

Labor market environment of public administration

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Abstract

Today, the focus of the Hungarian public administration development process is the creation of a strong, service-oriented state in Hungary. In most cases, often expressed expectations of the Hungarian public administration, its operation and its parameters - by policy makers, society and many other stakeholders - are aimed at improving a qualitative or quantitative indicator (effectiveness, efficiency, economy, expediency, etc.). In order to meet the needs and requirements, in recent years, there have been diverse responses to various levels of public administration, including territorial administration.

Key words: labor market, macro-environment, public administration, salaries

1. The subject of the study

Increasing the quality of public services nowadays, in the era of modern public administration, requires not only the shaping of the structure or the institutional environment, but also the optimization and better management of resources. Strategically thought-out planning and calculations based on the quality of public services are therefore essential, since public administration, by its very nature, lacks certain vital elements of competition (such as profit feedback on the quality of service provided within business organizations). Thus, the level of public service can be measured with the help of several, sometimes only indirect but socially outstanding indicators.

The question that remains to be answered is what exactly is within the scope of the study, ie what we consider to be territorial administration in our study. For placement within the public service system, it is necessary to establish several simultaneous and parallel distinctions: territorial administration can be classified according to the location of the organizational system, the nature of the public tasks performed, the principles of operation and the scope of competence.

In order to fulfill the public organization tasks of the state organization, each of the democratic states operating in accordance with the principle of separation of powers, including Hungary, has established a multi-level organization system, usually belonging to the executive branch. In this system, the central administration is, of course, made up of bodies with national (geographical) competence whose activities cover the whole territory of the country. And

administrative bodies whose operation is restricted to a specific area of the country are called local-territorial administrative bodies.

The term "local" in this case refers to the smallest constituent parts of the organizational system, the municipalities, while the "territorial" - depending on the administrative hierarchy of the given country - covers a geographical unit located higher than the local but lower than the national (Cserny, 2018). Based on the location in the organizational system, the investigation covers middle-level organs of public administration, but only a part of them.

In regional administration, according to the nature of public tasks, public administration and local government functions can be distinguished - and they can be supplemented by other bodies (public bodies, public institutions, public foundations, public utilities; The aspect of the separation of public administration and local government functions is basically the principle of operation, according to which the state administration is a hierarchy, while the local governments form an independent system according to the principles of autonomy. The centralized organs of the hierarchical administration can be regionally or locally concentrated or deconcentrated (Vértesy, 2018). Due to the autonomous and independent formation of the functions of the local social organization, ie the functions of the local and regional authorities, the research analyzes only the state administration side of the territorial administration, basically on the logic of the powers.

The division of public tasks and public affairs between different public bodies, that is to say, a distinction between general and specific competences. General competence is conferred upon the body to deal with a wide range of matters, and special competence empowers the body to perform a particular group of cases and to perform sectoral and administrative tasks. Competence is closely related to the organizational system, the public tasks performed, and the basic features and principles of operation, so it is worthwhile to combine them to highlight the exact area of the study.

Thus, the research analyzes **the bodies at the central organization level of the administrative hierarchy – built centrally, within that dispersedly – with general and specific competences – performing public administration duties –**; their tasks, human resource supply, capacity requirements and the development potential of the public services they provide. Due to the integration steps of the deconcentrated organ system in recent years, most of the tasks performed by the middle-level administration - and thus the human resources - are provided by the general competent bodies (ie the capital and county government offices and the district offices), furthermore, given the special remit and diverse territorial competences of non-integrated bodies, the study puts general territorial authorities at the center of the analysis.

			Authority	
			General	Különös
Organizational maxim	Centralised centralised control	Concentrated	Government	Ministry, Prime Minister's Office, Cabinet Office of the Prime Minister, Prime Minister's Government Office,
		Deconcentrated	Government Offices Capital city and County	Government Offices, Central Offices, Local administration bodies
	Decentralised	municipality (county, settlements)	local governments (public boards – chambers)	

Source: Századvég, 2016

2. Problem identification

The concise, concise analysis of the structural dynamics of territorial administration in this context is warranted because its history so far demonstrates that there are recurring problems that policy makers have failed to address. The description of changes – the current summary study only dates from the period of Central and Eastern European democratic transformation – in territorial administration is the subject of numerous studies, so my aim here is not to describe the events again, but to systematize and briefly describe them in order to draw conclusions.

