

INTERNATIONAL MIGRATION PAPERS

Illegal labour migration and employment in Hungary

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Foreword

This is a paper of the ILO's Migration Programme located within the Conditions of Work Branch. The objectives of the Programme are to contribute to: (i) the formulation, application and evaluation of international migration policies suited to the economic and social aims of governments, employers' and workers' organizations; and (ii) the increase of equality of opportunity and treatment of migrants and the protection of their rights and dignity. Its means of action are research, technical advisory services and cooperation, meetings and work concerned with international labour standards. Under the Programme, the ILO also collects, analyses and disseminates relevant information and acts as the information source for its constituents, ILO units and other interested parties.

In cooperation with the countries of the region, in early 1996 the ILO launched the *Informal Network on Foreign Labour in Central and Eastern Europe*. Although it did not involve a formal agreement between the participating States, the Network established a mechanism whereby their respective migration authorities could address common issues and problems through annual meetings, research and the exchange of information. Through these activities, the participating States expect to enhance their capacities to manage migration and to develop migration policies compatible with ILO standards and principles. In addition to the ILO, support for the Network's initial activities has been provided through a generous contribution from the Government of Luxembourg.

This study examines the immigration, employment and illegal work of foreign nationals in Hungary and was carried out by Judit Juhász, with contributions from Marius Cosmeanu, Isabelle Ramond, Jurij Gmitra and Andrea Bácskai. Judit Juhász is a Counsellor at the Hungarian Central Statistical Office in Budapest. Similar studies are also being carried out on the situation of illegal migrant workers in the Czech Republic, Lithuania and the Russian Federation.

The objective of the research is to provide policy-makers with a better understanding of the various aspects of the illegal movements and work of foreign migrants in Hungary and their work-related problems. By painting a broad picture of illegal labour migration in Hungary, it is hoped to provide a sound basis for practical measures and for further research. Based on the empirical results of research and a better understanding of the phenomenon, the aim is to contribute to an improved handling of the human and social conflicts involved in labour migration and to the development of an appropriate general policy framework.

F. J. Dy-Hammar,
Chief,

Geneva, April 1999

Conditions of Work Branch

1. Survey objectives and methods

1.1. Introduction

This survey reviews the situation as regards illegal migrant labour in Hungary. It describes the main trends in migration, the informal economy and illegal work. Based on various information sources, the objective of the survey is to improve understanding of the specific features and principal characteristics of migrant labour within the general context of the Hungarian labour market.

The main focus of the survey is on illegal work by migrants in Hungary, where illegality is a result of a combination of the foreign workers' administrative status relating to entry and residence, on the one hand, and their status with respect to economic activity, on the other. In this context, illegal, or irregular migration and employment are understood as the entry, residence and transit of foreign citizens in the territory of the country in violation of current laws and regulations governing entry, stay and/or economic activity. The survey endeavours to shed light not only on the specific features of the current migration process in Hungary, but also on its causes and perspectives.

After a brief review of the new situation created by the political changes of 1989-1990 in Central and Eastern Europe, the political reactions to the phenomenon of illegal migrant labour are examined. Finally, the difficulties involved in trying to manage migration are discussed and conclusions are drawn with regard to the possibilities of minimizing the negative and strengthening the positive effects of labour migration between Eastern and Western Europe and between the various Eastern European countries.

Fears are often voiced in Western European countries which equate migration in Central and Eastern Europe with the immigration of undesired masses from the East. However, the real processes of migration in the region are highly complex, with deep historical, economic, social, cultural and psychological roots which cannot be analysed in such simplistic terms. Although the political systems of the former planned economy countries in Central and Eastern Europe were similar, differences in economic development, standards of living, culture and history resulted in broad variations within Central and Eastern European countries and the former USSR. There were marked differences in the level and degree of flexibility and openness and in the economic and political responses adopted by the various Eastern bloc countries. These differences are among the causes of present day labour migration.

There can be no doubt that irregular labour, by virtue of its very illegality, is harmful. But knowledge of many aspects of illegal migration is hazy. Little is known, for example, about the relationship between migration, economic variables and the labour market. Questions which need to be answered include the effect of direct government control on migration behaviour. Recent public and political interest in migration provides a good illustration of the limitations of policies which, by their nature, cannot go beyond the level of administrative restrictions.

The picture that is emerging of illegal labour migration in Hungary is somewhat confusing and complicated. The data which are available, even for documented migration flows,

are disorganized and not very reliable. Nevertheless, the absence of precise data is not the greatest obstacle to the development of a satisfactory policy response to the challenge of migration.

The conditions have still not been met under which the social and economic factors which give rise to illegal labour migration can be addressed. The conflict is sharper than ever between the long-term needs of social and economic development and the short-term interests of governments and political parties, which tend to plan ahead for only four years at a time. Most of the Central and Eastern European countries are still living in a period of crisis management, due to the difficulties inherent in the process of political and economic transition. A significant drop in GDP, worsening standards of living and growing deprivation, poverty and unemployment are all factors which affect migration flows. Social safety nets have collapsed and the role of the State and other partners is changing radically. Per capita GDP in Central and Eastern European countries is between one-quarter and one-tenth of that of Western European countries. All this has created a migration challenge by stimulating pressure for illegal migration for employment.

Under these conditions, it would appear evident that the situation of illegal labour migration which has emerged in Central and Eastern Europe in recent years can only be addressed by means of general economic and migration policies which are based on a thorough understanding of the causes of the phenomenon and its trends. The principal question which arises is therefore whether European countries are capable of formulating and implementing policy strategies which can meet the challenges of migration without creating another iron curtain. Of course, there are no immediate solutions. But strategies have to be worked out and a start has to be made on implementing them.

By painting a broad picture of illegal labour migration in Hungary, it is hoped to provide a sound basis for practical measures and for further research. In particular, it is hoped that the present survey will help to increase the awareness of policy-makers, academics and the media with regard to the issues raised by migration for employment, and particularly illegal labour migration. Based on the empirical results of research and a better understanding of the phenomenon, the aim is to contribute to an improved handling of the human and social conflicts involved in labour migration and to the development of an appropriate general policy framework. Understanding is the first step towards effective action. It is also hoped that this national analysis will contribute to the improved understanding of unauthorized labour migration flows at the European level.

1.2. Survey methodology

The underlying hypothesis of the survey is that illegal labour migration is an extremely multicausal and changing phenomenon which has its roots in a large number of economic, social, institutional and personal factors. The survey pays special attention to all these aspects, within the limits of its methodological possibilities and time constraints. Interviews with experts and sources of statistical data were utilized to identify the groups of migrants entering, staying or working illegally in Hungary, the effects of unauthorized foreign labour and the attitudes of the Hungarian authorities.

The research carried out was therefore of a descriptive nature, designed to estimate the extent and main features of illegal employment and orient further investigation and discussion on the illegal employment of foreign workers. A demographic and sociological analysis was therefore undertaken of the typological composition and situation of the population of illegal labour migrants in Hungary. The information sought focused on:

- C reasons for migration to Hungary;
- C reasons, possibilities and risks of illegal employment;
- C standards of living and social conditions of illegal foreign workers; and
- C means of earning a living, labour market position, experiences, conflicts and problems.

The institutions, legislation, policies and administrative practices which to a large extent shape the situation of illegal labour migrants were also examined.

Because of the broad and hidden nature of the topic, a variety of methods and research tools were used, including principally:

- C secondary analysis of existing information, documents and all available sources of relevant statistical data; and
- C in-depth expert interviews with *key informants* (the key informant survey).

The first phase of the analysis of existing data consisted of collecting the available information on the topic, including statistical data, legislation, research findings and media coverage. To gain a deeper understanding of the subject, case studies were also prepared in the areas most relevant to the survey. These included legal and institutional issues, the labour market situation, public opinion and attitudes. Statistical information was obtained in particular from the databases of employment offices, labour inspectorates and the migration police. The analysis of press coverage included 190 articles which appeared in 1997 in six daily and four weekly newspapers.

This work provided a solid basis for the preparation of guidelines for the interviews with key informants, which constituted the main research tool used for the survey. The experts were selected from the various and diverse groups which have knowledge and experience of the issue, including: representatives of government agencies and NGOs dealing with migrants, migration issues and illegal labour in general, as well as the migrants themselves. Other experts included representatives of employers' organizations, trade unions, employment agencies and individual experts dealing with related issues. Interviews were also carried out with persons who organize the irregular employment of foreign workers. In total, 87 interviews were conducted in 1997 and 1998. Most of the interviews were taped and are available in written form.¹

Although based on standard guidelines, individual interviews were adapted to interviewees and their knowledge of the subject. Interviewees were asked about their experiences of the current situation and their evaluation of the scope of the phenomenon and its economic and social significance. In certain cases, they were requested to give an estimate of the scale of illegal employment in the activity or the geographic areas in which they have specific knowledge.

¹See Appendix I.

2. Situation analysis

2.1. General trends in migration

Following the radical political and social transformations in Central and Eastern Europe, the extent and nature of population movements into and through Hungarian territory changed. Hungary became both a transit country for migrants heading towards OECD countries, as well as a country of destination for immigrants.

