovakia.” (Researcher, Lawyer)

Table 5. The accession to the EU increases competition for employers, thereby favouring irregular employment.

	1-Fully disagree	2	3	4	5-Fully agree	Mean
Control	14,6	36,9	36,9	7,8	3,9	2,5
PSE	13,3	33,3	36,7	12,5	4,2	2,6
Unions	11,1	33,3	55,6	---	---	2,4
Employers	12,5	37,5	18,8	25,0	6,3	2,8
Researchers	13,3	26,7	33,3	13,3	13,3	2,9
Politics	23,1	30,8	23,1	15,4	7,7	2,5
NGOs	---	27,3	27,3	45,5	---	3,2
Local gov.	8,3	25,0	41,7	16,7	8,3	2,9
All respondents	13,4	33,8	35,5	12,7	4,7	2,6
Panel	11,7	32,5	31,2	18,2	6,5	2,8

Much more of the Austrian experts (three-quarters) agreed with the corresponding statement (globalization, in the form of higher competition, pressures employers into hiring more irregular

migrants). There are, however certain similarities: Austrian analysts highlight that the competition, which operators have to deal with, is interpreted in a relatively small scale by the respondents. In the case of Austria, this is a smaller than global, European market, while for Hungary only domestic or just slightly larger.

It also has to be considered that, while the spread of irregular labour in Hungary reached a socially substantial level before the accession, for Austria, an older state, this is not the case. Few suppose that technical innovation would suppress or eliminate the need for irregular employment by decreasing the unit cost of labour. A quarter of the panel agreed with this statement while 40 per cent did not. Researchers supported this opinion less than others while unions were much more optimistic.

Table 6. Advanced technologies may lead to decreased production costs, thus enterprises are not forced to employ irregular labour

	1-Fully disagree	2	3	4	5-Fully agree	Mean
Control	14,6	20,4	35,9	17,5	11,7	2,9
PSE	16,7	32,5	28,3	17,5	5,0	2,6
Unions	---	22,2	22,2	44,4	11,1	3,4
Employers	6,3	50,0	12,5	6,3	25,0	2,9
Researchers	---	33,3	53,3	---	13,3	2,9
Politics	30,8	7,7	38,5	15,4	7,7	2,6
NGOs	---	9,1	63,6	27,3	---	3,2
Local gov.	9,1	45,5	27,3	18,2	---	2,5
All respondents	13,8	27,5	32,9	17,1	8,7	2,8
Panel	10,5	27,6	35,5	15,8	10,5	2,9

According to comments attached to the answers, the main reason for disagreement is that irregular labour is prevalent where technological development is lacking and is not expected in the near future. This is true for the size, area of operation and geographical location of the business. A few quotations as example follow:

“Advanced technologies which enhance production are not common among Hungarian small and medium sized companies, those which are most affected by irregular foreign labour. These businesses operate in labour intensive areas (construction, hospitality).” (Labour inspector, lawyer)

“In certain sectors, such as the garment industry, advanced automation of production is not feasible. This is where the illegal use of Chinese labour is flourishing.” (Garment trade entrepreneur)

“More than 70 per cent of the GDP is produced by services where the replacement of labour with technology is rather limited.” (researcher)

“In this region only a few enterprises can afford applying advanced technologies.” (labour inspector)

It is without doubt that the lack of appropriate domestic labour has a role in the employment of foreigners. We asked whether a situation might occur in the near future, where local workers reevaluate their social security and would not be willing to work irregularly, thereby making employing foreigners necessary. This statement was most disagreed with by the experts.

Table 7. The growth of the living standards results in raising the black employment of foreigners instead of Hungarians

	1-Fully disagree	2	3	4	5-Fully agree	Mean	N	Std. dev.
Control	31,1	46,6	13,6	7,8	1,0	2,01	103	0,92
PSE	28,8	27,1	33,9	6,8	3,4	2,29	118	1,06
Unions	22,2	11,1	55,6	11,1	---	2,56	9	1,01
Employers	17,6	35,3	17,6	23,5	5,9	2,65	17	1,22
Researchers	40,0	26,7	13,3	20,0	---	2,13	15	1,19
Politics	38,5	38,5	15,4	---	7,7	2,00	13	1,15
NGOs	9,1	9,1	36,4	36,4	9,1	3,27	11	1,10
Local gov.	33,3	41,7	8,3	8,3	8,3	2,17	12	1,27
All respondents	29,2	34,2	23,8	9,7	3,0	2,23	298	1,07
Panel	25,6	30,8	21,8	16,7	5,1	2,45	78	1,19

This evaluation is supported by the comments made by respondents:

“The reason is not the standard of living but the too high unemployment benefits, aid and the deficiencies of control.” (head of local community centre)

“There is no positive correlation between the rise in the standard of living and irregular employment of foreigners. On the contrary, a decrease in the standard of living and an increase in the tax burden could cause an increase in irregular labour.” (labour inspector)

“The wealthier the population is, the more it can afford legal labour.” (researcher)

Agreement with the corresponding statement was low in case of the Austrian panel as well, although it was higher than that of the Hungarian. Half of the experts believe that the segment which by its vulnerability is the most dependent on irregular labour will practically disappear. The divergence of opinions is presumably a result of the substantial difference in the level of poverty in the two countries.

Respondents drew our attention to the importance of a couple of other factors, the role of bureaucracy, the difficulties of administration, and the moral aspects.

“Irregular employment gets rid of red-tape, there is no paperwork, wages are paid in cash.” (National Employment Service)

“Irregular employment of foreigners is often due to the difficulties of acquiring the necessary permits.” (American businessman)

“I have met many foreigners who already possessed a work visa but had not received the permit yet. The procedures were time consuming and complicated while the work was already

needed. Therefore they decided not to wait until these procedures are over, which could have taken months. Slow administration is often a reason for irregular employment. Permits are issued for a year, and by the time workers get them, 3 months have already passed. Now they can only work 9 months legally, and taking the seasonal nature of construction and agriculture into consideration, this time can be reduced further.” (labour inspector)

“I find the moral state of the society a decisive factor of irregular employment. Evasion of taxes and rules has become a practice through decades, and this can not be changed from one day to the other.” (local government official)

Some highlighted the geographical and sector-related differences, while others stressed that irregular labour is a multi-sided, complex phenomenon.

“Irregular labour has many influencing factors: the attitude of both the employer and the employee, legal circumstances, social approach, level of the tax burden, or the situation of the labour-market. It is an increasing trend in Hungary, that certain jobs (agriculture, construction, hospitality) are filled by low- or unskilled foreign workers.” (MP, Socialist Party)

Austrian experts agree with their Hungarian counterparts in that deregulation and the involvement of sub-contractors increase the opportunities of irregular labour. It is also a common view that globalization and the increasing competition are drivers as well. On the other hand, they assign less importance to the level of unemployment, prosperity, and like Hungarian experts, to the increase of welfare.

2.3. Effects of irregular foreign labour

2.3.1. Effects on the whole of the economy

Should the effects of irregular foreign labour be summarized in a single indicator, the expert panel would rate it at 2.6 on a scale where ‘one’ is strongly negative and ‘five’ is strongly positive. Almost half of the panel indicated a value of ‘three’, as they either did not find irregular foreign labour substantial, or thought that negative and positive effects are more or less equal.

“Effects complement each other, while the proportion of irregular foreign labour is small compared to the total labour hours of the society.” (VOSZ¹²)

“Employing foreign labour has positive and negative effects: positive are the filling of jobs for which there is insufficient domestic workforce, or which Hungarians are not willing to take on (because of salary levels or work conditions). Negative is that the opportunities are taken from Hungarians.” (NES)

It has to be mentioned that respondents did not reply instantly, but had been familiarized with a number of positive and negative effects and given enough time to think it over.

¹² National Association of Entrepreneurs and Employers

We observed significant differences among different groups of the expert panel. The opinions of governmental and non-governmental groups are close to average, but there is a large spread. Positive or negative assessments are not rare in either of the groups. The latter was more frequently observed at the local governments.

Opinion of the researchers is more homogenous. On average, they gave a mark of 3.1, which is a more positive view of the economic effects of irregular foreign labour. Every seventh indicated a negative, while almost 30 per cent indicated a strictly positive effect. In the overall assessment, insufficient information and uncertainty is apparent:

“A part of the effects is negative, while the other is positive. It can not be summoned in a single measure. We do not know to what extent it is substitute labour or if it ousts Hungarians. The beneficiary is also unknown (macro effect of micro-economic advantages, increased resources for households affecting the national economy). These factors are not known, macro-relations are not measured, therefore the effects, if any, are uncertain.” (Researcher, economist)

Due to their nature, unemployment unions regard the effects much more negatively, rating it at only 2.0. It has to be mentioned that they talk about the negative effects of irregular labour in general, not only in relation to foreigners. The opinion of a MOSZ¹³ representative is a good example:

“Common public charges are passed on to those legally employed, pushing the legal sector into a more difficult position and suppressing legal income levels.”

Employers highlight the distortion of competition among the negative effects, and the substitution of missing labour force among the positive: *“positive in case of the substitution of professions in short supply, negative in case of the distortion of competition.”* (factory CEO)

Table 8. What are the effects of irregular foreign labour on the Hungarian economy in general?

	1 strongly negative	2	3	4	5 strongly positive	Mean	N	Std. dev.
Control	36.7	32.7	30.6			1.9	98	0.82
PSE	39.1	32.2	26.1	2.6		1.9	115	0.87
Unions	10.0	80.0	10.0			2.0	10	0.47
Employers	6.3	37.5	56.3			2.5	16	0.63
Researchers		14.3	57.1	28.6		3.1	14	0.66
Politics	8.3	33.3	33.3	25.0		2.8	12	0.97
NGOs		30.0	60.0	10.0		2.8	10	0.63
Local gov.	41.7	25.0	25.0		8.3	2.1	12	1.24
All respondents	31.0	33.1	31.7	3.8	0.3	2.1	287	0.90
Panel	9.5	33.8	43.2	12.2	1.4	2.6	74	0.87
Austria	17.1	25.7	34.3	20.0	2.9	2.6	35	1.08

¹³ National Confederation of Agricultural Producers and Cooperatives

Many add that their opinion is the same in case of both local and foreign irregular labour.

In Austria, the effects of foreign irregular labour on the economy were regarded as active, like in case of Hungarian experts. The main area of concern was the effect on the budget (state income, social security). The legally employed are also effected adversely, while in case of employers it has both positive and negative effects.

2.3.2. Positive effects

In the questionnaire we listed six possible effects which could be beneficial for the Hungarian economy. Respondents then graded these effects on a one to five scale from not important at all (1) to very important (5). Then we asked them to point out the two most important positive effects.

Seventy percent of the panel chose the filling of unattractive and low-paid positions as one of the two most important effects.

“The Hungarian labour-market can not supply appropriately qualified people who are willing to work, on time. Without foreign labour, economic sectors would loose competitiveness (e.g. agriculture, construction).” (MP, opposition)

Table 9. Most important positive effects of irregular foreign labour (panel)

	1-not important at all	2	3	4	5-very important	Mean	N	Most important	Second most important
Filling unattractive and low-paid positions	5.1	5.1	19.2	37.2	33.3	3.9	78	46.3	25.0
Cheap and flexible labour, thus contributes to the growth of the economy	6.3	22.8	32.9	21.5	16.5	3.2	79	26.3	18.8

Forty-five per cent of the expert panel indicated that it was one of the two most important positive effects, that foreign irregular labour is cheap and flexible, thus contributes to the growth of the economy.

Another three effects were considered to have moderate importance: “It contributes to GDP growth” (average score: 3.0), “It contributes to the development of certain sectors of the economy” (2.9), and “It reduces the price of certain goods and services” (2.7).

