

## ECONOMIC CRISIS - LABOUR MARKET – HUNGARIAN DEFENCE FORCES

## GAZDASÁGI VÁLSÁG-MUNKAERŐPIAC-HONVÉDSÉG

The economic crisis that began in late 2008 had a negative impact on nearly all the world, including Hungary. The financial crisis affected all sectors of national economy. The players of economic life tried to soften the influence of the crisis in various ways. Most manufacturers decreased their production and made labour force redundant. As a consequence of layoffs an over supply appeared in domestic labour market. On the basis of forecasts made at the beginning of the crisis this labour surplus seemed a proper solution for managing the several thousand strong shortage of personnel in the Hungarian Defence Forces. However, in mid-2009 new government measures were taken necessitating the rethinking of the "strategy of fast re-supply".

A cikk a gazdasági válság és az önkéntes katonai szolgálat vállalása közötti összefüggéseket vizsgálja. Egyrésről a válság hatására megnövekedett érdeklődés, másrésről a már a szervezetben lévők kötődésének átvilágítása segítségével mutatja be a munkaerőpiaci krízis okán keletkezett nagyszámú munkaerő és a honvédség kapcsolatát.

## 1. LABOUR MARKET IMPACTS OF THE ECONOMIC CRISIS IN HUNGARY

Similarly to other countries of the world Hungary has been seriously affected by the economic crisis. The crisis infiltrated Hungary through two main channels<sup>1</sup>. Last year companies operating in Hungary<sup>2</sup> did not take the risk of creating new jobs and a freezing staff number was introduced even where the crisis did not generate layoffs. Besides applying various survival strategies companies were forced to reduce many jobs. By the end of 2009 the unemployment rate had exceeded 10 percent<sup>3</sup>.

As early as the mentioned period of time western companies and units already began reducing their production and streamlining the manpower at their units abroad – including Hungary – started.

"The first layoffs took place at a big construction firm, followed by five car manufacturers, including the Opel plant in Szentgotthárd in mid-October. These two fields – construction and car industry – reflect the most typical first symptoms of the economic crisis: western people have not been able – or have not taken the risk – to request mortgages or car-loans resulting in gradual decrease in orders of car manufacturers and building enterprises based in Hungary."<sup>4</sup>

Naturally, every possible measure and financial resource had to be re-allocated in order to replace the reduced jobs. In the first months of the crisis several studies analysed the potential enlargement of public sector thus increasing the number of jobs there but as it could have been expected in July 2009 jobs were also frozen at state institutions and establishments<sup>5</sup>.

Although law enforcement agencies and other forces have several thousand vacant jobs it is only the criminal departments of the National Police Forces and jobs related to the upcoming EU Presidency of Hungary that have been made an exception from the tight regulations. It is not uninteresting that the Hungarian Defence Force is also affected by the moratorium although it could provide jobs for over 1,000 people. Nevertheless, it should be taken into consideration that the Defence Force should not abandon its recruitment activities because an appropriate number of recruits is

<sup>1</sup> Source: [http://www.kormanyoszovivo.hu/page/valsagkalauz\\_gazdasagivalsag\\_Magyarország](http://www.kormanyoszovivo.hu/page/valsagkalauz_gazdasagivalsag_Magyarország) 2009.05.03.

<sup>2</sup> Although the first signs of the crisis could be felt as early as the second half of 2008 the labour market responded only later at the end of 2008.

<sup>3</sup> The monthly statistics of the Central Statistical Office shows a 10.4% unemployment rate in August - October 2009.

<sup>4</sup> Benedetti, Gábor: Unemployment-calculator - [http://tiara.imect.com/page/elbocsatas\\_szamlalo](http://tiara.imect.com/page/elbocsatas_szamlalo) 2009.05.10.

<sup>5</sup> Between January and May 2009 the number of employees in public sector increased by nearly 60,000 persons.

István SZABÓ

Budapest, 2012.  
5. évfolyam 3-4. szám

necessary in order to ensure replacement of existing shortages and fluctuations.