The specific features of the situation in Hungary have their origins in the history of the country, and particularly the collapse of the Austro-Hungarian Empire, the strong migration tendencies of ethnic Hungarians who are citizens of neighbouring countries (some three million ethnic Hungarians live in neighbouring countries) and the geographical location of the country. Moreover, the transitional nature of the current Hungarian economy and society offers unique opportunities to migrants, especially those from the countries of Eastern Europe.

The development of Hungary as a destination country for migrants over the past decade has led to a continuing but stabilized flow of migrants into the country. In the 1990s, immigration became a visible social, economic and political issue. The number of immigrants in Hungary rose steadily from the middle of the 1980s and reached a peak in 1990. The lifting of exit restrictions in the neighbouring countries, the economic, political and social situation and the emergence of ethnic conflicts in neighbouring countries all gave rise to large-scale population movements. Moreover, the restrictive measures adopted in the Western industrialized countries have also been partly responsible for Hungary becoming a transit country for migrants heading West, as well as a destination country for immigrants. In view of the geographic and socio-economic situation of the country, the rapid growth in the number of immigrants was inevitable. Hungary is a major crossroads between South-eastern Europe (the Balkans), the southern part of Eastern Europe (the Ukraine) and Western Europe. With the unification of Europe, the role of Hungary as a country of transit will grow in importance.

Figure 1. Immigration into Hungary, 1980-1996

(include figure)

In 1990, almost 40,000 legal immigrants arrived in the country. Their number fell steeply thereafter, dropping to 20,000 in 1992. The figures for more recent years show that the annual number of legal immigrants has stabilized at around 14-15,000.

Most legal immigrants come from Romania, even though their proportion of total legal immigration has declined substantially over the past two years. Nearly 80 per cent of immigrants arriving in Hungary during the period 1988-90 came from Romania, compared with one-half in 1991 and around one-third in 1994. The decline was partly a result of the wave of refugees arriving from the countries of the former Yugoslavia. Whereas the proportion of immigrants from the former Yugoslavia was negligible prior to the conflict, they accounted for one-in-five of all immigrants in 1992 and over 30 per cent in 1993. However, by 1995 their proportion had fallen back to 15 per cent.

Immigration from the former USSR was also rare (mostly as a result of marriages, which were often marriages of convenience). The situation changed with the break up of the former USSR, when the proportion rose to 10 per cent of total immigration to Hungary. It has continued to grow ever since. In 1994, some 14 per cent of immigrants (4,200 persons) came from the territory of the former USSR, mostly from the neighbouring Ukraine and the Russian Federation. The proportion of immigrants from OECD countries has also increased steadily, from 5 per cent of all immigrants in 1990 to 12 per cent in 1994 and 1995.

Throughout the above period, the majority of immigrants were ethnic Hungarians (nearly all of whom were from Romania). However, their proportion has declined since 1990, when they accounted for 80 per cent of all new arrivals. In comparison, this figure fell to about 60 per cent in 1995.

Table 1. Long-term immigration by country of origin, 1987-1996

	Romania	Former Yugo- slavia	Former USSR	Other Central and Eastern Europe	European Union	Other OECD	Other	Total
Year	No. of Persons							
1987	2,064	416	912	1,794	812	194	2,126	8,318
1988	17,779	501	1,035	1,413	813	273	1,665	23,479
1989	26,592	527	1,002	1,606	1,336	357	2,313	33,733
1990	29,617	426	1,586	1,160	1,343	805	2,305	37,242
1991	10,940	4,030	1,961	490	1,397	853	3,303	22,974
1992	6,489	3,458	1,667	500	1,046	650	1,303	15,113
1993	6,068	5,229	1,665	423	1,031	573	1,408	16,397
1994	4,272	2,538	1,869	499	1,347	785	1,442	12,752
1995	4,701	1,641	1,769	601	1,305	897	2,271	13,185
1996	3,812	1,043	1,917	513	1,357	890	3,006	12,537
Total	112,334	19,809	15,383	8,999	11,787	6,277	21,142	195,730

Source: Register of foreign nationals with long-term residence permits in Hungary, Ministry of the Interior.

The immigrants resident in Hungary are concentrated in Budapest and its surrounding areas, as well as along the southern borders with Romania and the Federal Republic of Yugoslavia. Although their concentration varies, most towns in Hungary have at least some immigrants.

Figure 2. Number of foreign residents per 1,000 inhabitants, 1997

Source: Register of foreign nationals with long-term residence permits in Hungary, Ministry of the Interior.

As its role in transit migration has grown, Hungary has become a link country between Eastern and Western Europe. Many migrants choose Hungary as a stepping-stone to move on to more developed countries. In particular, Hungary is seen as a country of temporary migration by Transylvanian, sub-Carpathian and Vojvodinian ethnic Hungarians, as well as by some Romanians and Ukrainians, who regard Hungary as a suitable country to work temporarily and accumulate experience or capital. Citizens from more remote countries also use Hungary for transit purposes, although their actual movements are influenced by the opportunities available in the West and in Hungary itself. Many end up staying in Hungary and trying their luck in the legal or informal economies, while others migrate further or return to their countries of origin.

2.2. Undocumented and irregular migration, illegal border crossings

Irregular migration is a major political issue in Hungary. Although numerous measures have been adopted in response to the challenge, it is difficult to evaluate the effectiveness of the systems applied. Stricter immigration rules and tighter regulation of the employment of foreign workers (in Western European countries as well as in Hungary), combined with difficulties of control in view of such factors as the high number of legal border crossings and the length of the border, may even have had a boomerang effect and have resulted in the growth of illegal migration.

In line with the rise in the total number of border crossings (the number of foreign visitors to Hungary increased from 25 million in 1989 to 40 million in 1996) and the growth in migratory movements, the number of persons apprehended attempting to cross the Hungarian border illegally rose at the beginning of the 1990s. The peak was in 1991, when some 29,000 foreign citizens were caught illegally crossing the Hungarian border. Their number then decreased to just over 10,000 a year in 1996 and 1997. The fact that some 70 per cent of these illegal crossings consisted of persons attempting to leave the country shows the importance of Hungary as a transit country for

migrants. Due to visa agreements, migrants from Romania, the countries of the former Yugoslavia and the former USSR can easily enter Hungary legally, but face more difficulties in obtaining the necessary visas to enter Western European countries.

Although the numbers of persons apprehended crossing the border illegally are minimal compared with the total border traffic, their national composition reflects the major migratory trends and the role of Hungary as a transit country. In 1996, nationals from over one hundred countries were caught trying to go to Western European countries without possessing visas. The largest group (over 40 per cent in 1996) were Romanians, while 20 per cent were from the countries of the former Yugoslavia. However, the number of Afghan, Algerian, Bulgarian, Iraqi, Liberian, Turkish, Ukrainian and also Hungarian citizens was also significant. The authorities brought charges against 18,000 illegal migrants in 1997, of which 10,000 were caught crossing the border illegally. In addition, 53,000 foreign citizens were turned back at the border on the basis of the entry regulations and 14,000 were expelled from Hungary in 1996. The main reasons for expulsion were disregarding entry and exit rules, illegal employment and endangering public order by entry and residence.

It would also appear that many minors between the ages of 14 and 18 are trafficked from neighbouring Eastern European countries. According to a representative of the Ministry of the Interior, the Hungarian authorities estimate that approximately one-third of women engaged in prostitution in Hungary are migrants from Romania, the Russian Federation and the Ukraine. Part of prostitution in Hungary is now controlled by the Ukrainian Mafia. There has also apparently been some displacement of Hungarian criminality to the Slovak Republic.

Another indicator of border crossings for illegal purposes is the incidence of smuggling, which is highest on the border between Hungary and the Ukraine. Smuggling in this context is taken to mean the personal transport of a few smuggled goods, sometimes more than once a day. Customs figures show that the number of persons against whom charges are brought for smuggling has been declining over the past few years, although the total value of smuggled goods has been rising steadily. Charges were brought for smuggling in over 14,000 cases, over 50 per cent of whom were foreigners, mainly from the Ukraine.

It used to be common for unemployed people to be recruited and taken to Romania or Turkey for the purpose of smuggling goods. Although this is no longer the case, it is still quite frequent for people living in villages along the border, particularly with the Ukraine, to cross over into Hungary several times a day with small consignments of petrol or diesel oil. Others bring cigarettes, drink, clothing or electrical goods. For most of them, it is the only means of making a living because they have no employment opportunities in the Ukraine, have lost their jobs or do not receive their wages. They almost never carry commercial quantities, which means that the customs authorities are practically powerless against them.

2.3. The informal economy and illegal work

A variety of terms are used to denote the informal economy. These include the *hidden*, *underground*, *irregular* or *black* economy. In its widest sense, the informal economy comprises all economic activities which are not registered. This definition covers activities which are either not normally taken into account when calculating the GDP of a country, or which are not declared. Activities in the informal economy are often associated with tax avoidance or evasion.

In this context, a distinction should be made between the organized economy and households. Registered businesses and economic units belong to the modern, formal or organized economy. Households are frequently occasional employers. They offer many kinds of work, but usually only for a fixed or short period, such as two or three hours a week or month. Household labour is basically not currently regulated in Hungary and neither the employer or the workers pay any taxes or contributions on the income earned from the work performed.