Table 10. Less important positive effects of foreign irregular labour (panel)

	1-not important at all	2	3	4	5-very important	Mea n	N	Most importa nt	Second most importa nt
It contributes to the GDP growth	6.3	31.6	30.4	20.3	11.4	3.0	79	5.0	13.8
It contributes to the development of certain sectors of the economy	11.7	28.6	26.0	24.7	9.1	2.9	77	10.0	12.5
It reduces the price of certain goods and services	20.5	28.2	25.6	16.7	9.0	2.7	78	5.0	16.3
It contributes to the reduction of inflation	34.6	30.8	19.2	9.0	6.4	2.2	78	1.3	3.8

There are no significant differences between different expert groups in terms of average scores. Respondents did not assign too much importance (2.2) to the effect that “*it contributes to the reduction of inflation*”.

To summarize, it can be said that respondents from the non-governmental sector, who are directly in touch with foreigners are more considerate and more inclined to highlight the positive macro-economic effects of foreign irregular labour. These effects include the increase of GDP or the decrease of prices and inflation. In theory, the opinion of the experts is the most thorough and impartial. Few of them deny the positive effects, however they attribute less importance to these. Not surprisingly, unions estimate these effects lower than experts. They view irregular foreign labour from a perspective of rivalry, price competition and the labour-market.

It is worth considering, that those belonging to the governmental sector are also most concerned with the labour-market relations of foreign irregular labour, and neglect other aspects. Although these respondents are mainly labour politics specialists, strategic thinking could be expected from them.

2.3.3. Negative effects

Of the ten negative effects mentioned, 80 per cent of the expert panel chose the loss of taxes and other common charges as one of the two most important. This value is only 60 per cent in case of researchers and unions. This was the only negative effect to be classified close to “very important”, with a score of 4.7 on average. Members of both governmental and non-governmental sectors gave 4.8, that is, with a few exceptions they regarded it as very important. Employers and researchers found it “important” (with 3.9 and 4.1 respectively). An explanation of this assessment is that employers and researchers do not regard regular labour as an alternative, rather the irregular employment of locals.

Table 11. Effect of the loss of tax and other common charges

	1-not important at all	2	3	4	5-very important	Mean	N	Most important	Second most important
Control	---	1.0	2.9	19.6	76.5	4.7	102	67.0	11.7
PSE	0.8	0.8	4.2	10.8	83.3	4.8	120	73.6	10.7
Unions	---	---	10.0	10.0	80.0	4.7	10	90.0	---
Employers	11.1	11.1	11.1	5.6	61.1	3.9	18	33.3	16.7
Researchers	---	13.3	13.3	20.0	53.3	4.1	15	53.3	6.7
Politics	---	---	7.7	---	92.3	4.8	13	69.2	15.4
NGOs	---	---	9.1	9.1	81.8	4.7	11	72.7	9.1
Local gov.	---	---	---	---	100.0	5.0	12	91.7	---
All respondents	1.0	2.0	5.0	13.0	79.1	4.7	301	69.0	10.6
Panel	1.3	3.8	8.8	8.8	77.5	4.6	80	68.8	8.8

A third of the expert panel indicated the distortion of competition as one of the two most important effects of irregular foreign labour, which leads to unjust advantages for employers. Putting a burden on the social security and increasing tolerance of unlawful behaviour were found to be among the most important effects by 25 percent.

Researchers are the most frequent to highlight the problem of distorting competition and increasing tolerance of unlawful behaviour.

Besides the aforementioned effects, “bad working conditions” are also among the effects found important by respondents, with averages between 3.6 and 4.1). This statement was also indicated as one of the two most important by every fifth of union representatives, primarily from the employee side.

Table 12. Important negative effects of foreign irregular labour

	1-not important at all	2	3	4	5-very important	Mean	N	Most	Second most
								important	
Distortion of competition (unlawful advantage for those employing irregularly)	1.3	5.0	20.0	28.8	45.0	4.1	80	7.5	25.0
Burden for the social insurance	10.0	22.5	11.3	13.8	42.5	3.6	80	3.8	22.5
Increases tolerance of unlawful behaviour	2.5	2.5	25.0	40.0	30.0	3.9	80	7.5	15.0
Bad working conditions	2.5	2.5	38.8	25.0	31.3	3.8	80	1.3	7.5

Of the above four effects, only the one about social insurance resulted in disagreements among different expert groups. Similarly to the statement about the loss of tax- and other employment-related charges, it was considered less important by researchers (average: 2.9), while unions rated it somewhat higher (average: 3.5). The standpoint of researchers is explained by the fact that foreign irregular workers are not entitled to treatment or care, therefore do not represent a cost for the social insurance.

It is important to highlight that four of the “important” and “very important” negative effects relate to irregular labour in general, without considering the nationality of the employee. Only one relates directly to foreigners, namely that it conserves bad working conditions, and puts off improvements by supplying workers willing to fill such jobs.

Other statements closely related to the irregular labour of foreigners ranked among the “average importance” group (with averages between 2.9 and 3.3).

Table 13. Less important negative effects

	1-not important at all	2	3	4	5-very important	Mean	N	Most	Second most
								important	
Increases corruption	8.8	21.3	23.8	26.3	20.0	3.3	80	3.8	6.3
Contributes to increase of ethnic discrimination	7.6	16.5	36.7	22.8	16.5	3.2	78	---	3.8
Increases labour market discrimination	8.8	15.0	41.3	20.0	15.0	3.2	80	---	---
Increases unemployment of Hungarians	8.8	31.3	26.3	20.0	13.8	3.0	80	3.8	2.5
Contributes to increase of criminality	8.8	28.8	40.0	10.0	12.5	2.9	80	1.3	2.5

We have found hardly any differences in the answers of expert groups, the opinion of researchers is, however, different. They are less concerned about foreign irregular labour increasing unemployment among Hungarians (average: 2.5) or that it contributes to the increase of crime (average 2.4). On the other hand, they find it important that it increases corruption, with an average of 3.5 this is among the important negative effects.

Czech experts also expressed their opinion on the major positive and negative effects of foreign irregular labour. Their views generally match those of their Hungarian counterparts. The two most frequently occurring positive effects are the same, the “filling of under-paid and less attractive jobs” and that “cheap and flexible labour contributes to the growth of the economy”. Similar to Hungarian experts, Czech experts indicated that the most important negative effect was tax-evasion. Bad working conditions took second place, which was ranked in the middle by Hungarians.

3. Foreign or Domestic Irregular Labour?

Nearly half of the expert panel think that the *character and quality* of irregular labour shows no difference whether it is done by foreigners or Hungarians (over a third believes neither of the two). They see a little more difference in working conditions. It is worth mentioning, that this is not a new opinion: the differences in the type of the work were judged almost exactly the same way by experts seven years ago.

Concerning the character of work researchers presumed bigger, concerning the working conditions employers presumed smaller difference than the other expert groups.

Table 14. Is there any difference between foreign and Hungarian irregular labour?

	not different (1)	slightly different (2)	essentially different (3)	Mean	N
	Distribution of answers (%)				
Type of work	48.7	29.5	21.8	1.7	78
Conditions of work	36.4	42.9	20.8	1.8	77
Quality of work	52.6	32.1	15.4	1.6	78
Type of work (2000*)	47.2	30.9	21.9	1.7	178

Three-quarters of the respondents believe foreign irregular labour to have *advantages* compared to Hungarian. Employers and the local governments believe it less to be so.

The *most important* advantage, according to the majority of the expert panel, is the lower salary level. Another third thinks that foreign labour is what is available (there are no Hungarian workers).

Table 15. Advantages of foreign irregular labour (%)

	most important	one of the two most important	Considered as an advantage in 1999
	advantage(s)		
There's no Hungarian labour	34.4	42.6	8.0
Lower salaries	52.5	70.5	41.1
They're more undemanding towards working-conditions	9.8	49.2	37.9
The supply is more flexible	2.5	32.8	9.5
	N=61		

3.1. The Reasons For Irregular Employment of Foreigners

In connection with the reasons for irregular employment, we first had ten factors evaluated. The factors represented the economic and social environment, regulations and control. The factors had to be judged by the role they play in irregular employment of foreigners. We also asked which one is the most important.

There is no general agreement concerning the most important cause of foreign irregular labour. A fifth of the experts believe that the black work in general is widespread and widely accepted.

Another fifth blames the weakness of internal mobility. Fifteen per cent reckon that the reasons are the high charges on labour and that the sanctioning is not strict enough. The rest of the answers spread between the other factors showing the variety of the opinions, the lack of consensus and the uncertainty in evaluation.

Table 16. Reasons for the irregular employment of foreigners in general

	The role of factors (distribution of answers, %)					Mean	Considers as most important (%)
	1-no role at all	2	3	4	5-very important role		
Taxes and charges on labour are higher than in other countries in the region	2.5	7.6	21.5	30.4	38.0	3.9	15
black work in general is widespread and widely accepted	2.5	6.3	30.0	33.8	27.5	3.8	20
Internal labour mobility is rather weak	2.5	7.6	29.1	27.8	32.9	3.8	19
Issuing permits is slow and difficult	3.8	12.5	26.3	27.5	30.0	3.7	8
The regulation of seasonal and occasional work of foreigners is ineffective	7.5	12.5	26.3	30.0	23.8	3.5	5
Regulation and sanctioning is not strict enough	15.2	13.9	19.0	26.6	25.3	3.3	14
Control is weak	12.5	12.5	31.3	23.8	20.0	3.3	3
Entering Hungary is too easy (as a tourist)	16.5	11.4	20.3	29.1	22.8	3.3	7
Recovery of fines is not appropriate	12.5	17.5	26.3	31.3	12.5	3.1	8
Getting the permits often requires bribing	29.9	26.0	32.5	6.5	5.2	2.3	1

Based on the mean of the answers (average around four) besides the high taxes and other costs on labour, the general acceptance of irregular labour and the lack of internal mobility the slow and complicated procedure of getting the necessary permits also play a considerable role in the irregular employment of foreigners.

The three statements on the problems of control and sanctioning have been listed among the moderately important factors by the respondents in the panel. They also indicated that it is easy to enter the country (as a tourist).

Members of the National Employment Service (NES), representatives of trade unions and local governments attach greater importance to the questions of sanctioning and control than other experts. Controlling bodies understandably, blame the weak control less (the average is only 2.3) but they do not feel that the sanctions are not harsh enough (average 2.5).

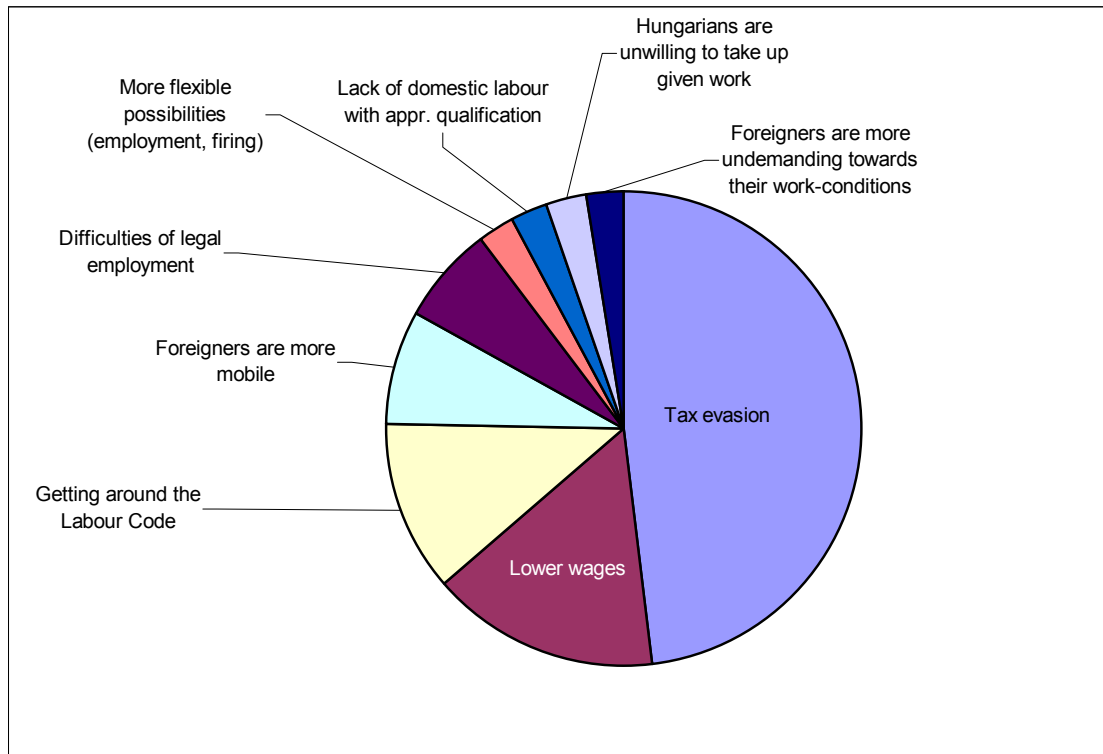
The respondents only give a minor role to corruption, namely „to get the permit, you often need bribery.” The average of the expert panel is 2.3.