In my study, I assume that the main current problems of territorial administration can be summarized as follows:

- **disproportionate level of official staff:** In European comparison, Hungary has a very high proportion of public employees, that is, all those whose income comes from the state budget; in particular, we consider public offices to be over-bureaucratic in terms of staffing levels, including territorial administrations as the end-point of administrative process.
- **disproportionate budget expenditures (resource efficiency problems):** with the increase in staffing requirements – and within that, of course, territorial administration

- the share of the public sector in the total budget has increased in recent years, but this has not been commensurate with the increase in tasks;
- **the downward trend in the staff's financial appreciation:** the conjunctural economic trend and the relevant government policy measures (such as raising the minimum wage) have had a significant positive impact on the private labor market; however, public sector wages are inelastic to changes in the market environment, but there are limits to modifying the statutory wage base and wage scales (which is also closely linked to the high number of public employees);
- **efficiency, human resources and other reserves undoubtedly inherent in the system:** there is a strong correlation between these problems and there is a consensus among policy, science and the general public that the necessary reserves for development are available, ie development is feasible without raising resources, increasing the level of labor available, through better resource management.

3. Aim of the research

The objective of the study on the human resources and capacity needs of regional administration is twofold. On the one hand, it aims to provide a comprehensive picture of the situation, which is carried out by proportionality studies on the number of employees in the Hungarian public administration organization and other characteristics affecting the number of employees, with special regard to the proportion of society (directly or indirectly) related to work and livelihood.

The other aim is to identify improvement points and areas where higher efficiency can be expected to be achieved by rationalizing available human resources, or where current levels of efficiency can be sustained even at lower capacities. Overall, the research provides an estimate, based on statistical data and research results, of the optimal level of human resource requirements for public purposes and possible directions for improvement to reach that level.

3.1 Applied research methods and focus area

I have collected and interpreted the available domestic and foreign literature, relevant legal documents, electronically available comparative documents of domestic and international organizations, as well as relevant statistical data. Due to the complexity of the research field, I divided the study into several parts, so-called analytical levels. The levels of analysis are based on the size classes used by economics, sociology, and many other disciplines; from the largest test units to the smallest ones, we can talk about macro, meso, and micro levels, environments, and investigations. (Tardos, 1997)

In addition to the size of the context of the study, the levels of analysis differ in the uniqueness of the phenomenon observed, that is, the broader the context in which we look at the phenomenon, the more we can draw conclusions about general trends rather than special, unique features. At the macro level, the analysis of society, institutions, positions, social relations, the functionalist, structuralist, institutionalist basic position (hereinafter referred to as structural analysis) and the structure identified by long-term processes are relevant, while at the micro level the examination of the individual, the small group, the behavior and the interaction, the methodological individualistic basic position (hereinafter: individual analysis) and the emphasis on the analysis of action and process are characteristic (Tardos, 1997). The meso level between the two endpoints was favored by localization in territorial studies (where it equates to regionalism); the meso-level is below the macro-level, but it contains several micro-units, so that general tendencies can be inferred from special features, phenomena and processes.

In short, the content approach to the topic under discussion is based on size categories and assigns different methodological approaches to different dimensions, in the sense that "macro-phenomena can always be explained in terms of micro-level or individual behavior [or meso-level phenomena]". (Gerő, 2011)

In my study, the research intends to present **a local meso-level study of territorial administration.**

4. Introduction

The macro-environment of an area of investigation - in this case, the labor market of the administration - is made up of environmental factors that determine or influence the operation of a given area, but at the same time they can only exert minimal influence on them. The macro-environment of the public administration from the labor market point of view is the so-called large systems (economic, social, cultural, etc.). The impact of the macro environment on public administration is mostly one-way, although in terms of its size, the public administration is also able to bring about a smaller change in the macro-environmental indicators (for example, the national level of employment could be reduced in proportion to the possible reduction of the expenditure on public administration workforce). Structural analysis means an analysis based on indicators that are able to show the characteristics of the area under examination from the lowest test unit to the highest unit; in this case, the macro indicators characterize the human resources policy of public administration independently of the territorial level (local, regional, central administration).