The Labour Control Act (Act No. 75/1966) and its regulations cover many aspects of labour and employment, including the rules for the employment of young persons, the prohibition of discrimination, the official minimum wage, working hours and the obligation to issue a written employment contract. Violations of these regulations are severely sanctioned. Yet, in Hungary, the forms of employment which are chiefly considered illegal are those which prejudice the State budget through the non-payment of taxes and social contributions. In particular, employment is considered illegal in cases where:

- employers fail to register their employees, with the result that both the employer and the worker avoid the payment of taxes and social contributions;
- an unemployed person fails to declare to the unemployment fund that she/he is no longer eligible to receive unemployment benefit;
- employers hire foreign workers without work permits.

Another common form of tax avoidance is employment in which only the minimum wage is declared, with the remainder (usually the larger part) of the wage being paid in cash *under the table*, thereby avoiding additional labour costs.

By its very nature, there are no precise data on the size of the informal economy. However, based on estimates, assumptions and indirect information, there can be little doubt that Hungary is one of Europe's major players in this respect. The informal sector in Hungary is estimated to account for some 30 per cent of GDP (compared with 20 per cent in 1990).

The informal economy was already present in Hungary prior to 1989. Illegal work was not therefore a new phenomenon when the system changed. Indeed, it was tolerated, since there were no regulations to prevent it. The deception of the authorities under the planned economic system was a pragmatic necessity, since activities which are quite ordinary in market economies were declared illegal. At another level, activities which did not conform to the existing rules were often meant to represent political opposition. "Ideologies and typical patterns of behaviour which came into existence in this situation remained with us even after the fall of the socialist regime, and people were refusing to realize that they are facing a *good* State, in which acts against its regulations are not likely to be tolerated and the former ideological pretext could no longer be counted upon." (Tamás, 1995)

When examining the issue of illegal employment and migration, it should not be forgotten that the line between what is legal and what is illegal is always drawn by laws and regulations. The borderline therefore changes from time to time, with the effect that what is regarded as legal or illegal is narrowed or broadened. Where such legislation does not take sufficient account of the real situation and trends, it runs the risk of achieving the opposite of its original aims. It may be assumed that the underlying forces which cause migration for employment are not affected by labour rules in the receiving country. Instead of curing problems, some changes in regulations may therefore have the unintentional effect of forcing foreign workers from legal to illegal forms of work.

Numerous plans, regulations and measures have been adopted to combat illegal employment in general and to fight illegal migrant labour in particular. However, strict regulation in itself would not appear to have been effective, since illegal work, including the employment of foreign workers without a work permit, has become more widespread. The labour costs of legal employment, inconsistencies in the regulations and weak control by the national authorities are resulting in the growth of illegal employment in general. Moreover, it is often difficult to distinguish between legitimate, illegal and semi-legal economic activities.

In this context, the illegal employment of foreign workers is only one, albeit a rather visible and sensitive aspect of the informal economy and the irregular labour market.

3. Foreign labour in Hungary

Following the political and social changes in Central and Eastern Europe, the attraction of the Hungarian labour market, both legal and illegal, rose sharply for various social groups of foreign workers. This process also shows that the Hungarian economy and society has a demand for migrant labour, even if such a statement may seem contradictory in the light of the heated arguments and political debates surrounding the role of foreigners in the labour market.

The number of foreign workers is not easy to determine, even in the case of those who are employed legally. However, some indication can be obtained from the composition of the immigrant population and the unemployment figures for resident foreign nationals. The number of foreign nationals aged between 15 and 74 years with a long-term residence permit is 129,000, of whom 81,000 are economically active.

Some 8,000 temporary residence permits have also been granted for employment or the exercise of a gainful activity in Hungary. Since proof of a job and receipt of an income are conditions for these permits, this number definitely corresponds to actual work. These residence permits can only be acquired by persons who are in possession of a work permit and for the same duration as the work permit. The number of persons with a short-term residence permit and a work permit may be estimated at between 5,000 and 6,000.

Moreover, the number of settled immigrants and refugees between the ages of 15 and 74 who are allowed to take up employment without further permission is 37,000, in addition to the 4,000 who are unemployed. On the basis of these figures, the number of registered immigrants on the labour market is between 90,000 and 95,000.

There was no significant change in the number of work permits issued between 1993 and 1995, although the number dropped by 20 per cent between 1995 and 1996 (from 18,400 to 14,500). The most important factor behind this change was the tightening of the regulations, and particularly the requirement to register vacancies. It should also be noted that work permits are normally granted for professions in which there is a shortage of labour, or for persons with special knowledge and expertise.

**Table 2. Number of initial work permits issued annually,
by country of origin of the migrant worker, 1990-1997**

Nationality	1990	1991	1992	1993	1994	1995	1996	1997
-------------	------	------	------	------	------	------	------	------

Romania	36,708	28,435	12,034	8,039	8,001	8,861	6,751	8,953
Poland	--	4,206	1,344	2,048	1,293	1,790	1,041	1,113
China	--	1,091	961	322	325	830	375	699
Former Yugoslavia	--	--	2,363	2,184	1,654	1,064	595	878
Former USSR	--	2,182	2,043	2,650	2,340	2,045	2,235	3,278
Slovak Republic	--	--	636	332	537	572	449	860
Viet Nam	--	707	359	106	73	108	77	216
Other	15,238	5,103	4,881	3,832	4,351	3,144	2,920	3,744
Total	51,946	41,724	24,621	19,532	18,584	18,437	14,466	19,741

Source: National Methodological Centre for Labour (OMMK).

In recent years, the numbers of foreign workers employed with work permits has only been equivalent to around 0.5 per cent of the working population in Hungary. This includes the mining sector, where over 5 per cent of the workforce was foreign in 1996, and the construction industry, where the figure is around 15 per cent. The sectors employing foreign labour, in descending order of magnitude, are as follows: manufacturing, trade, hotels and catering, construction, sport, cultural and other services, and mining.

Table 3. Total employment (total and foreign workers), 1992-1996

Year	Number of employed (1,000 persons)		
	Total	Foreign workers with permits	Percentage of foreign workers
1992	4,082.7	15.7	0.38
1993	3,827.3	17.6	0.46
1994	3,751.5	20.1	0.54
1995	3,678.8	21.0	0.57
1996	3,647.7	18.8	0.51

Source: Labour Force Survey, CSO.

The number of foreign workers with work permits is low not only in comparison with the total number of employed persons, but also with the number of unemployed workers. It is only equivalent to between 3 and 5 per cent of the total number of registered unemployed persons. The fear that an influx of foreign workers will make unemployment worse would therefore appear to be an unconvincing reason for further restricting the delivery of work permits. Indeed, in view of the structural differences between the sectors of the labour market and the flexible nature of the foreign labour force, it is unlikely that a rise in the number of work permits issued would lead to greater tension on the labour market.

Table 4. Registered unemployed/work permit holders, 1991-1996

Work permit holders

Year	Registered unemployed (1,000 persons)	(1,000 persons)	As a percentage of unemployed
1991	406.1	33.4	8.2
1992	663.0	15.7	2.4
1993	632.1	17.6	2.8
1994	519.6	20.1	3.9
1995	495.9	21.0	4.2
1996	477.5	18.8	3.9

Source: National Labour Office.

Almost half of foreign work permit holders are Romanian nationals. Around 10 per cent come from the successor States of the former USSR, and mainly from the neighbouring Ukraine. Figures show that three-quarters of the remaining 5,000 work permit holders come from the industrialized European countries and overseas, while about 1,000 are from Poland and the successor States of the former Yugoslavia, and particularly the Federal Republic of Yugoslavia and Croatia.

Different nationalities are often linked to different trades. For example, Poles frequently take jobs in the mining and construction industries. Slovakian women generally work in the textile industry. Shorter work permits are therefore more common among workers from Slovakia, Romania and the Ukraine, who are often contracted for seasonal work or, in the case of Slovaks, project-tied work in the textile industry.

Table 5. Work permit holders by country of origin and economic sector, 1997

Sector	Romania	Poland	China	Former Yugo- slavia	Former USSR	Czech Republic	Slovak Republic	Viet Nam	Other	Total
No. of valid work permits										
Agriculture	1,013	0	0	35	14	0	1	0	21	1,084
Mining	648	319	0	0	120	0	0	0	1	1,088
Manufacturing	1,086	241	3	142	538	3	391	2	662	3,068
Electricity	8	47	0	1	21	0	58	0	67	202

Construction	1,191	183	1	99	1,012	0	18	0	30	2,534
Trade, hotels and catering	793	22	236	252	191	1	31	58	475	2,059
Transport	38	0	78	11	11	0	5	0	98	241
Financial	47	0	0	14	1	0	1	0	48	111
Education	61	1	1	23	112	1	16	5	380	600
Health and social work	138	2	4	29	32	0	11	0	52	268
Sport, cultural and others	1,273	50	44	152	530	6	59	25	636	2,775
Total	6,296	865	367	758	2,582	11	591	90	2,470	14,030

Source: National Labour Office.

It is interesting to note in this context that, although there are also comparable numbers of Chinese and Vietnamese nationals on the labour market, the numbers holding work permits is much lower, since most of them have their own businesses, including many shops and restaurants. According to the regulations, the managers of companies with foreign capital do not require a work permit.