Below I will analyse the major issues in the human resource management of the Hungarian Defence Force, related to the impact of economic crisis.

## 2. MAJOR ISSUES IN THE HUMAN RESOURCE MANAGEMENT OF THE HUNGARIAN DEFENCE FORCES, RELATED TO THE IMPACT OF ECONOMIC CRISIS

Among the influences of the economic crisis on labour market and employee decisions the job opportunities in public sector were clearly detectable. This phenomenon in the human resource management of the Hungarian Defence Forces was mostly manifested in:

- A large-scale decrease of the outflow;
- An increase in the respect to voluntary military service.

The diagram below clearly indicates that although the outflow rate was continuously decreasing in 2007 it became sharper in 2008 and 2009.

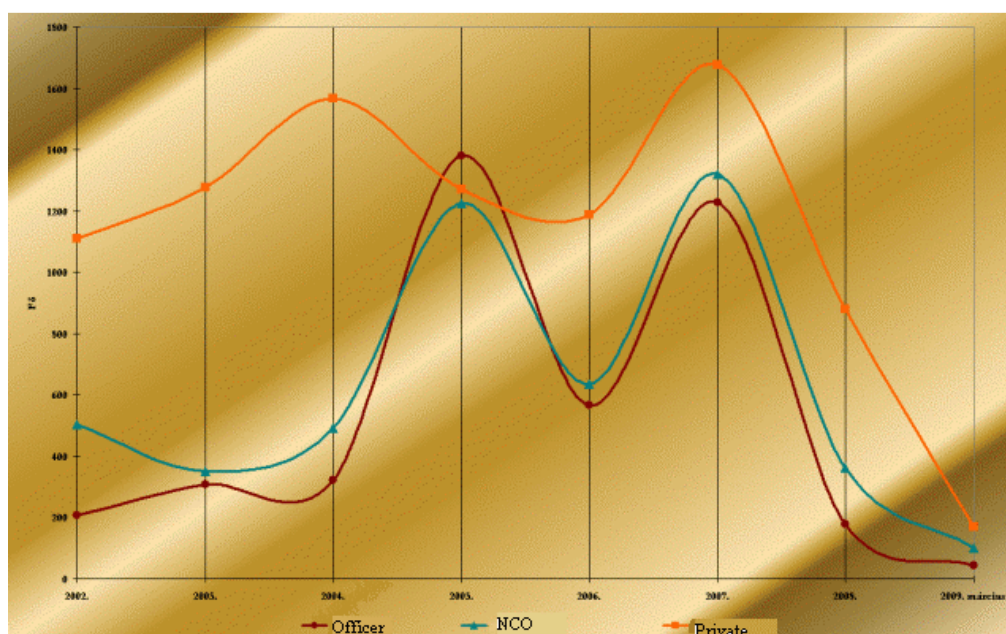


Figure 1. Outflow between 2002 and 30 March 2009.<sup>6</sup>

According to information from the recruitment centres the number of their visitors has doubled since the beginning of the crisis<sup>7</sup>. In spite of the fact that the increased offer appeared in the western regions of the country<sup>8</sup>, providing a better catch for military recruitment voluntarily military service became more attractive in the south-eastern region too, which had faced significant employment problems before the crisis period. In the figure below it can be traced how the number of potential recruits grew more than twofold in the Szeged recruitment centre within one year.