3.1.1. The motives of employers

The experts evaluate the motives of employers more unified. Nearly half of the expert panel believes that employers use foreign irregular labour primarily in order to avoid taxation and labour costs, while according to 15 per cent to the reason is the lower salary. Somewhat less

suggest that this gives opportunity to get around the labour regulations (e.g. on working hours or overtime).

Figure 1 *The main reason for employing foreigners irregularly (panel)*



Avoidance of taxes and charges on salaries and wages is considered by the respondents to be the most important reason. Members of the expert panel evaluated it 4.4 on average. A higher mark 4.7 was given by the labour inspectors, by the NES staff, and even by representatives of unions and local governments.

The next four statements are connected to the exploitation of foreign labour: lower wages, more flexible possibilities (taking up employment, firing) that it is easier to get around the labour regulations and that they are not demanding of better working conditions. The averages are between 3.8 and 4.2. The answers of the various groups of experts do not show any significant difference in these questions.

Experts evaluate the administrative difficulties of regular employment a little less important. Researchers and non-governmental parties evaluate this a little higher (average is 3.9 and 4.0). Its role is only adjudged a lot lower in the governmental sector (average 3.3).

Table 17. The main reason for employing foreigners irregularly

	Distribution of answers (%)					Mean	Considers as most important (%)
	1-no role at all	2	3	4	5-very important role		
Legal employment is expensive (tax-evasion)	2.5	3.8	7.5	23.8	62.5	4.4	48
Foreigners work cheaper	3.8	1.3	10.0	40.0	45.0	4.2	16
More flexible possibilities (taking up employment, firing)	---	2.5	16.5	39.2	41.8	4.2	3
Avoiding the rules laid down in the Labour Code (overtime)	2.5	8.8	17.5	38.8	32.5	3.9	12
Foreigners are more undemanding towards their work-conditions	2.5	3.8	29.1	40.5	24.1	3.8	3
Administrative difficulties of legal employment	3.8	11.3	23.8	36.3	25.0	3.7	6
Foreigners are more mobile, the supply is more flexible	5.0	11.3	30.0	33.8	20.0	3.5	8
Hungarians are unwilling to take up given work	6.3	16.3	21.3	36.3	20.0	3.5	3
They're doing more decent work, are trustworthy	8.9	16.5	40.5	27.8	6.3	3.1	0
There's no domestic labour with appropriate qualification	16.3	28.8	27.5	16.3	11.3	2.8	3

Members of the expert panel evaluated the importance of the statement “foreign labour is more mobile, the supply is more flexible” to be 3.5 in average. Researchers found this more important, in fact one of the most important factors (average 4.1).

Only few (less than 10%) gave little importance to that foreigners “are doing more decent work and are trustworthy” (average is 3.1). At this point there is a significant gap between the opinions of the different groups of experts: representatives of unions and the governmental sector consider it less important as opposed to the non-governmentals and the researchers.

According to the experts, the most important factor behind the lack of native workers is that “Hungarians are unwilling to take up given work”(average 3.5). They also ascribe a mediocre importance to the lack of workers with appropriate qualification (average: 2.8).

It is worth to take a look at how employers see their own motives.

The representatives of interest groups of employers graded the importance of the given factors similarly to the expert panel. However, they gave more importance to the role of avoidance of taxation and payroll costs, and to the lower wages (average 4.7) as well as the role of the administrative difficulties (average 4.1). Less importance was given to that Hungarians are unwilling to take up given work (average 3.0).

The opinion of entrepreneurs is very different to both the employers’ organizations and the panel. They barely gave more than average importance to tax evasion (average 3.4) and even less to the lower wages (average 2.7). Similarly, a lot smaller importance than the panel average was given to “foreigners are more undemanding towards their work-conditions”, and that in their case it could be easier to get around the labour regulations.

They gave an important role to the more mobile and flexible supplies, to that Hungarians are unwilling to take up a given work (average 3.9) and to the administrative difficulties. They

considered more important the lack of workers with appropriate qualifications than the average of the panel (average 3.4).

3.1.2. Motives of the employees

The most frequently highlighted reason for foreign workers is the 'bad conditions at home' (34% of the panel believes this is the most important reason, the average grade is 4.1). It is followed by the better wages and the complicated and long bureaucratic procedure necessary for regular employment. Many had pointed this out as the most important reason, along the fact that they can earn more, and that otherwise foreigners can not find a job at all.

Figure 2 Reasons of workers

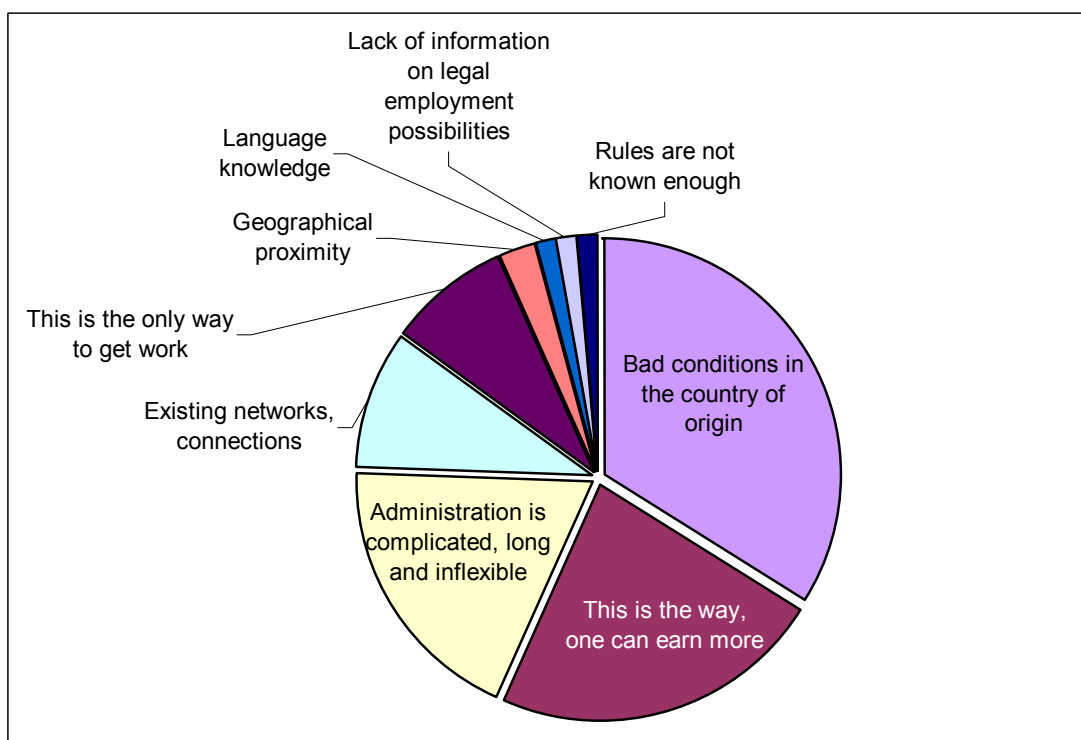


Table 18. Reasons for irregular employment of foreigners from the employees side

	Distribution of answers (%)					Mean	Considers as most important (%)
	1-no role at all	2	3	4	5-very important role		
Bad conditions in the country of origin	1.3	5.1	16.5	32.9	44.3	4.1	34
The administration is complicated, long and inflexible	1.3	12.7	25.3	29.1	31.6	3.8	19
This is the only way to get work	1.3	8.9	31.6	32.9	25.3	3.7	8
This is the way, one can earn more	2.6	11.7	24.7	35.1	26.0	3.7	23
Geographical proximity	2.5	16.5	27.8	34.2	19.0	3.5	3
Existing networks, connections	7.6	7.6	34.2	38.0	12.7	3.4	9
Language knowledge	8.9	20.3	25.3	27.8	17.7	3.3	1
There's not enough information on possibilities of legal employment	7.6	21.5	31.6	26.6	12.7	3.2	1
The rules are not known enough	7.8	20.8	41.6	20.8	9.1	3.0	1

Reasons slightly more important than average are: Geographical proximity, language knowledge, and the existing networks, connections.

The situation in Austria is rather similar. There is a common understanding in that the two most important reasons for the employers are the savings on taxation and lower wages. Eighty-five per cent of both the Hungarian and the Austrian panel considered it to be important. The following factors in order of importance are: the more flexible possibilities, the administrative difficulties of legal employment, and the lack of appropriate domestic labour. The only difference in the order is that Austrians give less importance to the more flexible possibilities of the entrepreneurs.

Table 19. Reasons for irregular employment of foreigners from the employers side

	Austria**	Hungary*
Legal employment is expensive (tax-evasion)	85.3	86.3
Foreigners work cheaper	85.7	85.0
More flexible possibilities (taking up employment, firing)	45.5	81.0
Administrative difficulties of legal employment	48.6	61.3
Nationals are unwilling to take up given work	68.8	56.3

*proportion of answers "plays an important role"

**proportion of those who agree with the statement

3.2. Types of Irregular Employment of Foreigners

There are numerous forms of irregular employment of foreigners. They differ from each other primarily in the scale of irregularity. The organizational form might also be different. A further aspect is whether they are working completely irregularly, without any permit and registration, or the permit is appropriate, but they are not following other labour regulations (working hours, working conditions).

Based on the interviews and the experiences from the other two countries, we listed 16 possible forms of irregular employment. The respondents were asked to judge how frequent these are, and to select the three most typical forms.

According to the expert panel, working without any permits or registration is the most frequent (37% of them indicated this as the most frequent form). A typical statement:

“In the irregular employment of foreigners – according to my experiences – they do not only break or follow, ‘single rules’ but most often they do not follow any regulation at all.” (labour inspector)

One-fifth states that registering at a lower wage than actually paid is the most typical form, while another 15 per cent thinks that employment without a work permit. Getting around the Labour Code is also considered to be important but no one thinks this to be the most frequent type.

The respondents believe that the above irregularities are widespread (the average is 4.0-4.1).

“The most typical is that there is no permit, therefore the employer does not fulfil any other obligations either (e.g. written work contract, registration, paying taxes and social costs etc. A common deficiency is that the foreigner who has a permit is employed in another county. The sanction in this case is the same as for fully illegal employment. I do not agree with this because this employer went through the procedures to get the permit, while others employ workers fully illegally. I totally agree with sanctioning, just not at the same weight.” (Regional Labour Inspectorate)

Table 20. Common types of irregular employment of foreigners (in order of incidence)

	Grading of frequency* (Mean)	Considered as most characteristic (% of resp.)	Second	Third
			most characteristic (% of resp.)	
Avoiding the laws regulating employment (Labour Code)/ without contract, overtime, longer shifts than permitted	4.1	9.3	20.3	25.4
Fully irregular employment (without any announcement or permission)	4.1	37.3	2.7	5.6
Announcing with less pay than the actual or on minimal wages (the rests paid “into pockets”)	4.1	20.0	12.2	11.3
Violating the rules regulating foreign employment (without work permit)	4.0	14.7	23.0	2.8
Not paying social contribution	4.1	10.7	17.6	9.9
Working longer than declared	3.7	2.7	8.1	8.5
Not announcing to the tax authority	3.8	---	5.4	7.0
Trading/vending without permit	3.6	2.7	2.7	5.6

*1- very rare, 5- very frequent

Compared to the others, respondents working in control think that fully irregular employment is more typical: two-thirds of them said that this is the most common type (while only a little more than a third of the panel agreed with this).