Table 6. Long-term immigrants by professional category, 1997

Table 6. Long-term immigrants by professional category, 1997					
Country of origin	Professional category				Total
	Managerial, professional	Other non-manual	Skilled manual	Unskilled manual	
	No. of persons				
Romania	4,211	3,516	24,789	6,320	38,836
Former Yugoslavia	2,607	1,518	4,023	1,156	9,304
Former USSR	3,409	1,207	2,781	1,129	8,526

Other Central & Eastern European countries	1,104	771	2,688	620	5,183
European Union	2,567	1,090	1,898	1,054	6,609
Other OECD	1,553	296	399	513	2,761
Other countries	6,078	1,056	3,248	853	11,235
Total	21,529	9,454	39,826	11,645	82,454

Source: Register of foreign nationals with long-term residence permits in Hungary, Ministry of the Interior.

Finally, about half of the foreign workers holding work permits are employed in the capital. This proportion has risen since 1993. In addition, growing numbers of skilled Polish, Romanian and Ukrainian miners are being employed in Komárom-Esztergom county due to labour shortages there.

3.1. Illegal foreign workers

The extent, scale and foreseeable trends of temporary labour immigration are not currently known. This is because most temporary immigration by foreign workers takes place illegally and researchers therefore have to rely on estimates. It is also difficult to obtain a clear picture because Hungary, in the same way as most receiving countries, treats the inflow of migrant workers not as a complex social issue, but as a deviant phenomenon affecting public order. Rather than an improved understanding of the issue, this approach tends to favour its short-term treatment through defensive measures and regulations (Biró, 1996).

Forms of illegal work

Participation by foreign workers in the informal economy is far-reaching and includes very diverse forms of illegal labour. Perhaps the smallest proportion of illegal foreign workers consist of those who entered the country illegally. This is hardly surprising, since it is possible to enter Hungary from practically all European countries without a visa. Most illegal foreign workers enter as tourists and acquire regular or occasional work. They make their residence *legal* by leaving the country once a month to obtain an exit stamp in their passports, in order to comply with the terms of the visa agreements. If the period of legal stay (the tourist visa) expires, not only employment, but also residence in the country becomes illegal. Many of these *tourists* from neighbouring countries work in the construction industry, where they are most visible and therefore most at risk from action by the labour inspectorate and the police. They therefore risk severe sanctions or expulsion from the country.

There is an element in the illegal employment of foreign workers, as well as of Hungarians, of reluctance to pay taxes and social contributions. However, this is not always the case. In some instances, the employment is declared to the tax office, all social contributions are paid and the employee pays income tax, but the work permit is still missing. This may be as a result of various factors, including lack of information, negligence, the desire to avoid the complicated procedures required to obtain a permit, or fear of being rejected. In such cases, the workers concerned do not even apply for work permits. There are also cases in which the foreign worker has a work permit, but the employer fails to make the necessary tax and social security declarations, thereby depriving the worker of health insurance.

It is common for foreign workers to be engaged in commercial and retail activities, including street trading, without a valid permit. It is also increasingly common for illegal foreign workers, mostly Ukrainian and Russian nationals, to work in the entertainment industry, often in cases where the activity performed is in itself illegal. Others, mainly from Arab-speaking countries, are often involved in illegal money changing.

It should also be noted that many immigrants, including resettled persons, refugees and students, do not require a work permit. Their participation in the modern and informal economies may therefore be presumed to follow similar patterns to that of Hungarian nationals.

Who is coming and why?

Many migrant workers leave their countries of origin because the conditions for their daily subsistence are not fulfilled. In the Eastern European transition countries, a large part of the population is suffering from the recent changes. Large numbers of Romanian and Ukrainian nationals come to Hungary to escape low wages and unemployment, including invisible unemployment, which takes such forms as a few months' forced leave of absence for workers in State enterprises at half pay, or no pay at all, and no social protection in the event of unemployment. Illegal employment abroad is therefore one type of survival strategy. According to one agricultural worker, "they pay 1,000-1,200 forints maximum and from that take off travel expenses and food, which leaves you with 800-900 forints. But that is still better than sitting at home, because there is no work there at all. Here you can make enough in three months to last you the winter (...)."

The levels of economic development and the redistribution mechanisms in many Eastern European countries are such that most of the population have not achieved the standard of living to which they aspire. One of the consequences of this tension between aspirations and the absence of opportunities to satisfy them is a willingness to engage in overwork. As testified by surveys, the length of time devoted to work each day in the countries of the subregion is strikingly high in international terms. In other words, if there is no work at home, people will work as hard as they can when they find the opportunity elsewhere.

The informal labour market offers unskilled temporary work with very limited opportunities for any type of career development. However, there is a market for those who are willing to work under poor conditions for low pay. In recent years, increasing numbers of foreigners who work illegally have been taking unskilled work. As a consequence, the majority of foreign workers from neighbouring countries are overqualified for the work that they perform in Hungary. According to a recent survey conducted in Western Ukraine, more than two-thirds of foreign workers in Hungary perform work which requires less expertise than they are qualified

to provide (IOM, 1997). This offers advantages to employers, who commonly hire well-qualified foreign craftsmen in the construction industry as semi-skilled or unskilled workers, while expecting them to perform skilled work.

Another feature of the illegal foreign workforce in Hungary is that the majority of illegal migrant workers are from neighbouring countries and, after a few days, weeks or months of work, they return to their countries and then come back once again to Hungary. Many of them are ethnic Hungarians who speak Hungarian and have relatives and other contacts in the country. In a sense, these workers are commuters with permanent residence abroad who make their living in Hungary.

Another type of temporary foreign migrant labour consists of persons in frontier areas who cross the border at weekends to try to supplement their income by doing temporary or occasional jobs. The workers concerned are mainly from Romania, although they also come from the Ukraine and the Federal Republic of Yugoslavia. Their activities often include petty trade in smuggled goods. Most take any type of job that is offered, particularly in agriculture, construction or household work.

Indeed, temporary labour migration from the main sending regions has long historical traditions. For example, because of its low capacity to offer a livelihood, many people have traditionally migrated for temporary work from Székelyföld (the Szekler region of Eastern Transylvania) to Hungary (particularly Budapest) or Romania (Bucharest). The trans-Carpathian Oblast in the Ukraine has also traditionally been a region of intensive migration for paid work elsewhere (IOM, 1997).

The patterns and organization of illegal labour and trade in the region show that traditional territorial units, trading and economic centres are still functioning, despite the many restrictions. The revitalization of these transborder links is reflected in migration patterns. For example, Nagyvárad (Oradea, Romania) is still a regional trading centre and people even go from the Slovak Republic to the market at Ungvár (Uzghorod, Ukraine). Over the past two or three years, other local links have also been developing, for example between Transylvania (Romania), trans-Carpathia (the Ukraine) and, to a smaller extent, Vojvodina (Federal Republic of Yugoslavia) and Hungary. In European terms, due to the strengthening of connections between the periphery and the centre, Hungary is increasingly becoming a country in which experience is gained, before being applied in the communities of origin of the migrant workers.

Finally, one category of illegally employed foreign workers who are rarely mentioned consists of professionals, language teachers, experts and self-employed intellectuals, such as journalists, from the industrialized countries.

3.2. Main activities

Construction, agriculture, the textile industry, clothing, the retail trade, catering and the entertainment industry are those most affected by illegal foreign labour. Some indication of the perceived importance of the various sectors may be obtained from their media coverage. In the 90 articles which appeared in the Hungarian press in 1997 on this subject, the construction industry was mentioned most frequently (in 24 articles), followed by agriculture (18), trade (16) and catering (14). The relative weight of these sectors varies by geographical area. The areas most affected are the capital, its surrounding regions and the counties to the South, South-east and East of the country, which border on the Ukraine, Romania, the Federal Republic of Yugoslavia and Croatia.

Construction

Illegal work is widespread throughout the building industry. The illegal employment of foreign workers is particularly common in such major projects as gas pipelines and drainage, where large numbers of unskilled workers are required for short periods. In certain other fields, such as carpentry, skilled labour is needed and the demand can often be met more rapidly and flexibly with foreign labour, mainly from Romania. It is common in these fields to find self-employment and complex networks of building contractors.

Illegal foreign construction workers are often employed directly by households to build or renovate flats and houses. In addition, foreign workers frequently work for small enterprises. Over two-thirds of new flats in Hungary are built outside the framework of the organized economy, mostly through the use of illegal workers, relatives and friends. Some two-thirds of the labour and material costs of these buildings have no supporting receipts. According to the estimates made by several of the experts who were interviewed, at least 50 or 60 per cent of these constructions are built using illegal workers.

Another factor which is important in the sector is that many foreign companies prefer to work with their own, mostly highly skilled workers, particularly in the case of engineers and supervisory staff. The Director of the Federation of Building Entrepreneurs noted, in this respect, that not all "foreign workers come from the East, but they are the most visible. They also come from Austria and Germany. But they are engaged in management, organizing and consulting services in engineering."

Agriculture

The foreign workers engaged in agriculture are mostly employed in seasonal work in labour-intensive branches, such as horticulture, particularly for the production of onions and paprika, the harvesting of apples, tomatoes and other physically demanding work.