The characteristics (size, composition, permanence, etc.) of a government's administrative work organization are greatly influenced by the activities carried out by the

administration and the way in which public services are provided. For example, some governments provide public services not directly with government employees, but with different partnerships by the private sector. Research on human resources in public administration has shown that there is a significant difference in the administrative workforce across the world. Thus, when analyzing public employees from a human resources policy point of view, the combined effect of several factors has to be taken into account, and the area is tested together with several indicators. In line with this, for example, the International Monetary Fund (IMF) recommendation of 2010 (Clemensts et. al., 2010) draws conclusions on the labor market in public administration based on the number of public employees, their remuneration system and their relation to wage levels.

On the basis of this, we analyze the macro indicators of the labor market of public administration on the basis of a broader model of the IMF recommendation. On the one hand - as the basic characteristic of the area - **the nominal and relative** (compared to the total number of employees) **growth rate and number of the employed**; on the other hand - as the financing issues logically arise - **the relevant items of the state budget are gradually broken down**, from the total expenditure to the budgetary burden of implementation; and thirdly, payroll indicators are an integral part of the issue, and we are also analyzing a nominal and a relative indicator.

For time series data, 2008 was considered to be the starting point (or one year close to the availability of data). The reason is that, as a result of the global financial crisis of 2008, most of the indicators describing the functioning of the administration and some of its characteristics have been reversed, comparison with prior data is therefore not appropriate and would reduce the validity of the conclusions.

5. Headcount data

According to the relevant studies (Hazafi, 2015), the employment regulations of the Hungarian public service are highly differentiated, and the public sector is made up of a group of employees with different legal status. Henceforth the headcount data is indirectly influenced by the way the tasks are performed, because the tasks of the public service organization, which in part or in full, may reduce the number of staff, but the cost allocation remains the responsibility of the state (this fact also underpins the examination of budget expenditures in the next subchapter). The following sub-analysis, therefore, provides a comprehensive picture of trends in administrative staff using methodological options and available data.

*Number of employees in the public sector*¹*

Number of employees in the public sector in Hungary (thousand persons)				
	Education	Public administration, defense, compulsory social security	Human, healthcare, social care	Budgetary institutions in total*
2008	237,6	262,6	170,7	722,0
2009	234,9	292,8	166,9	747,9
2010	245,6	261,7	211,8	772,6
2011	240,8	246,4	195,4	734,6
2012	233,1	259,5	212,6	751,3
2013	221,6	264,1	253,9	786,1
2014	227,4	276,0	302,0	854,1
2015	229,6	279,8	306,4	868,2
2016	229,7	283,1	316,7	872,8
2017	238,7	277,8	286,8	842,4
2018	241,5	277,3	266,6	817,2
I. n.év				

Source: HCSO, 2018

The number of civil servants and public servants in the three sub-sectors examined (education; public administration, defense, compulsory social security and human, healthcare, social care) shows a mixed picture after 2008. In the education sector, the number of employees is fluctuating, from 2008 to 2017 the number of staff changes is less than one thousand, between the two endpoints, in 2013 the difference was more than 10 thousand. At the same time the public administration subsector augmented with the national defense and social security administrative showed an increase, as after 2008 it reached its peak in 2009 and

¹*Number of employees in the public sector* (HCSO, 2018):

http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli012.html

**Including employment and contract staff, public and government officials, and public servants. Statistics classify public workers into the category of human, healthcare and social care.*

then moderated somewhat by 2017, following the year of extraordinary year 2016, thus, the value of the increment is about 15,000. In the area of human, healthcare and social care, dynamic growth took place. The 170,000 headcount in 2008 reached its peak in 2016, when the number of employees exceeded 316,000, and by 2017 this figure fell to 286,000. In the last four years, a slight decrease in the number of staff in the public sector has been observed, as a result of the upward trend between 2014 and 2016, the headcount of more than 872 thousand peopl decreased to 842 thousand in 2017 and further decline is expected based on Q1 2018 data.

In addition to the nominal values, relative ratios correlated to a broader unit of staff can provide additional information to assess the position of civil servants. Therefore, in our study, after the nominal value of the public sector headcount, the proportion of people employed in public employment was compared to the ratio of the total number of employees in the national economy.