“Extremities are the most typical, irregularly employed are working fully illegally or without a permit.” (Labour Inspectorate)

Circumvention of the Labour Code is considered to be more frequent by experts of trade unions and NGOs (90% and 75% of them, while approximately half of the panel mentioned this among the three most important forms).

Many think that working longer than declared is rather common, however no one believes that this is the most frequent irregularity. One out of ten mentioned among the three most important forms “trading/vending without a permit” (mean of grades: 3.6). Other listed types of foreign irregular labour were only mentioned in the top three by one expert each.

Table 21. Less frequent types of foreign irregular labour

	Frequency* (Mean)	Considered as most characteristic (% of resp.)	Second	Third
			most characteristic (% of resp.)	
Enterprising in another area or branch than registered to	2.6	---	2.7	5.6
Declaring part-time work instead of fulltime	3.2	1.3	2.7	2.8
Pseudo self-employment (freelance work without valid work or residence permit)	3.2	1.3	1.4	2.8
Having second (irregular) job beside the permitted	2.8	---	---	4.2
Informal labour leasing	2.7	---	---	4.2
Pseudo enterprises	3.1	---	1.4	1.4
With permit but in an inappropriate way (the working place, settlement or activity is different than in the permit)	3.0	---	---	1.4
With possession of work permit but without visa or residence permit (lapsed visa)	2.8	---	---	1.4

The opinion of expert groups on irregularities that occur less frequently than average is quite similar. However, concerning three statements some differences are worth mentioning.

Pseudo enterprises are less common in the view of those involved in direct control and unions (average 2.7). Politicians, NGOs and local governments find it more frequent (average 3.4-3.6).

“Pseudo enterprises are common, when there are 17 traders registered in a flat in Budapest, or when all the foreign vendors of small companies are managers.” (journalist)

Non-governmental actors find working with a permit but not according to its conditions (not at the appropriate workplace, location, scope of activities), more typical than other groups. The irregular secondary employment of those who have permits pull the attention of the inspectors the least (average 2.0), the average is a lot higher within the government sector (3.4).

“Those workers who have permits take on irregular work in their free time hoping for a higher income.” (NES)

Primarily in the field of agriculture and construction typical that foreigners start working while their application for work permit is still subject to consideration. As it is said:

“Once [the worker] here, he won’t be sitting still”, „tomatoes will not wait for the permit before they rot”.

“Once foreigners have the visa but have not yet got the permit, they are already working. As a reason they name the slowness of the procedure.” (labour inspector)

Experts also describe ‘pragmatic solutions’:

“Work permits can be acquired for those having special skills or knowledge. Therefore employers name skills that are not really necessary for the work. Or just in the contrary, as they want to declare only minimal wage, qualification requirements are not listed because this would couple with higher salaries.” (NES)

“They arrange the work permit but don’t report the employment to the respective authorities thus avoiding taxation.” (labour inspector)

The questionnaire did not cover problems related to work contract. However it would deserve more attention, even in case of regular formal employment. This is illustrated very well by the comment of an employment agent from Romania:

“They do not take the existence of the work contract seriously. Usually they only have it done subsequently. What they agree on – written or orally – at the start of the employment is not taken seriously, usually it’s not kept.”

Some draw attention to the differences in the forms of irregularities, according to the different types of works.

Austrian and Czech experts also highlighted many common forms of irregular employment of foreigners.

In the Czech Republic, most of the respondents shared the opinion that foreign irregular labour is most typically carried out through employment agents called the “client system” (in many ways this is unique but some segments are similar to the Hungarian system of subcontracting). Staying in the country is to some extent legal (there is a tourist visa, or visa is not required) but the employment is fully irregular, without registration and permits.

In Austria, breaking the rules on employing foreigners is mentioned most frequently, followed by non-registration at social insurance and tax institutions, and breaking general labour rules, (Labour Code). This is the situation in most of the branches except tourism, where registering on a minimum wage is the dominant. Pseudo self-employment is typical in construction, while in agriculture working longer than registered.

3.3. Recruitment and Networks

In recruitment informal channels play primary role. The way of recruitment through networks of families and friends where if just one person is called he/she will bring the rest is considered most important (average 4.5). It was mentioned among the three most important forms by 80 per cent of the respondents. Further 30 per cent emphasized the role of people working already there as a mediator.

“This works out fine in the countryside. In small villages people all know each other, if there is a possibility to work, they tell the others.”

“Whole families work for the same employer.”

“The ones already working here are recommending their family and acquaintances.”

“The use of the informal network is typical, even by the recruiters.”

Today, employing foreigners in Hungary has a tradition. Thus it is not surprising that previous relationships between employer and employee play a great role in mediation. This was picked by one-third in the first place and 60 per cent believe this is one of the most important mechanisms.

A third of the expert panel considers the “previous connections, set out by the family members working in Hungary before” to be an important, but by far not the most important mediation mechanism.

The role of recruiters, mediators are almost as important. Somewhat more important are the Hungarian ones than foreigners. Nearly a quarter of the panel thought that this is the most important way for getting a job. It is remarkable that the role of recruitment agencies has risen in the past years (in 2000 only 15% thought that this was the most important).

It is rather new phenomenon that foreign entrepreneurs settled in Hungary recruit workers based on the connections at home. This seems to be an important method, but respondents do not give a primary role to it (only one person mentioned it in the first place, the average is 3.4). However some think that *“most of these firms only exist on paper”* or that *“this is typical only in case of citizens of far-eastern countries”*.

Table 22. Main forms of recruitment

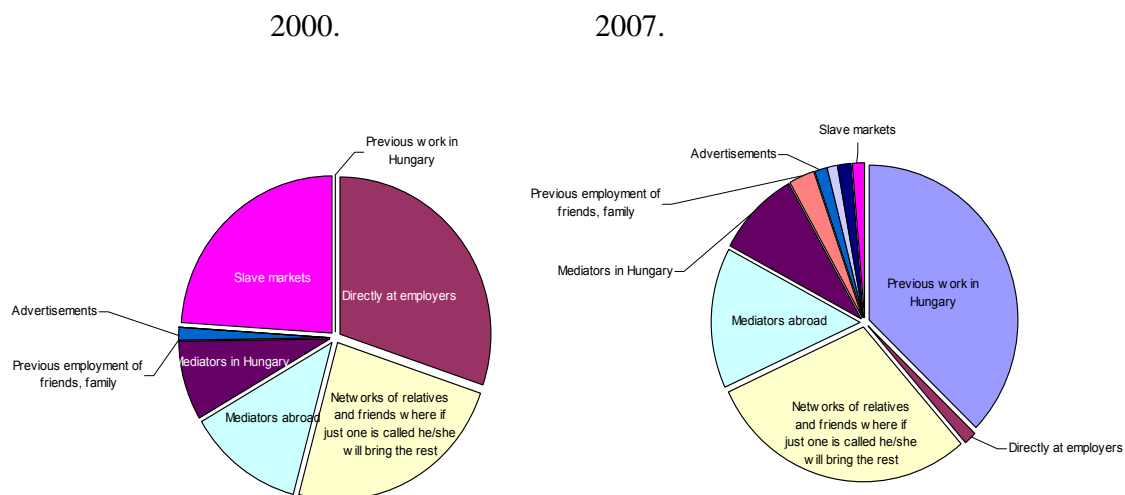
	Importance* Mean	Considers as most characteristic (%)		Considers as one of the three most characteristic (%)
		2007	2000	
Networks of relatives and friends where if just one person is called he/she will bring the rest (employees organize between themselves)	4.5	29.3	18.8	80
Earlier work in Hungary	4.2	37.3	0	60
Previous work of family, friends	3.8	2.7	0	33.3
Through couple of people working officially there and bring the others	3.8	1.3	...	28
Through mediators, recruiters in Hungary	3.7	9.3	6.4	25.3
Through mediators, recruiters abroad	3.4	14.7	9.9	24
Compatriots running businesses in Hungary	3.4	1.3	...	14.7
On „slave markets”	3.1	1.3	18.8	13.3
Foreigners offer themselves at the employers	2.9	1.3	23.8	8
Through advertisements at home	2.8	1.3	1**	4
Through advertisements in Hungary	2.7	0	...	1.3
Through temporary employment agencies	2.4	0	...	2.7
Connections between municipalities in Hungary and sending countries	2.1	0	...	2.7

*1- not important at all, 5- very important

**Advertisements at home and in Hungary together

The role of ‘slave markets’ decreased, what is reflected by the answers. In 2000 almost 20 per cent of experts believed that is the most important form, while today there was only one respondent. However, a quarter of the respondents working in control still mentioned it among the three most important forms.

Figure 3 How do foreigners find (irregular) work in Hungary?



Unlike stereotypes the role of ‘slave markets’ is considerable only in given areas: in bigger towns, in case of unqualified jobs, mostly in manual work in construction (e.g. Budapest, Moszkva Square), although, even that is already more of a ‘legend’.

Similarly, a moderately important form today is that foreigners offer themselves directly for a job (in 2000 this was considered to be the most common way). There is no difference in the evaluation of this, neither between the different groups of respondents nor the ones living in different regions of the country.

Slightly less important is the role of advertising both in Hungary and abroad. This is not surprising, taking into account that advertising is public and regularized by law, thus it is not the best forum for communicating irregular activities.

In Austria, similarly to Hungary, foreigners get irregular jobs most often through family connections. While the second most important channel in Hungary is the previous employment, in Austria, professional agencies play an equally important role. The importance of given channels in the two countries are presented in the following table.

Table 23. Main forms of recruitment in Austria and Hungary*

	Austria	Hungary
Family, friends	4.5	4.6
Employment agencies	4.0	3.8
Previous employments	4.0	4.3
Advertisements	2.8	2.6
Direct connections with the employer	2.3	2.8

*Mean of grades, where 1-not important at all, 5-very important (without the neutral and “don’t know” answers)

4. Social characteristics of workers

4.1. Composition by citizenship and nationality

The vast majority (according to the answers, almost 90%) of foreign irregular workers are coming from neighbouring countries. More than half of them come from Romania, 16 per cent from the Ukraine, eight to nine per cent from Slovakia and the former-Yugoslavia. Besides them only Chinese are regarded as considerable group (8%).

Table 24. Foreign irregular workers by citizenship and nationality (%)

		Citizenship		Of which Hungarian
Transylvanian Hungarians	38			
Transylvanian Romanians	12	RO	55	69
Romanian Gypsies	5			
Transcarpathian Hungarians	12	UA	18	64
Ukrainians	6			
Hungarians from SK	6	SK	8	72
Slovaks	2			
Hungarians from Ex-Yugoslavia	4	YU	6	73
Non-Hungarians from Ex-Yugoslavia	2			
Chinese	8		8	
Other	5		5	
Together	100		100	59

According to the answers, almost 60 per cent of the foreign irregular workers are ethnic Hungarians. Their proportion is higher amongst those coming from Slovakia (75%). Only slightly lower amongst workers from the former-Yugoslavia (72%). However, the proportion of irregular workers coming from these two areas is relatively low (9-10%). The proportion of ethnic Hungarians from Romania and the Ukraine is similar (69-68%).

The composition by ethnicity or citizenship of irregular foreign workers in Hungary shows no similarity to either the Czech or the Austrian pattern. In Austria experts name Poland most frequently, followed by the Former Yugoslavia, Slovakia, Hungary, the Czech Republic, Turkey and Romania as sending countries. In the Czech Republic – besides Slovaks, who can be employed with the same conditions as the Czechs – the following countries were named (in order of importance): Ukraine, Vietnam, Moldavia, and Russia.

4.2. Qualification

4.2.1. Qualification required for the given work

According to the opinion of the vast majority (82%) of the respondents, foreign irregular workers are hired for jobs that do not require any special qualifications.

The required qualification varies from sector to sector: the highest is in the industry (more than two-thirds of the respondents believe that workers are employed in jobs where qualification is needed). Qualification is required in catering as well. Unskilled labour is the most frequent in agriculture and household works (according to 90% of experts). Almost two-thirds believe it to be dominant in the construction industry as well.