The traditional way in which the work is organized means that this is an area which is particularly prone to the illegal employment of foreign workers and where controls are especially difficult. It is common to call on the extended family to perform the work and no authority would envisage restricting such practices through the formal enforcement of the law. To a certain extent, family members continue to help and support each other. However, there comes a time when they begin to consider the type of work as being below their standards and they start to hire labour for tasks previously carried out by family members. If Hungarian labour is available, they will take it. Otherwise, they look to cheap foreign workers. However, by doing so, they may come into competition with those who are organizing other forms of work. So employers often claim that it is family work, even when it is not.

The majority of farmers who employ foreign workers without declaring them are smallholders. Larger proprietors and cooperatives do not tend to employ illegal foreign workers, at least not directly. However, large agricultural enterprises may adopt the approach of entrusting land to subcontractors. They do this in two ways: they either divide the land into strips, which they cede to families, or they lease the land to limited liability companies.

Seasonal agricultural workers usually come from neighbouring countries, and particularly Romania and the Ukraine. They number tens of thousands, including many married couples, but are extremely difficult to control.

Catering and tourism

The catering industry, tourism, restaurants and entertainment attract both legal and illegal foreign workers in considerable numbers. Once again, illegal employment is more common in seasonal work, with foreign workers tending to be engaged as waiters, cooks and kitchen staff. Call girls and prostitutes often come from Romania and the Ukraine, while croupiers in casinos tend to be from Western European countries. Illegal foreign workers, mainly from the Russian Federation and the Ukraine, are also working increasingly frequently in the entertainment industry.

The reasons for the employment of foreign workers in tourism include the requirement for a large number of workers over relatively short periods of time in specific areas, the need for particular skills, such as languages, and/or the lack of Hungarian applicants. Illegal workers are preferred because of lower costs, the complex and time-consuming procedures for obtaining the necessary permits and, in some cases, because the activity is in itself illegal.

The textile industry

In the garment industry, the reason for employing foreign workers is not an unwillingness to employ Hungarians, but rather the fact that suitable Hungarian workers with the appropriate skills for this demanding work are already employed elsewhere. Foreign labour is required to make it easier to obtain commissioned work from Italy and the Netherlands. In large-scale commission work for the industrialized countries, it is difficult to employ illegal foreign workers because of the strict controls. But in other areas of the textile industry, such as sewing in small shops, the labour authorities are almost powerless. Most of the illegal foreign workers in the industry are from the Ukraine and Eastern Slovakia.

Commerce and petty trading

Small-scale traders and street vendors, who often sell their goods illegally in Hungary and other Central and Eastern European countries, first made their appearance in the late 1970s and early 1980s. The traders, who appeared in markets and squares, popularly known as *Polish* or *COMECON* markets, were primarily Polish citizens selling cheap goods from Poland, the former USSR and even Austria. In the mid-1980s, ethnic Hungarians from Romania started coming during the tourist season to sell artisanal goods to cover their expenses for the duration of their stay and to buy items which were in short supply at home.

Following the lifting of travel restrictions throughout Central and Eastern Europe, at a time when living standards were still low elsewhere in comparison with Hungary, the size of the markets grew and the composition of the traders changed, with more Romanians (especially Romas), Ukrainians, Russians and ethnic Hungarians from neighbouring countries. The market traders also began to include many Asians, mostly Chinese, but also from Viet Nam.

Permanent traders tend to be provided with useful information by their relatives and other informants. Others rely on former experience of Hungary, often from occasions when the absence of other opportunities led them to come and try to sell their poor quality goods. Partly depending on the way business goes, their plans are uncertain. The majority of traders only come to

Hungary occasionally. However, they are extremely visible and almost certainly contribute to claims that there are several hundred thousand illegal residents in the country. Nevertheless, they generally only stay for a short period. Some even return home every night, even if they are trading in Hungary for several days. Other traders only return home to keep up the appearance of legality, secure supplies and visit their families.

Partly as a result of the reduction in price differences, there are now fewer petty traders. This decline is reflected in the fact that some 10 to 15 per cent fewer Romanian, Russian and Ukrainian citizens crossed the Hungarian border in 1997 than in previous years and spent 50 per cent less time in Hungary.

Professionals, managers and experts

Since 1989, the growth in the number of multinational enterprises and the new business opportunities available in Hungary have attracted a large number of persons from the industrialized countries. Many of them work with international enterprises which are operating in Hungary, and particularly around Budapest. At the same time, the need for language teachers, combined with the boom in the media and electronic communications, has resulted in the arrival of many young foreigners from the industrialized countries coming to Hungary for the experience or to acquire skills which they can then use in their countries of origin.

Even if it is less visible, illegal work also exists among foreign workers from the industrialized countries. By way of illustration, an investigation carried out by the Budapest labour inspectorate in November 1997 revealed that nine out of ten randomly selected banks were seriously violating labour regulations. The banks were fined 137 million forints for employing 34 foreign executives without the appropriate work permits. Nevertheless, foreign workers from the industrialized countries, and particularly those in banks, are in a very different situation from the nationals of other Eastern European and developing countries. The Director of the Budapest labour inspectorate considered, for example, that employing executives without work permits did not constitute illegal employment, "but was an omission due to negligence, because the executives in question were otherwise properly registered in internal files."

Some of the interviews carried out with nationals of industrialized countries working illegally in Hungary reveal an ignorance of the labour regulations, combined with a fear of bureaucracy and administrative procedures, which is sometimes shared by their employers. This type of illegal employment of Western Europeans and Americans is not very visible and usually difficult to prove. Moreover, experience has shown that sanctions which involve the expulsion of the employee from the country may lead to complications. The labour authorities are therefore often less inclined to bring such cases to light.

Enterprise size and forms of employment

The illegal employment of foreign workers, as well as of Hungarian workers in general, tends to be more common in small enterprises than in larger ones. Nevertheless, this may in some cases only be a question of appearances. Larger enterprises, which are more liable to inspection, sometimes make use of illegal foreign workers through their subcontractors, especially in the construction industry, and sometimes in agriculture.

Most illegal foreign workers are engaged in work for employers. However, particularly in the retail trade and the construction industry, many of them may also be engaged in various forms of self-employment. For market traders and entrepreneurs with limited capital, Hungary may well offer an experimenting ground to learn about the market, as well as offering a gateway to legal employment

and residence. When an enterprise is registered, the entrepreneur is allowed to work without a work permit and receives a residence permit. Indeed, many small enterprises have been established for this purpose. Other illegal foreign workers become self-employed for the same reason. This is illustrated by the fact that over half the enterprises established which are at least partly foreign-owned are set up with very little capital. A large percentage of the numerous Chinese-owned companies formed in 1991 and 1992 belong to this category of enterprise.

3.3. Reasons for the illegal employment of foreign workers

A review of the Hungarian press shows that the principal reasons for the illegal employment of foreign workers are perceived to be the following:

- foreign workers are cheaper (mentioned in 15 articles);
- legal employment is expensive (6);
- foreign workers are less demanding as regards working conditions (6);
- the relevant administrative procedures are long and complicated (4); and
- Hungarians will not do the work (6).

Although the reduction of labour costs is prominent among the reasons for the illegal employment of workers in general, in view of the very high levels of tax and social security payments in Hungary, the employment of illegal foreign workers instead of Hungarians cannot be explained exclusively in terms of lower costs. Other factors often include working conditions, flexibility and recruitment problems. One worker reported that “the men from Kárpátalja get less than Hungarian workers, because the Hungarian farmers know that it’s still good money for us. So we get 1,100 or 1,200 forints. That’s for 8 or 9 hours’ work. For the same work, a Hungarian gets 1,400 forints (...).”

Both legal and illegal Hungarian labour is more expensive than its foreign counterpart. Daily rates for foreign workers vary between 800 and 3,000 forints. The amount is influenced by many factors, including location, industry, the nature of the work, working hours and the season. Foreign workers are employed less frequently in winter because the higher living expenses make it less worthwhile for employers. Examples of the pay received by illegal foreign workers include wages of between 800 and 1,500 forints for 10 to 14 hours of seasonal agricultural work in Szabolcs, where agriculture is going through hard times. The employment of illegal foreign workers at substantially lower rates than those demanded by Hungarian workers is therefore a means of saving on harvesting costs for some farmers. In Bács-Kiskun, the rates are also between 800 and 1,500 forints. In Csongrád, agriculture and building pays casual labour between 30 and 80 forints an hour, although in some cases hourly rates can be as high as 120 to 430 forints. Pay is higher on building sites, where it reaches between 3,000 and 4,000 forints a day. There are also regional differences in hourly rates, with pay in Budapest and trans-Danubia being considerably higher than the national average. Compared with 1995, average earnings in construction and agriculture have risen by some 10 per cent, while the income of illegal workers in markets has tended to fall. A labour inspector in the South-east of the country notes that “remuneration is highly differentiated. It starts, for example with Romanians, at hourly rates of 50 to 100 forints and payment in kind, which may consist of meals and accommodation, plus two bags of potatoes, two bags of vegetables or similar. They may receive payment in kind and

extremely low pay, such as 500, 700 or 800 forints a day, while Hungarian workers, even semi-skilled or unskilled, will not often work for 1,000 to 1,500 forints.”