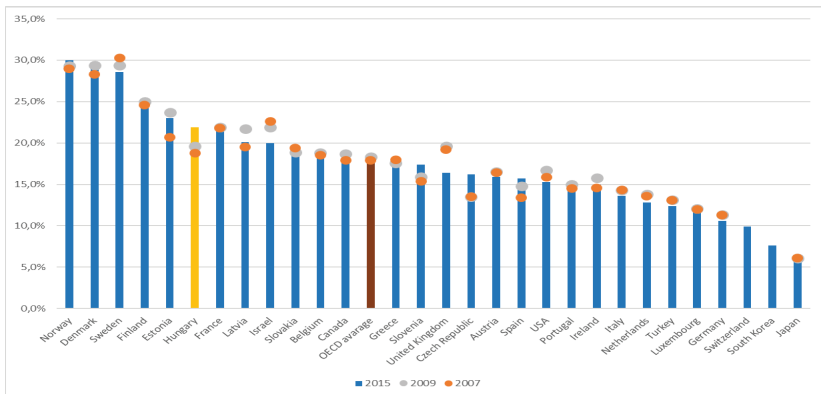


Figure 1: Percentage of public employment in all employed²

Source: OECD, 2017 (*Government at a Glance, 2017*)

Following a record increase in the number of public sector employees between 2002 and 2004, a steady decline was observed between 2006 and 2009. The lowest employment rate was measured in 2009 and 2012 respectively. According to the latest international data, in 2015, 21.9 per cent of all employees in the country worked for the Hungarian Government,

²https://www.oecd-ilibrary.org/governance/government-at-a-glance-2017_gov_glance-2017-en
<http://dx.doi.org/10.1787/888933532067>

which is located in the upper quartile of the examined OECD countries, with the sixth highest rate. The top five are currently Norway, Denmark, Sweden, Finland and Estonia, which, in addition to Denmark, follow the Northern (or Scandinavian) social model, that is their high share of welfare expenditure, generous unemployment benefits and pension provision, major social transfers and in comparison with these as a consequence of relatively high effective tax burden, they operate a higher state apparatus. In this case, there is also a distorting effect in the data field, as the completion of the public employment system has had an extensive impact on the number of employees in the public sector. However, static, one-to-many, or even multiple-time studies alone cannot give a complete picture of the employee ratio (for example, there may be extraordinary years in the data) completing the study, therefore, we reviewed the rate of change in the number of periods below.

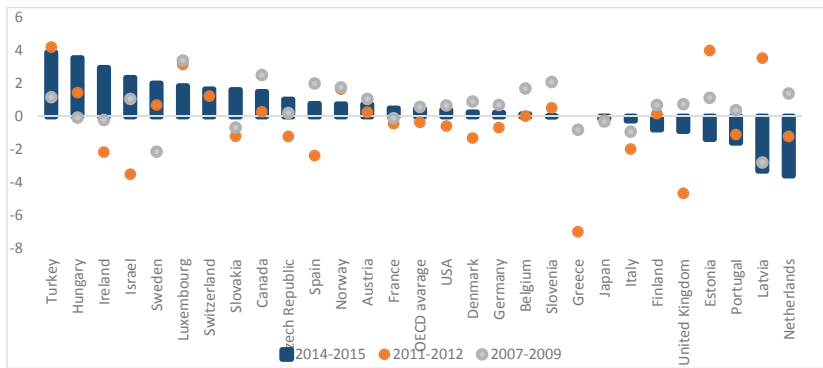


Figure 2: Annual growth rate of public employment³

Source: OECD, 2017 (*Government at a Glance 2017*)

Based on a static analysis of the proportion of public employment, it was apparent that there was a steady increase compared to 2007 and 2009, with a peak value of around 20 percent in 2015, the last year under review.

The dynamic analysis of the annual growth rate of public employment also confirms that the proportion of workers has increased significantly during the recent years between 2014 and 2015 - of the three periods examined. After a slight decrease between 2007 and 2009, the growth rate was half the rate between 2011 and 2012. As a result of this, Hungary ranks second

³https://www.oecd-ilibrary.org/governance/government-at-a-glance-2017_gov_glance-2017-en
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among the examined OECD countries in terms of the growth rate, only Turkey prevails in this respect, where intensive expansion increased the total number of public employees by 1% between 2007 and 2009, while in 2011-2012 a 4% growth rate was recorded for the staff number, similar to the years 2014-2015.