Many did not answer this question because they believe that the demand varies within sectors, and also because “usually people take on more tasks at a time” (employment agent in Romania) and employers often looking for open minded, flexible people who “are able to learn here” (farmer). “Many cases qualification is not the most important requirement but skills (e.g. in agriculture) that are missing from Hungarian workers” (labour inspector) or as it has been told by another inspector:

“Usually those who are looking for irregular workers are not particularly interested in qualifications. The important thing is whether the candidate can accomplish the given task. There are instances where the unqualified foreigner does a better job than the qualified Hungarian.”

Table 25. Jobs done illegally by foreigners

Panel	not requiring	requiring
	professional qualification	
Construction	62.5	37.5
Agriculture	91.7	8.3
Catering, entertainment	45.1	54.9
Industry	31.0	69.0
Trade, vending	72.1	27.9
Households (care)	59.4	40.6
Households (cleaning, repair)	88.6	11.4
Total	82.4	17.6

The remarks indicate that the need for unqualified labour is not particularly connected to foreign irregular work. It is rather considered typical for black work in general. Experts believe that in jobs where a higher qualification is needed, neither side is willing to risk illegal employment.

“Those who are qualified higher have more chance to find a job. They are waiting patiently for legal permissions; the higher income that follows is pushes qualified labour towards legal employment. They are not taking risks.” (labour inspector)

4.2.2. The actual qualification of workers

According to most experts, foreigners take on jobs appropriate for their qualification. Only four per cent said that their qualification is higher than required. On the other hand almost 20 per cent said that they are underqualified.

Table 26. Is the effective qualification adequate to the work done?

	lower	appropriate	higher
Construction	22.4	62.7	14.9
Agriculture	31.3	59.7	9.0
Catering, entertainment	21.9	70.3	7.8
Industry	18.8	67.2	14.1
Trade, vending	30.0	61.7	8.3
Households (care)	27.9	55.7	16.4
Households (cleaning, repair)	20.3	65.6	14.1
All branches	18.8	77.1	4.2

The role of prejudice is apparent from the answers. This is shown by the similarity of opinions, even when it is about jobs that do not require qualification.

Table 27. Actual qualifications according to the required

Qualification requirement	Qualification (%)			Total
	lower	appropriate	higher	
not requiring professional qualification	18.4	76.3	5.3	100.0
requiring professional qualification	25.0	75.0	---	100.0
Together	19.6	76.1	4.3	100.0

The above data seem to be in contradiction with the respondents' opinion on an other question, namely that the majority agreed that "foreigners are formally hired at jobs requiring lower qualifications but their actual qualifications are utilised" (almost 60% agreed, 8% not).

The effective qualification is considered appropriate by 60 to 70 per cent in each branch.

The reason for lower qualification is seen by many in that „qualified workers rarely take on jobs in Hungary”, “the majority of highly qualified labour goes more to the west” but they also note, that “in construction it is typical that jobs that need skills are done by qualified labour”.

The changes of the past few years are characterised by a company executive as follows:

“While back in the days they came with higher qualifications doing jobs which require lower qualification, now the qualification composition is significantly weaker”.

In Austria, the answers spread both with respect to the need for qualification and to actual qualification. There was an agreement that the jobs done by foreigners do usually not require qualification, also, that irregular workers from the new EU member states are more qualified than others. It also worth mentioning that Austrian experts state that considering all irregular workers the qualification requirements of the jobs are lower in almost all branches than in Hungary. The situation is just the opposite in case of workers from East-European EU member states.

Table 28. Qualification requirements of irregular labour (% of unqualified work)

	Hungary	Austria (from all countries)	Austria (from EU-8)
Construction	62.5	87.0	48.0
Agriculture	91.7	95.7	87.0
Catering, entertainment	45.1	69.2	37.5
Industry	31.0	63.6	41.7
Households (care)	59.4	54.2	42.3
Households (cleaning, repair)	88.6	100.0	100.0

The effective qualification compared to the required is higher in Hungary than in Austria, but it does not differ in the case of EU-8 workers.

Table 29. The effective qualification of irregular workers

	lower	appropriate	higher
	Hungary		
Construction	22.4	62.7	14.9
Agriculture	31.3	59.7	9.0
Catering, entertainment	21.9	70.3	7.8
Industry	18.8	67.2	14.1
Households (care)	27.9	55.7	16.4
Households (cleaning, repair)	20.3	65.6	14.1
	Austria (all)		
Construction	73.7	26.3	0.0
Agriculture	77.8	22.2	0.0
Catering, entertainment	54.5	31.8	13.6
Industry	42.9	52.4	4.8
Households (care)	43.5	43.5	13.0
Households (cleaning, repair)	89.5	10.5	0.0
	Austria (from EU-8)		
Construction	27.3	68.2	4.5
Agriculture	60.0	35.0	5.0
Catering, entertainment	21.1	78.9	0.0
Industry	21.7	65.2	13.0
Households (care)	29.2	50.0	20.8
Households (cleaning, repair)	78.9	21.1	0.0

5. Assessment of the volume and trends of foreign irregular labour

Several questions were asked on the volume of irregular labour. These questions can be controlled by each other, and part of them is comparable with the results of the research in 2000. In some cases the answers were contradictory or completely or partially missing. All the above reasons call for caution in the evaluation of the results. In order to avoid mistakes the answers of those where contradictions were experienced were left out as well as the extreme values.

5.1. The proportion of irregular labour

The irregular work is estimated to be around 25 to 30 per cent within the national economy by respondents (the average of the full sample is 30%; average of the panel is 27%). This means that, considering the total number of employed, around a million people work irregularly. Foreign irregular labour is estimated by experts to be around 15 to 20 per cent of all irregular labour.

Based on the above the number of foreigners working irregularly in Hungary might be around 150,000 to 200,000.

5.2. The number of foreigners working black

Experts were asked also directly of the number of foreign irregular workers. The answers spread in a wide range. Thirty per cent estimated the number to be below 20,000, another 30 per cent to be above 100,000. A similarly large deviation can be seen within the members of the panel (30% believed that their number is less than 50,000, while 30% that it is 150,000 or more), however, they tend to put the number of foreign irregular workers higher. The average of the estimation of the panel is 115,000 while of the whole sample is 80,000¹⁴).

It is to be noted that the border guards and labour inspectors, who are meant to expose irregular labour and meet foreigners during their everyday work, estimated the number of irregular foreign workers to be much lower, only 53,000.

In light of the fact that it is often claimed by union representatives that foreigners take away jobs from Hungarians and push down wages, it is rather surprising that they count with the presence of even less illegally working foreigners.

Taking into consideration that many foreigners only take on work in Hungary seasonally or occasionally, it was also asked, what the numbers would be if translated into full-time employment. This way, the estimations were 20 to 40 per cent lower.

Although the answers concerning the number and proportion of irregular workers spread over wide range, barely any difference can be found between the rate of irregular labour in the national economy and the rate of foreign irregular labour to all foreign labour.

¹⁴ To avoid extremes (that often rise from mistakes in filling out the questionnaire or misunderstanding some questions) we have left out the highest and lowest 5% from the analysis.

5.3. Employment by sectors

Based on the responses the opinion that foreign irregular labour roots in the Hungarian situation as a whole and the real problem is black work of nationals seems to be proven right again.

“In case the black employment of Hungarians ends, this will not be typical any more for foreigners either.” (NES)

Table 30. How characteristic is irregular labour in general, that of foreigners’ and the legal employment of foreigners? (Means of answers of the expert panel)

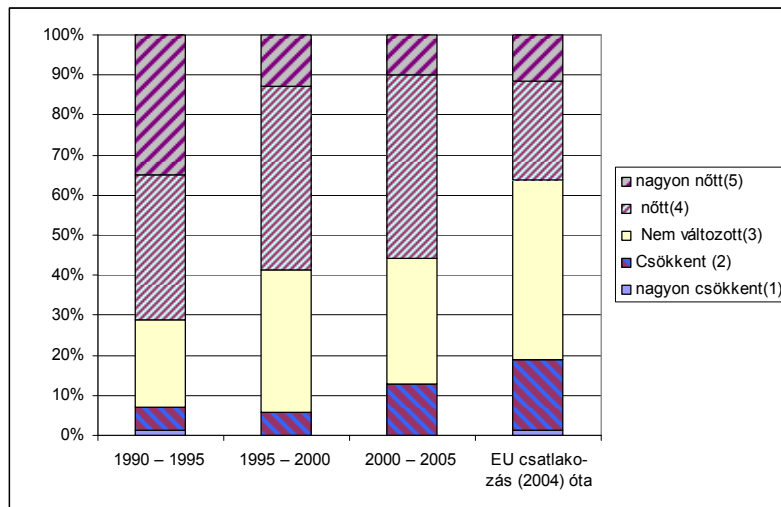
	irregular labour		legal employment of foreigners
	in general	of foreigners	
Construction	4,4	4,3	2,4
Agriculture	4,2	4,0	2,1
Catering, entertainment	3,4	3,0	2,5
Industry	2,6	2,4	2,8
Textile industry	2,6	2,5	2,6
Other industries	2,8	2,7	2,4
Trade, vending	3,4	3,1	2,3
Households (care)	3,6	3,2	2,1
Households (cleaning, repair)	3,8	3,4	2,1
Other	2,3	2,0	2,3

Foreign irregular labour, just as Hungarian, was considered most typical in construction. Half of the respondents in the panel thought it to be very typical, only three experts said that was not typical. On a five-grade scale (1- not typical at all, 5-very typical) the average of the answers was 4.3. Foreign labour in agriculture is slightly less frequent (average: 4.0). Eighty per cent believes it to be typical, however, compared to the construction, less regard it as “very typical”. Foreign irregular labour is relatively widespread in households, in trade and catering. It should be highlighted that domestic irregular labour is considered more typical than that of foreigners’ (at least experts gave higher marks).

5.4. Changes in the past 15 years

The change in the volume of foreign irregular labour was also described by the respondents with the help of a five-grade scale. Panel experts had the opinion that the examined period as a whole can be described by increasing foreign irregular labour. However, they believe the rate of growth to be decreasing.

Figure 4 Trends of foreign irregular labour in the past 15 years



Respondents indicated a solid growth in the period 1990-1995: the mean of the answers was 4.0 (71% said that irregular labour increased and only 7% said that decreased). The changes in the second half of the decade were valued at 3.7 on average. Compared to the previous period more experts said that foreign irregular labour did not grow any further, 35 per cent thought it was constant, six per cent that it decreased. According to the answers, foreign irregular labour in the following five years grew at an even smaller rate, the mean of grades is 3.5. More than half of the panel found it to grow, 31 per cent to stagnate, while 13 per cent mentioned a decline. Taking into account that the number of foreigners working regularly almost doubled in this period 15, these figures also reflect that the proportion of black work has decreased within foreign labour. This is supported also by the fact that in 1999 experts estimated the rate of irregular work within foreign labour at 30 per cent, against the 20 per cent in 2007. On the other hand, the *number* of foreign irregular workers was estimated higher in 2007.

In the three years since the EU accession foreign irregular labour remained rather unchanged (mean 3.3). One-third of the experts reported an increase while a fifth of them a decline.

5.4.1. Recent trends in foreign irregular labour by sectors

According to the respondents, foreign irregular labour grew remarkably in the construction and agriculture in the past five years. There was a moderate increase in household works – such as cleaning, gardening, repair works – as well as in trading, catering and homecare services while a small decline in industry.

¹⁵Over 62,000 had a work permit in 2005 as compared to the 35,000 in 2000 while including those who did not need permit the numbers of legally employed foreigners could have been 127,000 and 75,000 respectively.

Table 31. How did the irregular employment of foreigners change in different branches in the past 5 years?