Foreign workers who are not able to meet their subsistence needs in their countries of origin can earn enough to survive by working in Hungary. As a consequence, they are still attracted by incomes which would be below the minimum subsistence level for Hungarian workers. The exploitation of foreign workers by Hungarian employers is therefore widespread. It is not uncommon for them to be paid hardly enough to live on and to be housed under inhuman conditions. Some employers try to ensure that the work is carried out by taking away their travel documents until it is completed. Moreover, there are an increasing number of cases of the failure to pay wages, the deferred payment of wages or the payment of reduced amounts, even in the modern organized economy. The danger is even greater among seasonal jobs lasting only a few days and based on verbal agreements, especially where the workers are foreign.

Bad working and/or living conditions are more common among workers without previous experience. At the very beginning of their activity in Hungary, many newcomers accept very bad living conditions. Some interviewees recalled that they had spent several days at the bus/railway stations, or that they had had to share one room without conveniences, but that it had been worse previously. One construction worker from the Ukraine said that he had agreed to live for two to three months in the enclosure. These workers generally hope to earn some money over a short period (two to three months) and then return home.

Another major factor in the illegal employment of foreigners is the rigidity of the regulations. One organizer of temporary agricultural work from the Ukraine explained that “it takes 90 days to get your permit (...) expensive too, because you also need your passport (...). The other problem is that the visa needs to be obtained, even for a couple of days’ work. That costs money too. What’s more, it needs to be paid in German marks. For the work permit, you also need a health certificate, which costs money as well. So it’s costly and takes a long time.”

For employers, the process of acquiring a work permit is also time-consuming and restrictive. In the case of larger projects in the construction industry, for which a substantial volume of labour is required for a relatively short period, which is not fully available on the domestic market, the employment of foreigners is therefore worth the risk. In other cases, such as domestic work or seasonal work in agriculture for smallholders, the amounts involved on both sides are so small that they are not worth the paperwork. In these circumstances, it is hardly realistic to expect an old couple in a village to even begin to understand what needs to be done to comply with the relevant regulations.

3.4. Recruitment

One work organizer, or *brigadero*, recalled that “four or five years ago, my wife worked in Hungary in seasonal work. That is how I went there. I got to know the farmers and they said it would be good to organize things. Groups of three or four came from Kárpátalja and wandered about. They asked me to organize it, for there to be one person who holds the group together, to arrange with people and bring them over the border (...).” Another work organizer from the Ukraine added that “these are all workers that I worked with in the factory at some time, and they all worked under me, mainly women. When the factory stopped, a lot of them came and said, András, you have been our boss for twenty years. We’ve got to do something. Well, some

have dropped out. One or two have actually got work. But there is no problem finding people. They come every day asking me to get them work in Hungary.”

In recent years, there have been considerable changes in the scale, forms and organization of the illegal work of foreign nationals in Hungary. Following the radical changes and liberalization processes in the surrounding countries in 1989-92, the market for illegal foreign workers was dominated by the supply of workers and characterized by a lack of organization. Many came without any information and without having found a workplace or employer in advance. Many would-be workers were also engaged in petty trading, which provided them with a small but fairly sure source of income in case they could not find work. Those who found work in advance tended to do so through friends or family.

The illegal employment of foreign workers, especially those who come to Hungary regularly from Romania and the Ukraine, is now becoming increasingly well-organized. Compared to previous years, more of the foreign workers who come to Hungary have advanced knowledge of the conditions and have arranged their work before arriving. Good individual workers and work teams are quickly recommended to other employers, so they do not have to waste their time searching for a job. These are the *élite* of the illegal foreign workers. Although foreign workers who try to find a job by frequenting the *slave markets* for foreign workers, such as the one at Moszkva tér, may be more conspicuous, they are not in practice as significant as other more organized forms of the illegal employment of foreigners.

It may therefore be concluded that the supply and demand for illegal foreign workers is now more balanced and that recruitment is largely organized through various forms of mediators. Direct information, through friends, neighbours, relatives or advertisements, is still important. But recruitment agencies and other intermediaries now play a major role in contacting both employers and workers. Such agencies operate both in Hungary and in the sending countries. Agricultural seasonal work is another area in which the whole process of recruiting illegal foreign workers has become well-organized. The workers have to be collected and brought across the border. Their reception and accommodation also has to be organized.

3.5. How many?

Despite the broad media exposure of the illegal employment of foreign workers, there are no exact data on the scale and extent of this type of work. However, it is considered that the numbers of illegally employed foreign workers greatly outnumber those with work permits. The Budapest labour inspectorate estimates that, in the high season, the numbers of illegal workers from abroad are up to twice as high as the volume of foreign workers with permits.

After expanding in spectacular fashion at the beginning of the 1990s, this form of migrant labour would appear to have stabilized over the past three or four years. Several estimates are commonly made concerning the number of illegal foreign workers. However, these estimates are often contradictory. Expert guesses vary between 10 per cent of total employment to between 5 and 6 per cent of all illegal employment (this latter figure includes those workers whose wages are paid either wholly or partly in cash to avoid taxation). Although it is not easy to measure, the total numbers of unregistered workers (foreign and Hungarian combined) may be placed at between 10 and 30 per cent of the overall labour force, which means that it exceeds the equivalent of the full-time employment of 300,000 workers. The number of illegal foreign

workers in Hungary may well amount to several tens of thousands of man-years each year. However, since the individuals involved are constantly changing, the actual number of undeclared foreign workers in Hungary in any given year would be much higher.

The representatives of trade unions in the branches which are most affected, namely construction, agriculture and trade, estimated that foreign workers account for between 5 and 10 per cent of all illegal work. According to the Association of Construction Engineers, of the 200,000 workers in the industry, some 30,000 to 40,000 are not declared, including between 6,000 and 7,000 foreign workers (more than half of whom are Romanian). In the view of the President of the Association, “the basic problem is the illegal employment of Hungarians, not foreigners (...).”

In 1997, the labour inspectorate checked 2,800 employers and about 22,000 workers in Budapest. Of these, a total of 7,634 workers were found to be irregularly employed. Of the 2,300 foreign workers who were checked, some 1,200 were not legally employed. It was found that some 50 per cent of foreign workers in Budapest were working illegally, with the figure falling to 40 per cent in Győr-Ménfőcsanak county and 35 per cent in Bács-Kiskun county.

The majority of foreign workers found to be employed illegally were Romanians who were working throughout the country. About one-fifth were Ukrainians, who were mostly found working in Hajdú-Bihar and Borsod counties in the East of the country. Most were engaged in unskilled construction and factory work, although in some cases they were employed in skilled work in light industry. The majority of employers were small enterprises. The main cause of the employment of foreign workers without work permits found by the labour inspectorate was the performance of work after the expiry of their work permits.

4. Existing measures

4.1. Legal rules and administrative procedures

Several measures and decrees have been adopted since 1991 to regulate employment and to prevent illegal work. The Employment Law came into force on 1 March 1991 and has been modified every year since then. The provisions relating to permits for the employment of foreign nationals came into effect on 17 October 1991. They were subsequently modified in 1995, when the conditions for obtaining work permits were tightened up. In November 1996, a law on labour inspection came into force.

Temporary immigrants have only a slim chance of obtaining regular employment in the formal sector in Hungary. A work permit is required for most types of work and must be obtained by the Hungarian employer. Moreover, the employer is obliged to register the vacancy notice with the labour authorities 60 days, or in the case of seasonal or occasional work, 30 days prior to the submission of the application for the work permit. This period was shorter before 1996. The work permit may only be issued in cases where there is no worker available locally with the relevant qualifications and the employment of the foreign worker is considered reasonable taking into account the local unemployment situation. Foreign nationals who travel to Hungary for the purpose of working there must obtain a work visa or an income-earning activity visa before entering the country, regardless of the length of their proposed stay. If a work permit is required for the activity, a work visa has to be obtained. To receive a work visa, the applicant has to submit the original work permit. When they have these visas, foreign nationals may apply for a residence permit.

Under the previous regulations, a foreign national who was an executive of a foreign company did not require a work permit. The regulations changed in August 1995. Under the current regulations, if an executive performs activities within the company which are not included in the definition of management, she or he must apply for a work permit. Other cases in which work permits are not required include:

- the commissioning of plant, the provision of warranty or guaranteed repair or service work, as part of a contract with a foreign supplier of equipment;
- the members of the supervisory board of a company with majority foreign ownership;
- foreign nationals with an international reputation invited for relevant activities by institutions of higher education, scientific research and culture; and
- members of a church for work in a church or church institution registered in Hungary.

The procedures for obtaining the necessary permits to employ foreign workers legally are certainly complicated and time-consuming. By way of illustration, a Ukrainian worker wishing to obtain official employment would have to pass through the following stages:

- completion of the preliminary paperwork, including bringing the documentation to Hungary (one day);
- production of a verified medical certificate that the worker is fit for the job (3,000 forints);
- production of a verified translation of school certificates (2,000 forints);
- an international passport (14,000 forints); and
- once the work permit has been obtained, travel to the relevant consulate to obtain a visa (travel costs - 1,000 forints; visa - 10,000 forints; and the loss of one day's work); and finally
- 10,000 forints are charged to the employer for the work permit and are deducted from the workers' wage.