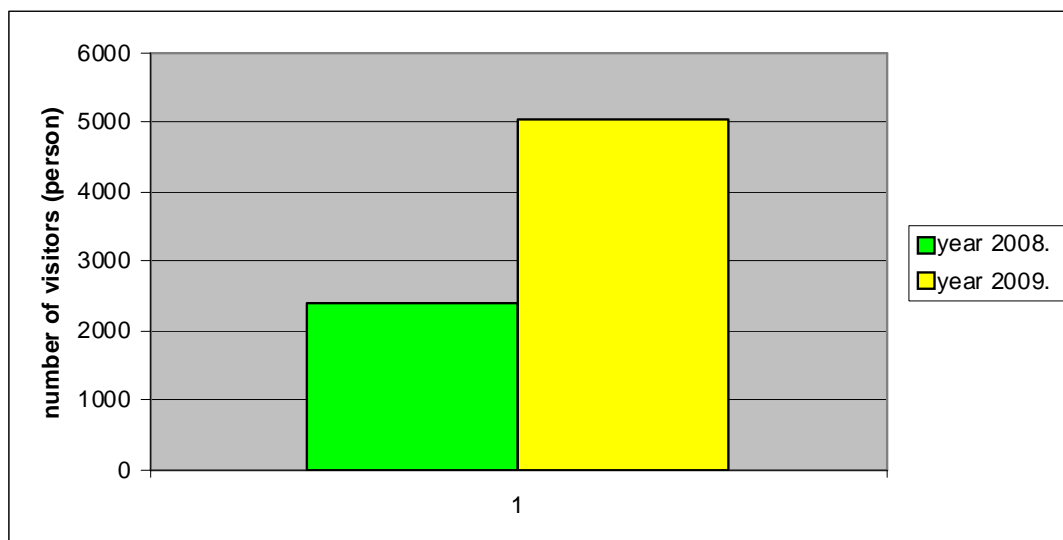
<sup>6</sup> Source: MH KIAK

<sup>7</sup> More and more young people want to join up - [http://www.honvedelem.hu/cikk/3/14949/gazdasagi\\_valslag\\_toborzoirodak\\_szerda.html](http://www.honvedelem.hu/cikk/3/14949/gazdasagi_valslag_toborzoirodak_szerda.html) - 2009.05.14.

<sup>8</sup> From the aspect of the HDF competitiveness problems occur in the labour market of Western Hungary with regards to previously prospering employers often with western relations.

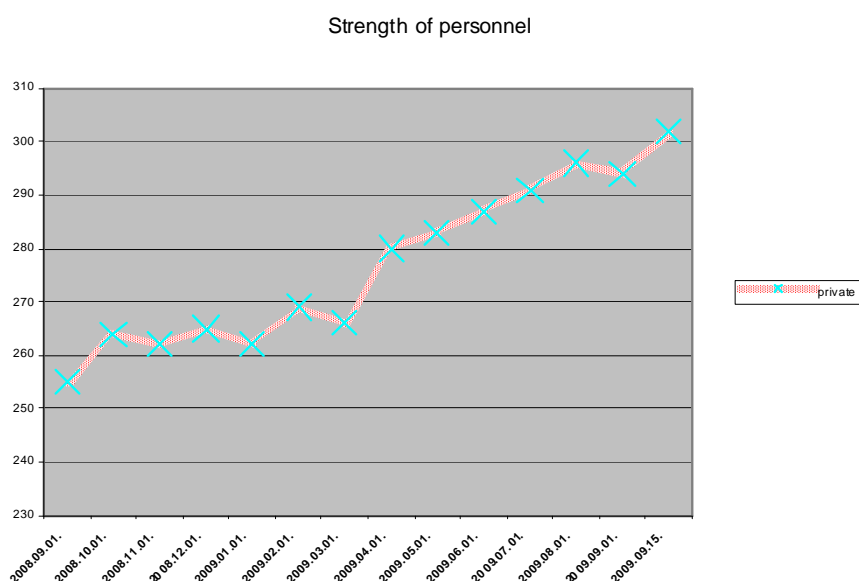
## HADTUDOMÁNYI SZEMLE

István SZABÓ

Budapest, 2012.  
5. évfolyam 3-4. számFigure 2. Number of visitors in the Szeged Recruitment Office in 2008 and 2009<sup>9</sup>

Further analysing the 2009 statistics of the Szeged Recruitment Office it can be established that 489 private and 43 officers / non-commissioned officers were employed before the introduction of restrictions on 15th July 2009. After the introduction of limitations only the in-progress processing was allowed and resulted in actual employment.

The diagram below shows the changes in the strength of personnel in MH 37 II. Rákóczi Ferenc Engineer Battalion between September 2008 and September 2009 in monthly divisions.