	1-strongly decreased	2	3	4	5-strongly increased	Mean
Construction	3	3	36	43	15	3.6
Agriculture	4	4	37	41	13	3.5
Catering, entertainment	5	12	48	29	6	3.2
Industry	8	19	57	13	3	2.8
Textile industry	11	23	45	16	5	2.8
Trade, vending	5	9	48	26	12	3.3
Households (care)	5	11	48	27	10	3.3
Households (cleaning, repair)	5	8	40	38	9	3.4

5.5. The extent of foreign irregular labour compared with the Czech Republic and Austria

5.5.1. The extent of black work

Comparing the opinions of experts from the three countries, the share of foreign irregular labour is the highest in Hungary both as compared to the total employment and foreign employment. However, the difference does not seem to be significant. In Austria foreign irregular labour is thought to be five per cent of all employment, while this number is six per cent in Hungary. A quarter of all foreign labour is said to be irregular in the Czech Republic, and 37 per cent in Hungary. When examining the sectors separately, the results are surprising: the most affected branches are the same in the three countries but the proportion of irregularly employed foreigners are different. The rate of foreign irregular labour is considered to be higher in construction, agriculture and especially in catering by the experts in Austria.

Table 32. Share of the irregular foreign labour from all labour

	Hungary	Austria
Construction	13.1	15.4
Agriculture	10.4	13.2
Catering, entertainment	4.8	15
Industry	1.6	5.2
All branches	6.2	5

5.5.2. Changes in the past 15 years

Based on the opinion of the experts, the trends of irregular foreign labour differ in many ways in the three countries in the past 15 years.

At the beginning of the 90's, there was a large expansion in all three countries. In the second half of the decade it slowed down significantly in Hungary and Austria, while in the Czech Republic there was barely any change.

Table 33. Did the volume of irregular foreign labour change in the given periods and if yes, how? Estimates of experts in the three countries (Mean*)

Period	Hungary	Czech Rep.	Austria
1990 - 1995	4.0 (N=69)	4.4 (N=27)	3.8 (N=25)
1995 - 2000	3.7 (N=70)	4.3 (N=27)	3.5 (N=20)
2000 - 2005	3.5 (N=70)	3.2** (N=27)	3.6 (N=29)
Since EU accession (2004)	3.3 (N=69)	3.0 (N=27)	3.7 (N=31)

* 1-strongly decreased, 5-strongly increased

**2000-2004

Examining the whole period, we can see that *in Hungary* there was an ever diminishing increase. *In the Czech Republic*, the greatest difference from the Hungarian estimates can be found in the evaluation of the beginning of the 90's, they report a much more rapid growth. Almost all the experts (96%) agree that foreign irregular labour grew constantly throughout the nineties, the opinions only differ in whether the rate is considered high or not. In general, they indicate stagnation since the millennium, and a slight decline since the EU accession. (Average is below 3,0).

Table 34. Changes in irregular foreign labour in the Czech Republic (%)

Period	1-strongly decreased	2	3	4	5-strongly increased
1990-1994	0	0	4	56	40
1995-1999	0	0	4	59	37
2000-2004 (EU accession)	0	26	37	26	11
From EU accession to 2005	4	19	54	23	0
2006-2010	4	30	39	27	0

In Austria, the whole period was characterised by an increase, but the rate was different from one term to the other. It is to be noted that an increasing number of responses indicated stagnation. A higher rate of growth was experienced between 1990 and 1995, and the lowest came in the following five years. Since 2000, foreign labour has grown yet again at a greater rate, especially after the EU accession. The reason for the fast growth at the beginning of the period is that by the end of the 80's the number of irregularly employed seasonal workers (*gastarbeiter*) has fallen to a minimal level, while after the eastern opening many have moved to Austria and took on irregular work there.

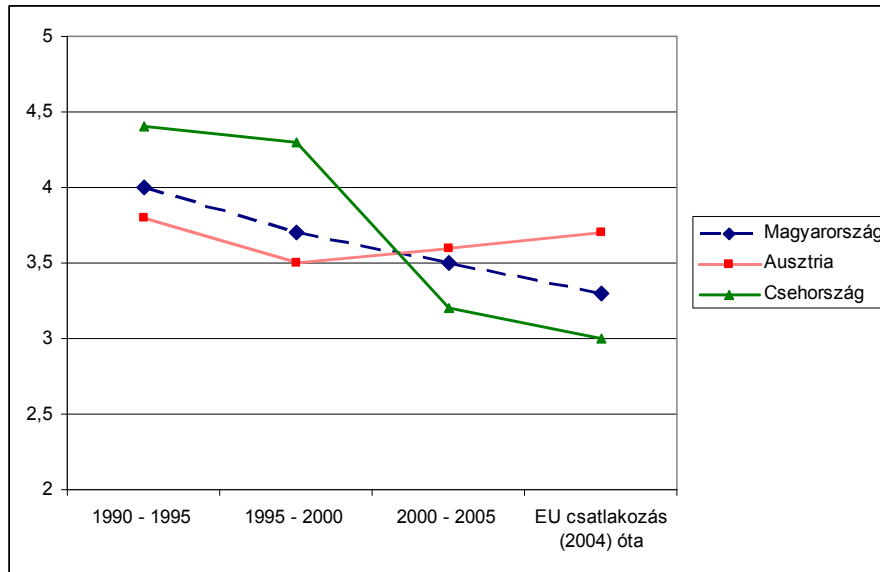
The trends in Austria are hard to evaluate as many answers related to the 90's are missing, unlike in Hungary and the Czech Republic. The reason might be that for Austrian experts migration in the early nineties was not a new phenomenon, thus they remember less this period. There was a change in migration patterns after the fall of the iron curtain, however, it was of a far smaller importance than in the other two countries.

Austrian experts take the growth rate of foreign irregular labour to be smaller than in the other two countries in the 90's. They indicate a greater growth for the first five years. The growth rate was considered smaller in the next couple of years while higher again since the EU-accession.

The faster increase in the past years in Austria can be explained by the fact that citizens of the new member states can take up work without the danger of expulsion. The accession caused a

decrease both in Hungary and the Czech Republic. A possible explanation is that the citizens of the new member states can be employed without a work permit. (This way, many Slovakian workers shifted from irregular to regular employment in Hungary.) Another reason can be, that after the accession, the entry and employment have become legal possibilities in the EU 15, therefore many have travelled further to the west.

Figure 5 Trends of foreign irregular labour in the three countries, 1990-2006



5.5.3. Changes by sectors in the past 5 years

Changes in the extent of foreign irregular labour by branches were in some aspects similar in Austria and in Hungary. In both country experts see the least increase in the industry. Opinions refer to a similar change in the construction: Sixty per cent of the experts believe that the number of foreign irregular workers increased in the past five years.

Table 35. Changes in irregular foreign labour by branches in the past 5 years

	Austria	Hungary
	mean*	
Households (care)	2.9	2.3
Households (cleaning, repair)	2.8	2.4
Construction	2.5	2.6
Catering, entertainment	2.4	2.2
Agriculture	2.1	2.5
Industry	1.9	2.0

*1-decreased, 2-did not change, 3-increased

According to the respondents, agriculture has clearly absorbed fresh foreign labour in the past five years in Hungary. On the contrary, in Austria three-quarters of the experts believe that the irregular employment of foreign workers has remained at the former level.

Nearly all Austrian experts experienced growth in household works (90% thought that foreign irregular labour increased in home care, while 80% in housekeeping), while less than half of the Hungarians.

5.6. Future trends

We have asked for estimates concerning the future prospective of foreign irregular labour for two periods: the next five years, and the next five to ten years.

According to respondents, the growth rate will be decreasing further in the near future, in five to ten years they are not calculating with growth any more.

Table 36. Expected trends of irregular work

Period	1 strongly decreases	2	3	4	5 strongly increases	N	Mean	
	Distribution of answers (panel)						panel	all resp.
next 5 years	---	7.8	66.7	23.5	2.0	51	3.2	3.0
next 5-10 years	2.9	34.3	31.4	27.1	4.3	70	3.0	2.8

Most expert groups are forecasting *stagnation*, or even a decline for the next five years. In five to ten years time – except for employers and politicians – they predict a *setback*.

Those involved with politics, anticipate a definite increase for the next five years: Eighty per cent expect growth, of which 20 per cent a strong increase. Many are forecasting growth for the five to ten years period as well (70%, while not even a third of all respondents). Still, only one person is expecting a sharp increase.

Further increase of foreign irregular labour is expected by the *employers* as well. For the next five to ten years they are calculating with a hardly slowing growth. The opinion of *employees* differs: trade unions expect a decline already for the next five years, just like those working at labour control, who base their opinion on direct experiences.

Politicians often argue that as a result of the EU enlargement and of the abolishment of restrictions of free movement of labour foreigners would “flood” the Hungarian labour market. In the light of the answers, this opinion seems to be unjust. The remarks of experts also reflect this. Those, who are calculating with a decline, base their opinion on the effects of the EU-accession, because: “...*the conditions for legal employment will be cheaper and easier*”.

“The labour market will probably be liberated, and no permits will be needed for employment. Therefore employers will not risk a great amount of potential fine.” (NES)

“Other EU member states are offering „more tempting” working opportunities than Hungary.” (local government’s representative)

Those, however, who are expecting an increase, are not explaining it with the EU-accession, but with the deteriorating conditions, economic conditions and the poor efficiency of the government.

“If regulations and taxes and charges on labour will not change in a favourable way, then irregular labour will further increase.” (NES)

They expect at the most a small increase because of the expansion of possibilities for free movement of labour. The same is true for demographic situation and the supply and demand conditions.

“The unfavourable demographic indicators, the slow economic development and as a consequence the labour shortages, result in the need for foreign workers. Thus irregular employment will rise somewhat as well.” (MP, employment committee)

“A small-scale increase can be expected, because there is unsatisfied demand for labour. In some there are shortages in some profession and under-paid areas.” (adviser, Ministry of Employment)
Rarely did we meet such opinions as explained by one labour inspector:

“The lifting of restrictions on the free movement of labour in the EU will not decrease, rather increase irregular employment. Although there is no need for a work permit, the employer still has to register the employee at the tax authority, and still has to pay social security contribution, payroll tax, etc. And that’s the point. The complete opening of the labour market will not change this.”

We have previously seen that in the opinion of the respondents, foreign irregular labour will basically stay at its current level in the next five years. Opinions are similar as well by sectors: In industry and textile industry they estimate a setback, while a stagnation in agriculture, catering and trade. More of the experts expect a growth in case of construction and in the household works (both home care, and cleaning, repair).

Table 37. Trends for foreign irregular labour in the next 5 years by branches (Panel)

	Distribution of answers %						
Construction	3.2	11.1	50.8	23.8	11.1	63	3.3
Agriculture	4.7	20.3	46.9	23.4	4.7	64	3.0
Catering, entertainment	3.2	16.1	50.0	25.8	4.8	62	3.1
Industry	6.7	36.7	40.0	13.3	3.3	60	2.7
Textile industry	16.9	23.7	47.5	10.2	1.7	59	2.6
Trade, vending	3.3	14.8	59.0	18.0	4.9	61	3.1
Households (care)	3.4	13.6	45.8	32.2	5.1	59	3.2
Households (cleaning, repair)	1.6	16.1	46.8	29.0	6.5	62	3.2

Only a small minority think that irregular employment of foreigners will grow vigorously in any of the sectors. Almost half of the experts do not expect changes in the near future. Whether the other half is expecting growth or decline, differs from one branch to the other.

5.6.1. Expected trends in irregular labour in the three countries

Forecasts of *Czech experts* for the next five to ten years¹⁶ are similar to those of Hungarians (40% predict stagnation, one third a decline, a quarter growth, but no one thinks that a strong increase will come).

Sixty per cent of the *Austrian experts* are calculating with a growth, a third with stagnation and one person predicts a decline¹⁷. Stagnation is the most probable scenario, and decline is much less awaited than in the other two countries. This does not necessarily mean that Austria differs in the need for irregular labour. It is more likely that in Hungary and the Czech Republic many think that a part of irregular workers will move further to more developed countries taking the opportunity of easier entry in the EU (new EU members), and/or using the already existing networks, connections and experiences. Another possible explanation is that the complicated procedures necessary for legal employment – which is considered to be one of the main reasons for foreign irregular labour by the experts – is getting simpler and therefore more workers are choosing to obey the rules.

In construction and agriculture similar changes are foreseen in the three countries: near 30 per cent believe the number of foreign irregular workers to be growing.