Once all these formalities have been completed, the worker may then enter Hungary and apply for a residence permit, which in itself involves queuing up for one day. When all the necessary documents have been produced to prove that the worker has accommodation and employment in Hungary, the residence permit may then be received within 30 days. It should be noted in this context that it is particularly difficult to prove the existence of accommodation, since very few landlords are eager to report their activities to the tax authorities. The whole procedure requires more than one month's wages of a skilled construction worker, excluding the cost of corruption, which is commonplace. It also requires much time and patience to comply with unpleasant bureaucratic procedures.

Foreign workers who plan to stay in the country a long time tend to regularize their status and obtain the necessary permits sooner or later. Others, who consider their situation to be temporary, are wary of the complicated administrative procedures and their costs.

4.2. Social and political positions and attitudes

The illegal employment of foreigners is frequently referred to by the press and in political debates. However, no comprehensive economic or political strategy has been developed concerning migrant labour in Hungary. Indeed, the policy is still characterized by ad hoc regulations. The legislation respecting migration and the employment of foreign workers reflects fears of the potential tension which may arise as a result of the arrival of foreign workers. Regulations focus on border controls and the punishment of illegal workers, without any real knowledge of the processes involved or consideration of their possible economic effects. The underlying approach is therefore that migration can be kept in check with the means at the disposal of the authorities, and particularly

border controls and strict residency rules. As a result of these measures, it is believed that there is none of the social tension that would have arisen had everyone been let into the country. The current regulations are therefore based on the administration of aliens and not on considerations related to economic performance. In this respect, they would appear to have more to do with mistaken defensive reflexes than an analysis of the real facts.

The Ministerial Decree respecting the employment of foreign workers provides for the possibility of establishing quotas of work permits in specific counties and occupations, although this mechanism has not yet been put into practice. It may be argued in this respect that uniform regulation of labour migration does not allow the real interests of the economy to be taken into consideration. Efficient regulation can only be achieved where labour market rules are carefully differentiated. In practice, the levels of employment of foreign workers are determined less by their supply than by the demand for their labour. The structure of Hungarian unemployment by trade and geographical region does not coincide with the supply of foreign workers.

Moreover, illegal work is not a problem which is specific to migrant workers. Indeed, it is more common among Hungarian citizens. Control policies should therefore be targeted at Hungarian nationals, as well as foreign workers.

4.3. Labour inspection and sanctions on employers

It is particularly difficult to catch illegal workers because of the very high numbers of micro-enterprises, self-employed workers and contract work. It is no coincidence that when the labour inspectorate finds illegal workers, in the sense of foreign workers without permits, unregistered employees and workers paid less than the minimum wage, they are nearly always in seasonal industries, such as construction, agriculture and tourism (Laky, 1997).

The considerable efforts made to control illegal work include the activities of the labour and occupational safety authorities, which carry out some 22,000 inspections a year. However, this number is very low when compared to the numbers of enterprises and workers. Some 400 labour and occupational safety inspectors are responsible for the inspection of 700,000 enterprises in Hungary. It should be added that some 97 per cent of registered business entities in Hungary employ fewer than ten workers, and often consist in practice of an entrepreneur working with between one and three employees. Only 3 per cent of enterprises employ more than ten workers. Slightly over 9,000 enterprises have between 21 and 50 employees, nearly 6,000 have between 51 and 300 and only 1,200 companies employ over 300 workers.

Inspections are not generally carried out at the authority's own initiative, but in response to a complaint from the public or from competing businesses. In recent years, some 30 per cent of the employers inspected have been found to employ foreign workers illegally. It should also be noted that taking action against illegal foreign workers is made harder, and in some cases impossible, by the fact that both the foreign workers and the Hungarian employer make it look as if their working relationship actually consists of a friend lending a hand to a foreigner, who does not receive an income, but merely food and board for the time spent in Hungary. If the foreign workers leave the country every 30 days and do not break the residency rules, there is very little legal basis for taking action against them.

The sanctions imposed on employers have become stricter over recent years, although their effectiveness is debatable. According to some experts, the bigger risk in itself has a considerable impact. Others are doubtful and point out that the measures are seldom applied, because those

involved find new ways round them. In the view of one labour inspector, “if a company takes what it does seriously, if it lives from its activities, then if it does not find suitable labour and does not receive permission from the employment centre, it is certainly not going to give up its activity and go to the wall. It will employ illegally, taking the risk of being caught. But, in fact, especially in a larger enterprise which operates in several countries, we are not really of any danger to them with the number of staff we have. I do not even know what would happen if there were ten times as many inspectors. Even if there was a policeman beside every Hungarian citizen, I do not know if the problem would be solved.”

If a foreign worker is caught working without a valid work permit, the employer has to pay a fine equivalent to twice the sum already paid to the illegal employee, with a minimum of five times the minimum wage. The fact that the Government increasingly perceives illegal labour migration to be a problem is shown by the repeated *clean up* operations carried out against illegal aliens trading or staying in the country without residence permits. The operations have been launched under the pretext that the policy has been too liberal in the past. On the whole, these clean up operations have been considered successful by the authorities. Nevertheless, despite the intensification of screening operations, only illegal workers in the organized economy, including construction companies, hotels and catering, together with a small number carrying out permanent work in agriculture, have been detected in this way. Those engaged in temporary work in the non-organized economy, and particularly in households, are practically immune from controls.

The existence of a very large informal labour market serves to illustrate the general problems inherent in enforcing employment rules. These problems go well beyond the particular type of controls directed at illegal foreign labour. Despite the success of occasional clean up operations, they also have many indirect effects, which do not appear to be taken into account by policy-makers to any significant extent.

5. Restriction or liberalization?

5.1. Protection of the domestic labour market.

Do foreign workers take away jobs from Hungarians?

It is often argued that the adoption of more liberal rules for foreign workers would jeopardise the employment situation of Hungarian workers. To assess the veracity of this hypothesis, two questions have to be answered:

- are labour migrants competing for jobs, or substituting for the lack of certain types of labour on the domestic market?
- are illegal foreign workers competing with people looking for legal employment? are foreign workers competing with the local unemployed?

The main reason put forward for imposing strict work permit requirements on the employment of foreign workers is the protection of Hungarian workers. But is it true that they take work away from Hungarians? A work permit can only be issued if there is no available Hungarian worker in the corresponding profession or occupation. It is true that unemployment is high everywhere among the poor. Construction, garment production, seasonal agricultural work and stock rearing, which are areas where foreign workers are employed, are all considered to be fields in which unskilled workers can find employment. It would appear logical that, if there are so many unemployed unskilled workers in the country, these parts of the labour market should be protected.

However, as most experts agree, experience tends to show that Hungarian workers, despite their relatively high unemployment levels, will not take on certain jobs. No matter how strictly the employment of foreign workers is prohibited, no Hungarians can be found who are willing to do these types of jobs. As one interviewee stated, “the newspapers and TV can say as much as they like about there being so many unemployed. The village councils can’t force people into that kind of seasonal work. And that’s the work that we do. So if we go home after picking and the farmer comes and says that there is a lorry to load with apples, we work at night too. And we’re quite happy, no trouble.” These workers are often satisfied with earnings based on piecework rates or wages which are lower than any other on the labour market. Moreover, the work that they perform is not normally the same as the work carried out by illegal Hungarian workers. They tend to work in the peak agricultural season, when the tomatoes might rot, or in the construction industry, where demand for labour may be sporadic, or as waiters and barmaids in the tourist season.

Another illustration is the garment industry. There are enough Hungarians to take on sewing or other work in clothes factories. However, the reserves of Hungarian labour do not tend to be where they are needed. Moreover, the pay is so low that it is not worth the work or the travel costs.

In this sense, illegal foreign workers cannot therefore be considered to be in competition with legal Hungarian workers. Indeed, representatives of construction enterprises have expressed the view that the foreign labour force is required by the industry and that there should be legally

controlled ways of hiring foreign workers. However, this is an issue on which the various interest groups disagree, according to their political and economic position.

The assumption that foreign labour keeps wages low is only partly true and only applies in specific areas. Although the wages paid to foreign workers, with the exception of those from the industrialized countries, are usually lower than those offered to Hungarian workers, the difference is not, in practice, very great. For example, for construction work in Budapest, the pay received by illegal foreign workers may be between 10 and 20 per cent lower. Taking into consideration the cost of living and travel, a greater difference should not be expected. The situation is somewhat different in the East of Hungary, and particularly in the areas bordering on Romania and the Ukraine, where foreign workers are mainly employed in seasonal agricultural work. These are areas with poor agricultural conditions and they do not have the capacity to pay more for labour. This work used to be traditionally carried out by family members. Later, *voluntary student work* became generalized and border guards were sometimes even recruited to help in harvesting and during other agricultural high seasons. This type of work is now carried out by foreign workers and, even though the workers are illegal, it is a widely accepted practice. One worker who was interviewed described the situation. "In a village, nearly everybody knows each other - in-laws, relations, etc. Now the policeman knows that we're there, of course, and so does the mayor. But when the mayor has tomatoes to pick and there's nobody to do it except us, or if the policeman's brother-in-law, or sister, or himself (...) then they turn a blind eye. There are nasty people, but it's not common, because people realize that we're not taking away their bread. Because if we don't do the work, then nobody does."

5.2. Rational policies and solutions

Illegal work, by its very nature, gives rise to attitudes which may be unhelpful in the long term. The illegal employment of foreign workers infects the labour market and, ultimately, public morale. The informal economy, which is one of the main areas of flexibility in the private economy, has the serious destructive effect of forcing many workers who, under normal circumstances would not willingly venture into grey areas, to adopt a more competitive approach, to the detriment of others who are not in a sufficiently strong position to adopt a similar approach.