Figure 3. Changes in the strength of personnel between 01<sup>st</sup> September 2008 and 15<sup>th</sup> September 2009.<sup>10</sup>

<sup>9</sup> Figure made by the author: Recruitment Office, Szeged.

<sup>10</sup> Source: MH 37. Engineer Battalion. Made by: Chief Msgt Bertold Jakab.

## H A D T U D O M Á N Y I S Z E M L E

István SZABÓ

Budapest, 2012.  
5. évfolyam 3-4. szám

It can be seen that after the crisis response of the labour market – that is the first quarter of 2009 – there was sharp rise in the number of recruits.

On the basis of the preliminary forecast of the Szeged Recruitment Office another 200 or 300 people could have been commissioned if the limitations had not been introduced.

On the basis of the above calculations it can be stated that managing nation-level shortages would not cause major problems for the defence forces. Since the existing labour shortages appear at operational level, at the military units the manning of private positions should be top priority in the human resource management of the Hungarian Defence Forces.

Therefore, in spite of the fact that due to restrictions it is not possible to employ as much labour force as the military would need to eliminate the current shortages the recruitment activities should be continued. In order to have the appropriate number of potential personnel for filling vacant positions and assignments the target population for recruitment should be clearly identified in accordance with the actual labour market situation. In fact it is a precise statement that this target population was identified as early as the introduction of voluntary military service, however, since the introduction of all-professional armed forces there have been changes in the labour market which triggered parallel changes in the opportunities of the Hungarian Defence Forces as an employer. Consequently, a recruitment campaign may not be entirely suitable for addressing the appropriate target population. If the Hungarian Defence Forces wish to employ potential personnel from those who are in handicapped positions in labour market the result can be an image that military career is chosen only by people in completely hopeless situation. This statement can be underpinned by the fact that there is no differentiation between private-level appointments with regard to education background. Upon accomplishment of eight grades of elementary school one can take an assignment at the operational level in the Hungarian Defence Forces. It is not a source of problems in itself but taking into consideration the fact that servicemen with elementary education can take similar ranks therefore similar pay-grade to those of their comrades with higher levels of education and in most cases with some skills used in their daily work this non-differentiation itself may indirectly exclude people from application. In the current labour market situation the re-thinking and reconsideration of the existing structure of personnel may be very important. It is possible that if the Hungarian Defence Forces appreciated the "added value" of recruits making the operation of a unit more efficient, target groups could be involved which could more precisely meet special requirements. As a result, this target-population would comprise young men and women with the highest possible education levels, people who choose military career as a way of life and not just as an emergency solution.

Analysing the education levels of applicants<sup>11</sup> it can be stated that the rate of those with only elementary-level education is relatively low (merely 18%) and it is mostly people with secondary education who are interested in military career. It is of particular significance that the statistics are not limited to the period of the present crisis.

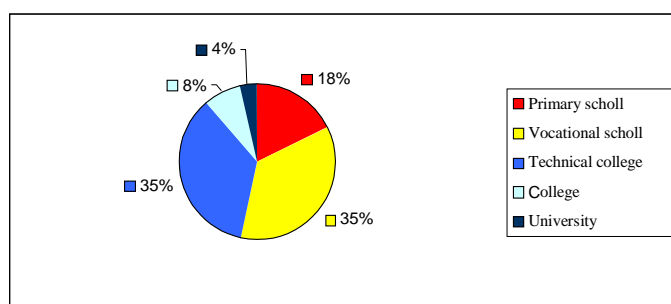


Figure 4. Education background of people applying at the Szeged Recruitment Office in 2008

<sup>11</sup> The figure shows the entire 2008 and not just the economic crisis.