Experts' opinions differ the most concerning industry. This is likely to reflect the fact that this is not the typical field for irregular employment. Large industrial firms, even if they employ foreigners, do this regularly. In addition, foreigners working in factories are much less exposed. We can, in fact, state that in all three countries, the disappearance of foreign irregular labour is awaited the most in this field. It is hard to say whether this will mean a “whitening” of labour or a setback in the production of the sector.

Table 38. * Trends in foreign irregular labour in the near future by branches

	Czech Rep. (N=22)			Austria (N=15)			Hungary (N=64)		
	1	2	3	1	2	3	1	2	3
Construction	23	50	27	7	60	33	14	51	35
Agriculture	19	48	33	7	67	27	25	47	28
Catering, entertainment	5	54	41	14	36	50	19	50	31
Households (care)**	0	33	67	7	0	93	17	46	37
Households (cleaning, repair)				0	40	60	18	47	35
Industry	33	33	33	29	64	7	43	40	17

1 – decreases, 2 – does not change, 3 – increases

* Czech Rep. and Hungary: next 5 years, Austria: next 10 years

** For Czech Rep. 'care' and 'cleaning, repair' together

Austrian experts saw the growth of foreign irregular labour the most steady in household services in the past years. They forecasted an increase for the close future as well. Except for one person, everyone thought that the number of foreign irregular workers will grow in home care, 60 per

¹⁶ Only the 5-10 year prognosis was included in the Czech research.

¹⁷ It is more difficult to compare the results of the Austrian research to the Hungarian opinions. The questions there were raised for the next ten years, and only on a three-grade scale (increasing-unchanged-decreasing).

cent that in case of cleaning and repairs. In the Czech research, the two services were not separated, but the data are very similar: two thirds are expecting growth, while in Hungary, only one third. We cannot assume that they are expecting the “whitening” of these positions, only that the effective demand for these services is weak in Hungary.

6. The EU-accession and temporary restrictions on the labour-market

We asked respondents to evaluate five statements that we have often heard during the interviews, on a five-grade scale. The statements concern the expected changes on the labour-market after the EU-accession and the lifting of restrictions.

The respondents agreed the most with two statements, which indicate no significant problems on the labour market: “After the transition period, there will not be significant changes on the Hungarian labour market.” “Following the accession of Romania and Bulgaria, there will not be more workers coming to Hungary, because they can earn more in other EU countries.” Half of the respondents in the expert panel agreed with this two statement (the mean of the panel answers is 3.5 and 3.6). We can hardly find differences between the opinions of the groups of respondents.

Some believe that “*there are more coming here and there as well*”, while according to a researcher “*we could simply liberalize*”, this would not cause a dramatic growth in foreign labour.

One of the respondents, on the other hand, is saying that with the accession, he was waiting for foreign irregular labour to increase and does not understand why it did not happen that way.

“The accession of new states encouraged domestic employers and foreign workers to turn towards irregular work, but this, surprisingly, did not result in a significant in-flow of foreign labour.” (border guard)

Many argued that they could not give definite answers to the questions, because citizens of the two countries react differently to the facilitations following the accession.

“A higher number of Romanian workers will come to Hungary because of its proximity and the language knowledge. This is not true for Bulgaria. If they want to earn more, and they are willing to leave the country, they will rather go to other EU countries with better conditions.” (NES)

Table 39. Evaluation on the primal effects of the EU-accession

	MEAN
After the transition period, there will not be significant changes on the Hungarian labour market.	3.6
After the accession of Romania and Bulgaria, there will not be more workers coming to Hungary, because they can earn more in other EU countries.	3.5
Lifting restrictions makes regular employment easier thus irregular employment will not increase	3.4
No further Romanians will come after the EU accession, because who wanted to is already here	3.3
The abolition of labour market restrictions would increase the irregular employment of foreigners	2.7

Compared to the previous statements, slightly less of the expert panel agree with the following: “without restrictions legal employment will become easier, therefore illegal employment will not increase” respectively, “after the EU-accession there will not be more Romanian citizens coming to work, because those who wanted to are already here.” Forty per cent of the experts agreed with these statements, 30 per cent gave neutral answers. A little less of those who work in direct control or at NES believe that legal employment will become more common (approximately a third). In the non-governmental sector less think that all Romanians who wanted to come, are already here (mean 3.1). Some typical remarks:

“I think that those who wanted to, have already been working here for years. They can also find better opportunities in an other EU member country, however, the language is not a point to neglect...”

“From Romania, it is mostly Hungarians who are coming, they are connected to us on an emotional level as well.” (labour inspector)

Many are unsure in judging the question; this can be deducted from the high rate of neutral answers. This is being illustrated by the comment of a researcher:

“If the restrictions and administrative rules had any deterring effects in the past, then lifting them will result in more to come. Just look at Poland and England. But the growth here will be a lot smaller. No one knows, if the ones who were coming here before will go further to the other countries with no labour market restrictions.”

The respondents agree the least with the following: “The lack of temporary restrictions lead to the increase in the employment of foreign irregular labour.”

There are some, who believe that irregular labour is not dependent on the above factors.

“Those who want to work illegally, did so until now, and will keep on doing so from now on, if they are not forced.” (entrepreneur)

Opinions widely vary concerning the expectable effects of the EU-accession of Romania and Bulgaria and the lifting of labour-market restrictions. There are also many ambiguous answers. The balance tilted in the direction of the opinion that the abolition of restrictions would not result in significant changes or negative effects. In contrast, it could have a positive effect on the Hungarian labour market.

6.1. Labour-market Competition

In this part of the questionnaire, we had formulated strong statements about the labour market competition between the domestic labour force, the unemployed and the foreign irregular workers.

The only statement that the expert panel as a whole did definitely *not agree* with, was: “*foreigners take away jobs from Hungarians*”. The average of the panel on the five-grade scale was only 2.1.

“*Foreigners are formally employed in jobs requiring lower qualification but in reality their qualifications are used*”. This was the only statement that had an average acceptance close to four (agree) (the average is 3.7).

Table 40. How far do you agree with the following statements?

	mean*
Foreigner are formally employed in jobs requiring lower qualification but in reality their qualifications are used	3.7
Unemployed Hungarians in general do not want to work when sent to a workplace, they just ask for the certification needed for getting unemployment benefit	3.3
Irregular employment of foreigners pushes down wages	3.3
The works done by foreign irregular workers Hungarians would not do	3.2
Employers prefer native irregular workers to foreigners	3.0
Cheap foreign irregular labour makes harder the employment of native unemployed	2.8
Foreigners take away jobs from Hungarians	2.1

* 1-Fully disagree, 5-Fully agree

6.2. Control

Respondents judged nine statements that came up in the interviews about the effectiveness of control. The answers show the importance of two factors. Effective control is mostly limited because of the fact that: “*Labour controls cannot reach certain typical employment types*” (e.g. households).

They evaluate the importance of the economic environment similarly, just like the problem, that controls cannot eliminate the basic causes of irregular labour.

There were hardly any experts who assign – even a tiny role to the border guard. No one put this among the three most important.

The order of importance, according to the respondents, is the following:

Table 41. How far the following factors limit the effectiveness of control? (panel)

	Mean*	first	second	third
		most important factor (%)		
Inspections can not eliminate the primary reasons of irregular labour	4.1	20	15	19
Labour inspectorate can not reach certain typical employment forms (e.g. households)	4.0	24	12	11
Inspection is selective, does not equally cover different types	3.9	11	19	11
Both employers and employees outwit controllers	3.8	11	20	14
The number of inspections are too low	3.5	16	11	8
Information regarding irregular labour is limited, therefore measures taken against cannot be appropriate.	3.4	5	9	8
Economic interests limit effective control	3.3	7	11	13
The level of fines are low compared to employment costs	3.2	5	3	15
Border control is not strict enough	2.2	0	0	0

*(1 – not at all, 5 – to a large extent)

There is hardly any difference in the evaluation of the problems of control among the respondents. It is worth mentioning that those, who are from small settlements and are facing problems in the agriculture, consider it a lot more important that “the employers and the employees outwit controllers”. In the meanwhile, trade unions consider the lack of control to be the greatest problem.

The labour inspectors consider it an important (according to the average of the marks, the third most important) obstacle of the control, that the employees outwit the inspectors. This is highlighted by many, or illustrated by factual examples: “*During the controls, irregular workers often leave the place of the control. In case there is no support by the police, we cannot take measures.*” Some say that „*The sanctions should be a lot stricter*”(OMMF) and some believe that punishments are already high enough. „*The top limit of sanctions is the sky high above! And even this did not bring any real result. They are not even trying to use prevention; they are awarding those, who are obeying the rules and regulations. The objective of the control should not be to find something. The emphasis should be on warning and prevention, maybe a kind of grace period could turn out successful.*” (ÁFSZ)

Comments also show that experiences of inspectors are different.

“In the past years, we only met irregularly employed foreign workers occasionally in our county. My personal experience: the controlled Romanian and Ukrainian workers did not start running. They stood shy, facing the administrative action, even accepting their expulsion. Their sheer presence showed defencelessness, the need for living pushed them into this sad situation.”

It is of course another question, what the reason is behind the different experiences. Different control methods, maybe they met different types of foreigners, or the personal approach is the essence.

More entrepreneurs have pointed out the role of corruption: “What should be eliminated, is the corruption among inspectors. First, steps should be taken against the mafia, who are blackmailing the control points.” One of the farmers was discontent, because “they are inspecting those

workplaces that don't pay, therefore, the inspectors are corrupt themselves. The industry pays – we don't control, the agriculture doesn't- we go by a glider and we take photos.”

Politicians and entrepreneurs are both mentioning the “bureaucratic and impractical regulations, the similar attitude of officials”. Furthermore, that “*most of the participants of this 'game' are not in full knowledge of their own risks , and the risks of the society*”. (researcher)

The employers and the local governments are complaining that “*no consistency can be seen in controllin.*”. The inspectors are complaining that their possibilities and social acceptance are not appropriate. “*To be able to push back illegal employment, and to be able to lead an effective control mechanism, the number of inspectors and the helping arsenal should be increased.*”

A similar opinion is expressed by a labour-market expert:

“The real issue is the size of the apparatus, this is also why the number of inspections is small. The danger of getting caught should be higher, but there are 800,000 employers!”

The remark on the routine of controls is also worth noticing. Inspections are only carried out in official working hours, this reduces effectiveness. “I believe they do not go out at night or the evening hours.”

It is worth mentioning that there was only one comment by an expert which recommended that the punishment of employees would be a solution.

Every second expert of the panel thought that economical factors restrain the effectiveness of control. Somewhat less of the inspectors have the same view (40%). Forty per cent finds the degree of punishment too small compared to the costs of regular employment. Especially workers' unions think this way on while only every sixth inspector agrees.

The following quotation reflects the opinion of many:

“Common charges ,which enterprises could afford would ease the situation. A reason for irregular labour is that entrepreneurs do not get to their money, the gridlock is extensive, therefore, they cannot afford to employ in accordance with the regulations. Enterprises find it hard to find work, therefore they can not build a stable work force.” (labour inspector)

They clearly do not blame the border guards for the problems of the control of foreign irregular labour.

6.3. Necessary actions

It is obvious that no one who is working with irregular labour professionally believes that the current situation is all right. Neither do they think that a professional concept, a change in regulation and practical actions are not needed. An important part of our research was the examination of views of the concerned professionals on given policy action alternatives. Our

information helps the assignment of priorities and indicates the expectable level of professional support of given actions.

We have collected 19 objectives and tools that can be important in the fight against foreign irregular labour. These are based on former research outcomes and the results of the interviews, taking international information into account. We also ranked them according to their necessity and feasibility- from completely unnecessary to very necessary, and from practically unfeasible to easily feasible, on a five grade scale. Finally, we asked the respondents to highlight the two most important objectives and tools.