Despite the opposition manifested by public opinion, the presence of foreign workers in itself demonstrates the manifest need of the Hungarian economy and society for labour migrants. In these circumstances, it would appear reasonable to suggest that both economic and political ends might be better served if custom and law were brought more closely into line.

It has to be decided whether there is a need for foreign workers. If so, it is then necessary to identify the occupations which require foreign labour and the jobs for which Hungarian workers cannot be found in sufficient numbers. By way of illustration, it is generally agreed that there should, in general, be much simpler procedures and tax rules for seasonal casual workers employed on a daily basis. Foreign workers should be permitted to perform seasonal work because, in the peak season, the additional supply of workers compensates for the shortage of labour, without reducing domestic employment opportunities. The economic benefits for employers can be measured not only in terms of lower, and often untaxed wages, but also by the immediate and ready availability of labour. This is particularly important, for example, in agriculture, where the work must often be completed rapidly or the crop may be lost. With

simpler and more flexible rules, particularly in certain sectors, a considerable proportion of illegal foreign labour could be channelled into legal forms of work. Moreover, with clearer regulations, it would also be easier to assess the effect of foreign labour on the wages of Hungarian workers.

The present regulations carry the threat of greater sanctions for the worker than for the employer. Under these regulations, an illegal foreign worker may be banned from entering the country for between one and five years. Illegal foreign workers therefore feel constantly at risk. To legalize their stay, they have to cross the border every month. If they are caught by an inspection, they may also lose their wages. Most of them would therefore prefer to legalize their stay, even if they then have to pay taxes and accept a lower income.

Another prominent issue is the employment of ethnic Hungarians from neighbouring countries, for whom coming to Hungary may be the only way of earning a living. The abrupt interruption of their migration may give rise to political difficulties, in addition to its economic disadvantages. The declaration of an all out war on illegal work by foreigners would be mistaken in both principle and practice. It would also be a political mistake, because it would not produce the desired results.

Considerable diplomatic effort is required to avoid the creation of an iron curtain between Hungary and the countries concerned, and to prevent ethnic Hungarians over the borders being denied the work and income-earning opportunities that they have built up over the years. It is possible to develop legal and acceptable forms for this type of migrant labour. These might include setting high quotas for the population of the countries concerned, issuing long-term visas for ethnic Hungarians abroad and/or offering apprenticeships. These are just some of the possible measures.

The problem could be solved through the development of more differentiated regulations. But labour market rules can only incorporate effective distinctions and exceptions where they are the product of an effective system of representation in industry. Where this is not the case, the inspection authorities often dare not introduce more efficient inspection procedures for fear of upsetting the whole system. In this respect, it should be noted that medium-sized enterprises in Hungary are fragmented and therefore incapable of collective bargaining or of pursuing policies in a cohesive manner. Yet, in the current situation of transition and political and psychological tension, the public authorities are constantly on the defensive. It is therefore very difficult for them to develop solutions which address specific aspects of the issue.

It is not very clear which options are available to the Government concerning illegal work by foreigners, which is one of the most politically sensitive areas of the informal economy. The regulations are rigid and therefore ill-adapted to the rapidly changing economic processes in Central and Eastern Europe. Contrary to the original intention, they seriously inhibit all the parties concerned and, as a consequence, have the effect of constraining the whole process of economic transformation.

6. By way of conclusion

In view of the above, it may be concluded that the magnitude of illegal work by foreign nationals in Hungary is not particularly great. On the other hand, by virtue of its illegality, it has the potential to cause severe harm to both migrants and the host society.

Experience tends to show that measures aimed at restricting the influx of foreign workers do not greatly reduce the level of migration, but do have the effect of increasing illegality. The numbers of legal foreign workers are low. With possible exceptions in a few areas, they do not give rise to problems or conflicts on the Hungarian labour market. Hungarian regulations endeavour to follow European standards, which are designed to secure the outer borders of Western Europe. The question is whether this is the proper course to follow. In this respect, it needs to be borne in mind that restrictions cannot remove the causes of migration.

The implications of migration for employment for the countries of origin should also be taken into consideration. In particular, it is necessary to acknowledge that working abroad is the only possibility available to many migrant workers to make a living. Moreover, migration from neighbouring countries into Hungary, or through Hungary to the industrialized countries, is fundamentally of a temporary nature. The workers involved are endeavouring to take advantage of the opportunities offered by the opening up of the borders. However, they do not normally wish to settle permanently, either for financial or for personal reasons, or because of language differences. The wave of permanent resettlement following the opening of the borders would appear to have subsided and the general opinion is that all those who wished to emigrate have already done so.

Foreign workers, and principally ethnic Hungarians in other countries, hold the widespread belief that it is only the impediments themselves and the complications surrounding residence permits which force them to render permanent what they originally planned as temporary moves. This would suggest that, if the borders were to be kept open for temporary work, the migrant workers of today would not leave their places of origin on a definitive basis. Indeed, there are indications that, if opportunities to cross the border were to be further restricted, many more people would consider permanent resettlement.

For the sending countries and regions of origin, in addition to being a mechanism for survival, the fact that many of their citizens work abroad often assists their own processes of economic development. Recent history shows how the countries of Central and Eastern Europe which were the most open under the previous economic and political system are those which are now the closest to integration into Western Europe and the most attractive to migrant workers. The borders were open for Hungarian citizens from the early 1980s. Many used this opportunity not only for tourism, but also to establish business contacts. Many enterprises were subsequently established on the basis of the capital and contacts acquired during that period, particularly in areas such as the import of computer components. Rather than being impeded, similar cooperation with countries to the East of Hungary should be encouraged. It is also in Europe's interest as a whole to reduce the points of tension along its borders by encouraging economic development, which is a prerequisite for order and security. The establishment of a new iron curtain would help to achieve precisely the opposite effect.

The various forms of temporary migration for employment have encouraged processes of economic development on both sides of the border. For many years, several regions were unable to develop because of their isolation and the strictness of border controls. Work abroad and commuter

migration have therefore made an important contribution to economic development in labour sending countries.

Moreover, business activities related to migration, including transport, the procurement of goods and the organization of labour, have resulted in the emergence of operators who, if legal channels became available, would aim to continue and expand their activities in the future. Restrictions and prohibitions, if they are applied effectively, inhibit these opportunities. In addition, they condemn many workers to precarious living conditions. They also encourage the spread of more serious illegal activities, including the development of Mafia-type organizations. Indeed, there are indications of the emergence of the latter in Hungary. Businesses pay protection money to *security* companies to *protect* foreign workers, for example by preventing inspections by the labour authorities, helping workers who have successfully secured permits to find work elsewhere and paying corrupt officials to obtain permits. When conditions are made difficult, strategies are developed for getting round the rules.

Appendix I

Key informants interviewed

The main categories of key informants included representatives of:

- relevant governmental bodies, State institutions whose activities or responsibilities bring them into contact with the phenomenon of migration and/or illegal work;
- chambers of commerce;
- interest groups, including employers' organizations, trade unions and organizations representing immigrants; and
- researchers and politicians dealing with the issue.

The interviewees were drawn from:

Governmental organizations:

Ministry of the Interior:

- Office for Migration and Refugee Affairs
- the Department responsible for codification
- the immigration police
- border guards, including direct visits to the border crossing areas adjacent to the major sending countries and detention centres.

Ministry of Labour:

- Legal Department
- Department for Control
- Director and researcher of the Methodological Labour Research Centre
- labour inspectorate (the Head of the inspectorate, representatives from county inspectorates, inspectors involved in controlling illegal foreign labour in the capital and most of the counties most affected)
- employment offices (responsible for issuing labour permits to foreign nationals)

Office of the Prime Minister's Commission for the Coordination of the Protection of the Economy (the unit responsible for combatting illegal work), including the Secretary of State

Ministry of Welfare

The Social Insurance Company

The Office of Hungarian Minorities Abroad

Local government:

- representatives of four major migrant receiving counties
- in Budapest
- in major cities close to the Southern and Eastern borders
- in smaller towns where immigrants are often found
- in some major sending regions (in Romania and the Ukraine)

Embassies and consulates (particularly in Romania and the Ukraine)

Interest groups, professional associations and other experts:

- Hungarian Chamber of Agriculture (Chief Adviser)
- Budapest Chamber of Commerce (First Secretary, President)
- Hungarian Chamber of Commerce and Industry (adviser)
- Trade Union of Commercial Employees (President)
- Association of Building Constructors (President)
- American Chamber of Commerce
- British Chamber of Commerce
- German Chamber of Commerce

NGOs specializing in human rights and ethnic organizations:

- Association of Arabs in Hungary (Szeged)
- Martin Luther King Association
- Centre for the Protection of Human Rights (President, Member of Parliament)
- Association of Seklers in Hungary
- Maltese Cross
- Hungarian Interchurch Aid
- Red Cross

Other experts:

- agricultural economist and Member of Parliament (Alliance of Free Democrats)
- economist, Director of the Labour Research Institute
- private mediators, recruitment agencies
- work organizers and well-informed migrants
- immigration lawyers

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