## HADTUDOMÁNYI SZEMLE

István SZABÓ

Budapest, 2012.  
5. évfolyam 3-4. szám

In the light of the above figure it is not uninteresting that more than 50% of privates at units in subordination to the Chief of General Staff and to the Joint Force Command have only elementary-level education.<sup>12</sup>

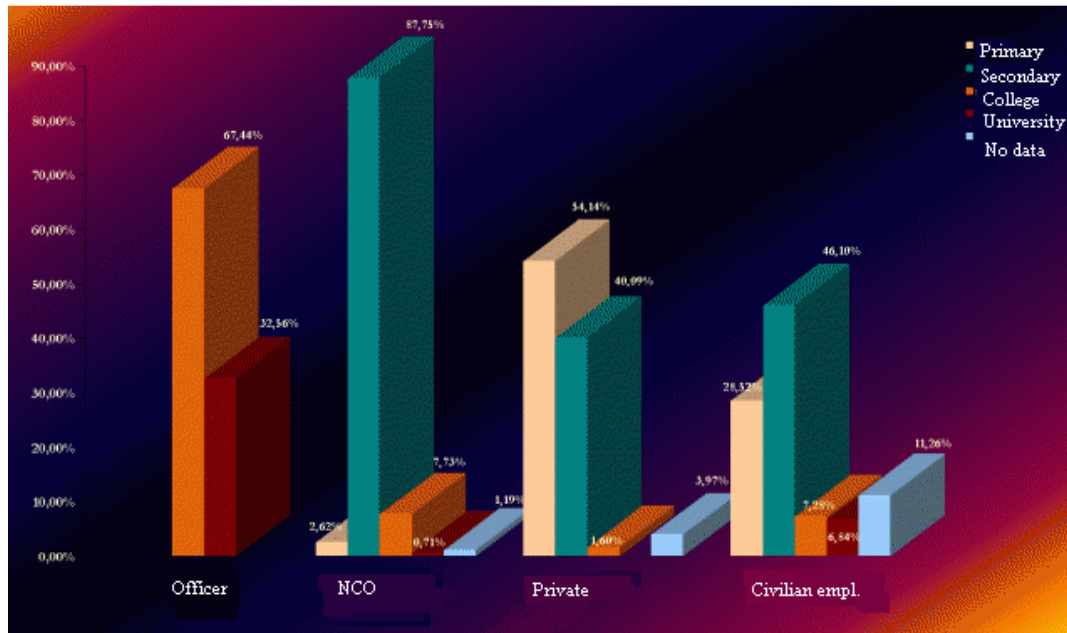


Figure 5. Education background of personnel in subordination to the Chief of General Staff and to the Joint Force Command March 2009.<sup>13</sup>

Returning to the main issue, the recruitment of a re-defined target group into properly analysed jobs with consideration of the present opportunities allows the employment of selected, better trained personnel. This idea is in complete harmony with Quality Recruitment the new basic notions of conferences at the Ministry of Defence. It may be useful to further elaborate it and focus existing tools on designating Quality Recruitment as an objective.

Naturally it is a well known fact that response of state institutions and state-run organisations to external changes and challenges is rather slow and the changes in existing structure may manifest other personal and financial problems and challenges which the organisation is not able to respond to. Nevertheless, there are areas where a well-considered decision taken at the appropriate level can be successful at a short term too. With regard to the regional influences of the economic crisis it may be reasonable to focus on the personnel shortages of military units in the western part of Hungary because while the salaries offered by the military are competitive in eastern Hungary with those offered by big production firms and service providers (due to the lack of major domestic and foreign companies) in the western regions such a competitiveness is nonexistent. However, the crisis-generated labour surplus may restructure the circumstances in some regions. This restructuring can be approached in two ways. On the one hand the labour force released by companies can be employable by the Hungarian Defence Forces in short term, and on the other hand as the military has not made its employees redundant in spite of the hardships it gained a significant labour market advantage with regard to long-term employment.

For ensuring competent labour force the increased offer does not bring a solution therefore meeting requirements in

<sup>12</sup> Due to the mentioned differentiation problems the majority of personnel with elementary education receive similar wages to those with more skilled staff. Nevertheless, due to the economic crisis in the case of the increased number of employees the selection opportunities are given but because of various existing deficiencies its effectiveness is questionable and in all the unskilled manpower is retained.