This can be seen in the following table:

Table 42. The necessity and feasibility of given actions (panel)

	Most	Second most	Necessity	Feasibility
	Necessary (%)		Mean*	
Development of vocational education according the needs of labour market	6	15	4.5	3.3
Reduction of the burden of red-tape on employers, a transparent, one-stop administration and the facilitation of authorisation of employment	17	17	4.5	3.8
Reduction of the costs of legal employment	22	18	4.2	3.2
Improvement of national and international cooperation of concerned institutions	0	2	4.1	3.6
Improved information-flow concerning legal employment opportunities	5	2	4.0	4.1
Easier access to work-permits	26	8	4.0	3.8
Improved effectiveness of fine-collection	2	2	4.0	3.3
Improved, standardised statistical data on foreign workers.	0	9	3.9	3.6
Stricter labour inspections	11	12	3.7	3.7
Increased state-supervision of employment agents	3	2	3.6	3.7
Extending the regular possibilities of foreign seasonal work	0	2	3.6	3.5
Special rules for certain professions, sectors (households, seasonal agriculture)	5	0	3.5	3.3
Higher fines	2	5	3.3	3.6
Giving rights to local governments to authorise foreign labour	2	2	3.3	3.4
Punishment of employed foreigners	0	2	3.3	3.0
Establishment of Hungarian employment agencies in sending countries	0	0	2.9	3.0
Stricter entry and residence regulation	0	0	2.5	3.0
Tax-reductions for regularly employed foreigners	2	2	2.2	2.9
Lower minimal wages for foreigners	0	2	1.9	2.2

*Grades from one to five

While scanning through the table, it is worth paying attention to the large difference in the evaluation of the necessity and the feasibility of actions. The experts' list of the most important actions is also very different to the average ranking of single potential actions. Keeping this in mind, let us examine the results more precisely.

Most of the respondents from the expert panel have put the *reduction of the costs of legal employment* as one of the top two most necessary actions in the fight against the irregular

employment of foreigners (40%). In the meanwhile, they believe that this is a lot less feasible (the average of the evaluation leans towards feasibility with just two decimal points). It is interesting to take a look at the explanations. The most frequent comment is connected to high common charges:

“Basically, the solution is the reduction of the costs of legal employment. If there is a case of irregular employment, than there should be no way to avoid fine.(renaming and winding up firms, disappearing)” (labour inspector)

Fewer ranked the reduction of the burden of administration on employers, a transparent, one-stop administration and the facilitation of authorisation of employment as one of the most important tools (1/3-1/3 chose this). In contrast with the previous suggestion, these actions are considered to be feasible (average: 3.8).

In connection with the necessity of the facilitation of the authorisation of employment, we can see sharp differences in the opinion of the different groups of respondents. Researchers are emphasizing its importance: almost two-thirds believe it to be one of the two most important tools. Employers, local governments, and leaders of civil organisations also rank this amongst the most important tools (averages: 4.4-4.6). Workers’ unions, on the other hand, only gave a mediocre grade . The following comment refers to the difficulties:

“An old lady, who needs a worker for a day to cut the wood, will not go after all kinds of permits, she will have the wood cut... those, who want to employ workers with the Occasional Employment Booklet have to report the employment electronically at the start of the work. This can only be a joke! Obstacles: On the previous day, I don’t know whom I’m going to employ, therefore, I can not report him. I can’t report on the day, because there is no appropriate, fast (or any at all) internet on farms. The tele-house in the village, well, that only opens at 2pm. Anyhow, an old granny can probably not handle the internet.”(farmer)

A quarter of the experts consider *stricter labour inspections* to be one of the most important tools. Its necessity was evaluated by the panel to be 3.7 on average. This covers a big standard deviation, which is dependent on the status of the different groups of experts. Surprisingly, the inspectors evaluate it to be even less necessary (average: 2.7). In the meanwhile, experts from the ÁFSZ and the workers’ union consider it to be very important (average: 4.8).

Experts find the development of education according to the needs of labour market to be important (6% thought this was the most important, 15% named it in second place). This was equally emphasised by different groups. It was ranked among the most important objectives both by the members of the panel (average 4.5) and by all respondents (average 4.3). However, its feasibility is considered doubtful (average 3.3).

Any of the other factors were picked by less than ten per cent to be one of the most important actions.

Experts do not regard *the raise of the level of fines* to be really important (average 3.3 and only one person thought it is the most important factor). The *increase of the effectiveness of the collection of fines* was not mentioned among the two most important factors, but the average of

the evaluations is high (4.0). This means that experts do not take this factor as a priority, but they regard it to be important. Experts indicated more factors to be necessary, but not the most effective. These were, the development of the national and international cooperation between the involved organizations, the better availability of information on the possibilities of regular employment, and the improvement and standardisation of statistical data on foreign labour. Except for that of the easier collection of fines, they consider these goals to be more or less feasible. They consider the improvement and standardisation of statistical data on foreign labour the easiest to accomplish.

Clearly, those actions, tools and objectives are worth paying attention to during the fight against foreign irregular labour, which are feasible according to the experts, and have a high professional support. The common realization of these two criteria can provide a basis to the assignment of policy priorities. Taking the above conclusions into account, the most important objectives, can be rearranged in conformity with their feasibility.

Table 43. Feasibility of the most necessary actions (panel)

	most	second	necessity	feasibility	Difference (feasibility – necessity)
	necessary	most	Mean of grades		
Development of vocational education according to the needs of labour market	6	15	4.5	3.3	-1.2
reduction of the burden of costs and red-tape on employers, a transparent, one-stop administration and the facilitation of authorisation of employment	17	17	4.5	3.8	-0.6
Reduction of the costs of regular employment	22	18	4.2	3.2	-1.0
Improvement of national and international cooperation	0	2	4.1	3.6	-0.4
Improved information-flow concerning regular employment opportunities	5	2	4.0	4.1	0.0
Easier access to work-permits	26	8	4.0	3.8	-0.2
Stricter labour inspections	11	12	3.7	3.7	-0.1

The evolving picture is not without contradictions. This is illustrated by the following opinion:

“There could be a significant difference between the previously expected steps and the government intents, which are strongly narrowed by financial restrictions.” (researcher)

According to the experts, the most difficult to execute is the reduction of labour costs and the development of education according to the needs of labour market. The easiest is to provide better information on the possibilities of regular employment. They see a good chance of easier access to work permits and the reduction of administration (average 3.8). These steps, however, seem less feasible than necessary.

We have to stress that the 19 political instruments listed include largely different elements, from strategic labour market changes to smaller legal corrections. The experts’ assessments, give evidence of an exhaustive knowledge of the actual status, and a differentiated view on the

problem. Based on the data, experts do not favour discriminative steps. In the evaluation of the feasibility of given necessary measures, they are careful, but not pessimistic.

In case of given political tools, there is a possibility to compare the opinions of the Czech and Hungarian experts.

Table 44. The necessity and feasibility of given actions in the Czech Republic and Hungary

	Necessity		Feasibility	
	Hungary	Czech R.	Hungary	Czech R.
reduction of the burden of red-tape on employers, a transparent, one-stop administration and the facilitation of authorisation of employment	4.5	4.4	3.9	3.2
Improvement of national and international cooperation	4.2	4.3	3.7	3.3
Reduction of the costs of regular employment	4.2	4.2	3.2	3.1
Improved information-flow concerning regular employment opportunities	4.0	4.4	4.1	4.1
Easier access to work-permits	4.0	3.9	3.8	3.6
Improved, unified statistical data on foreign workers	3.9	3.7	3.6	3.0
Stricter labour inspections	3.7	4.3	3.7	3.1
Increased state-supervision of employment agents	3.6	4.2	3.7	2.6
Punishment of employed foreigners	3.3	3.3	3.0	3.4
Installation of Hungarian employment agents in sending countries	2.9	3.7	3.1	3.3
Tightening the rules of entry and residence of foreigners	2.6	3.2	3.0	3.5
Tax-reductions for regularly employed foreigners	2.3	3.6	2.9	3.4

The great similarity between the evaluations of the necessary actions by the experts from the two countries is apparent. Concerning the feasibility, there is a clear difference in the emphasis. Hungarian experts are more optimistic.

The Czech experts find administrative restrictions and the supervision of employment agencies to be more important, compared to their Hungarian colleagues. There is greater doubt towards the feasibility of the most necessary actions among Czech experts.

6.3.1. Favourable, EU-level actions

The EU-accession of Hungary was the time for illusions and scepticism in the country, this was true for the effects of the labour-market and migration as well. Neither did the great fears, nor the great expectations come true. Already in the beginning of 2007 we could ask our experts about the favourable actions at an EU level, based real experiences.

The answers are summed up in the following table:

Table 45. To what extent might the following measures promote the solution of problems connected to irregular economic activity of foreigners at an EU level? (panel)

	Necessity	Feasibility	Difference (Necessity-Feasibility)
Enabling free movement of labour (abolishment of derogation) within the EU as soon as possible	4.4	3.5	0.9
Development of harmonised European migration policy	4.3	3.1	1.2
Cooperation of institutions interested in fighting black labour at a European level	4.2	3.2	1.0
Quick nostrification of professional qualifications, without bureaucracy	4.1	3.3	0.8
The partial opening of labour market in additional occupations	3.8	3.6	0.2
Unification of labour-related charges at a European level	3.7	2.4	1.3
The elimination of the still existing limitations concerning the new EU countries (Romania, Bulgaria)	3.5	3.5	0.0
The complete opening of the labour market for specific occupations	3.4	3.3	0.1
Regionally differentiated opening of the labour market	3.2	3.0	0.2
Stronger legal protection of irregularly employed foreigners	3.0	2.8	0.2

1 –completely unnecessary/ practically unfeasible, 5 – very necessary /easily feasible

The first upcoming conclusion is that Hungarian experts see the role of the EU decisive in migration and labour processes. They evaluate the possible EU instruments responsibly and they are aware the robustness and complexity of implementation.

The experts found four essential EU level steps:

- Enabling free movement of labour (abolishment of derogation) within the EU as soon as possible
- Development of harmonized European migration policy
- Cooperation of institutions interested in fighting black labour at a European level
- Quick nostrification of professional qualifications, without bureaucracy

Out of these, respondents were the most pessimistic about the development of harmonised European migration policy. This reflects political realities. The optimistic evaluation of the prospects of the abolishment of derogations is outstanding among Hungarian experts.

They award the steps towards the liberalization of the labour market more important than average. These are:

- The partial opening of labour market in additional occupations
- The elimination of still existing limitations concerning the new EU member countries (Romania, Bulgaria)
- The complete opening of the labour market in specific occupations

Experts assign a similar importance to the unification of labour-related charges at a European level, but they consider this the least feasible of all listed EU level measures.

At the bottom of the list of necessary measures is the:

- Regionally differentiated opening of labour market, and the
- Stronger legal protection of irregularly employed foreigners.

In the experts' view, the strategic, comprehensive problems of migration and the labour market are the most important. They also believe a minor practical development to be significant. In comparison with the Austrian and the Czech results, large differences appear in the importance and feasibility of labour market liberation. While Czech experts are strong supporters of steps towards liberation, Austrians, because of their different status and historical experiences, are more sceptical and diverse in this question.

Austrian experts, similar to Hungarian experts, believe that the EU level harmonization of basic conditions (labour market regulations, taxation) is favourable, but less feasible. Although the regionally differentiated opening of the labour market is feasible, but they consider it less favourable. Experts indicated the liberalization in case of certain, highly important professions both favourable and feasible.

Czech experts clearly supported the steps towards harmonization and liberalization. Besides the uniform, liberal migration policy, it is striking that Czechs highlighted the stricter prosecution of employers second most frequently.

The elimination of the existing limitations of free movement of labour – and the way this would affect foreign irregular labour – is a crucial question for the political decision makers, and it needs to be answered in the near future. The answers of the experts reflect differences explained above: Czech and Hungarian experts are –like other measures that ease legal employment – in support of the free movement of labour, arguing that this would lead foreign workers onto a regular track. Austrian expert express contradictory views, from complete support of the opening, to the maintaining of limitations as long as possible. Their opinion, unlike in other countries, is that the abolishment of restrictions would lead to an increase of foreign irregular labour.

In general, experts do not have a unified standpoint, however, they clearly have the ability to think in a European perspective. Although it was not part of our research, the answers and comments clearly indicate that political attitudes influence the assessment of given policy alternatives within the group of experts. Nonetheless, it became apparent that there is a possibility of professional consensus, in a European context. Thoughts and debates inspired by this research may well be a building block of progress.