<sup>13</sup> Source: MH KIAK



## HADTUDOMÁNYI SZEMLE

István SZABÓ

Budapest, 2012.  
5. évfolyam 3-4. szám

the field of personal competences should also play an important role. It is important to highlight that the biggest problems do not occur in the case of filling assignments requiring no preliminary qualification. One of the most burning issues is assignments requiring some level of driving licence<sup>14</sup> “some two thirds of vacant positions is truck or fighting vehicle drivers’ or mechanics’ requiring at least a “C” type driving licence. That is why head of department thought the manning of special appointments would take longer time while for “ordinary” positions applications would be easy to get.”<sup>15</sup>

With regard to those who possess “C” category driving licence it is not just the recruitment but also the retention that causes a serious problem since truck drivers are also in demand in civil sector. An analysis of the qualifications of the unemployed in the South-Eastern Region indicates that the unemployment rate of truck drivers is very low thanks to the high-level demand<sup>16</sup>.

Managing the existing shortages and replacing those who leave the forces seems viable in short term if relying only on the current labour market data and on its forecasts, however, the above mentioned efforts made for quality is another important factor. “Due to job losses generated by recession more people applied for contracted service in the past months. The question is whether the retention power will increase at a similar rate and whether the urge for an increased influx will have concessions in the field of quality.”<sup>17</sup>

Apart from quality there may be further two areas where problems to solve appear mostly:

- The issue of entering the organisation;
- The retention of new recruits and in-service military personnel.

The toughest filter before commissioning is the group of medical checkups, psychological, and physical tests and examinations. Unfortunately today there are many people who have health problems at a relatively young age which prevent them from entering military service in Hungary. Besides the general medical conditions of the Hungarian population the fitness testing of the Hungarian Defence Forces may also have problems. There have been various criticisms towards the current structure of medical examinations several times but, perhaps due to the sharp increase in demand the biggest problem was posed by the capacity of the system. Therefore the various problems with the unfitness of applicants are further complicated by the fact that fitness examinations are unable to ensure short processing time for a large scale demand<sup>18</sup>. In a more ideal employment environment and in the case of an organisation in a stronger labour market situation it can present a loss if the number of retracting grows due to the several-month-long waiting period.

In the present situation in the labour market it is not only the young adults’ age group which is present in recruitment centres but the more senior generations too, looking for a job. In the case of the older age groups the fact should be accepted that the rate of those who are found fit for service in every aspect during the selection period will be lower.

Most forums and study papers approach the issue of employing females in the military as a delicate matter, however, it can be experienced that the previously high number of women interested in military service dramatically increased recently. Due to the lack of clear regulation of this field it would not be uninteresting to pay more attention to the question of equality versus deployability and make efforts to create a situation which equally represents the interests of the organisation and the employees.

<sup>14</sup> The costs related to obtaining a truck driving licence is different in regions but currently is around 200 – 300 thousand HUF. Although both the HDF and the regional employment offices organise training courses for assisting with obtaining drivers licence but there are not always enough candidates. In order to increase the number of trainees internal recruitment campaigns have been launched for training servicemen in driving and their unskilled vacancies will be filled up with new recruits from the external labour market.

<sup>15</sup> Egyre több fiatal szeretne katoná lenni – [www.honvedelem.hu](http://www.honvedelem.hu)

<sup>16</sup> As a unique fact: in south-east Hungary in late 2008 there were 37 agronomists and only 20 truck drivers. (FEOR: 8356).

<sup>17</sup> Kovács, Gyula: An Army Forgotten in the Warsaw Pact - [http://nol.hu/belfold/20090514-a\\_varsoi\\_szerzodesben\\_felejtett\\_sereg-2009.05.14](http://nol.hu/belfold/20090514-a_varsoi_szerzodesben_felejtett_sereg-2009.05.14).

<sup>18</sup> On the basis of my current data a new applicant has to wait for two months (!) before the examinations begin. In the case of those who applied after July 15<sup>th</sup> 2009 this period of time is incalculable.

[http://www.honvedelem.hu/cikk/3/14949/gazdasagi\\_valsag\\_toborzoirodak\\_szerda.html](http://www.honvedelem.hu/cikk/3/14949/gazdasagi_valsag_toborzoirodak_szerda.html)

*The retention of new recruits and in-service employees* has been a problem for the Hungarian Defence Forces for years. On the basis of preliminary forecasts the negative impact of the economic crisis in the labour market will decrease in a few years from now. According to analysts by 2011 – 2012<sup>19</sup> Hungary will be over the sharp increase in unemployment generating most of the current problems. At present one of the causes of the dramatic increase of willingness to join the armed forces is that the Hungarian Defence Forces offer what employees need the most, which is job security and stability. This statement can be supported by a survey conducted at a military unit in South-East Hungary. The survey focused on the issue how much the planned service time of in-service personnel has changed due to the well known impact on the labour market of the economic crisis. On the basis of the figure it can be established that the overwhelming majority of the respondents (48%) was not influenced by the situation generated by labour market crisis. The number of those taking voluntary military service is relatively low (8%). However, it is remarkable that 40% of the respondents said: although their join-up was not influenced by the crisis they would like to stay on for a longer period of time because of the crisis.

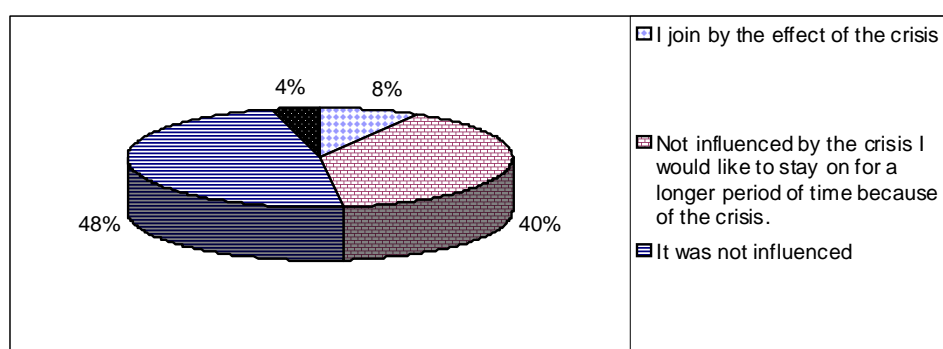


Figure 6. The impact of the crisis on employment in the military<sup>20</sup>

In spite of the fact that the majority of respondents plans to stay on longer because of job security it would be unwise to claim that the above mentioned job security will remain a retention factor at a time of an economic growth as the defence forces are not able to couple stability with higher salaries in short-term<sup>21</sup>. Consequently, military service may be only a temporary solution for many applicants and it seems rather realistic that those who take military career under pressure will leave the organisation at the same rate as they joined up or are going to join up.

### CONCLUSION

The labour surplus generated by the economic crisis has appeared in every region of Hungary. This increased offer provides the Hungarian Defence Forces with an opportunity for managing the existing shortages in the personnel. In the lights of limitations introduced in the public sector, however, it is obvious today that the process of eliminating the existing shortages has slowed down and the quality issue and retention of in-service personnel turned more important in the military too.

<sup>19</sup> Therefore in 2010 a modest while in 2011 a faster development can be expected in labour market, resulting in the decrease of unemployment rate.

<sup>20</sup> Figure made by the author.

<sup>21</sup> Similarly to western armed forces besides monthly salaries a wide range of social benefits can also strengthen the bonding with military career which may ensure the necessary personnel for long terms. This system of benefits may include the elements of the existing social net (family support system, reintegration training, retraining, housing subsidy, R and R), their enlargement and operation in the framework of military service.

Therefore the crisis in labour market articulates several questions with regard to the human resource management at the Hungarian Defence Forces. On the one hand the input part of the system may be made more flexible and on the other hand various strategies may need an overview in order to redefine potential objectives for the retention of existing personnel.

*Kulcsszavak: munkaerőpiac, gazdasági válság, létszámhiány*

*Keywords: labour Market, economic crisis, lack of personnel, retrieving*

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