The analysis of the age distribution of the employed provides additional useful knowledge regarded to the number of employees, which also characterizes the preparedness of human resources. Based on the results of the research related to the organizational knowledge base, it is now well known that in every work organization the middle age (36-55 years old) contributes most to the already extensive work experience and dynamism of ensuring the professionalism of the work organisation. In addition, it should be emphasized that all ages are complementary to the performance of the organization. However, expertise, workload and activity are most optimal in the middle generation.

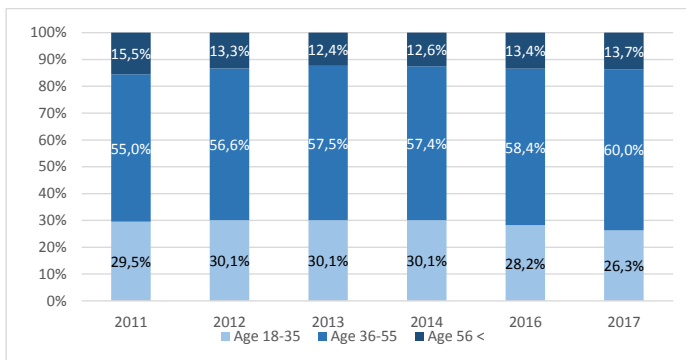


Figure 3: Proportion of the middle generation in public administration⁴

Source: NKE, 2018 (Good State Report 2018)

Examining the figures of the last six years, it can be concluded that the trend-like migration that characterized the middle generation working in the Hungarian administration at the beginning of the 2000s has already stopped. Between 2011 and 2017, the proportion of the middle age group increased by 5 percentage points, which shows that the ability of the public administration to maintain the middle generation has increased. The proportion of young people is stable at around 26-30 percent, so aging in the past decade is no longer a problem in public administration. Other studies (National Public Service University, 2018) also found that, from 2010 onwards, an average of 15 percent of jobs in the state and municipal

⁴ Nemzeti Köszölgálati Egyetem, Good State Report 2018. 163. p. <https://joallamjelentes.uni-nke.hu/kiadvanyok/jo-allam-jelentes-2018/>

administration changed hands each year, and the three cessation categories (relocation and change of legal relationship; common agreement and fixed term; retirement expulsion, dismissal, termination) was approximately equal.

For the complex assessment of the reasonableness of the employment rate, the next step is the necessary analysis of the redistribution ratio - the ratio of budget expenditure to GDP - for public service coverage (in fact the "size" of the state) mentioned in relation to the total employment rate of employees in public employment, this is done in the following.

6. Budgetary expenditure

An important aspect of the labor market environment is the cost and indices of maintaining the public service in terms of policy making. In the following, we break down our units from the aggregate ratio (the degree of redistribution) of the mitigation of income differences generated by market mechanisms and compare the expenditures on the labor market of public administration.

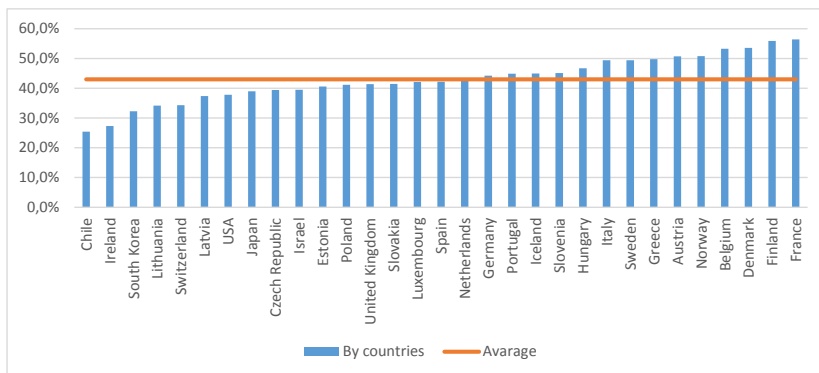


Figure 4: The ratio of budget expenditure to GDP⁵

Source: OECD, 2017

The redistribution rate is a conceptualization of the centralization ratio (the ratio of budget revenues to GDP), and shows that countries differ in their approach to the provision of public goods and services. As it can be seen from the results of the most recent full year of data reporting in 2016. In terms of the rate of redistribution of income collected in the form of taxes, Hungary is at the forefront of OECD countries, with a 46.7 percent government expenditure among the countries with at least 43.0 percentage points in the top one-third. Of

⁵ OECD (2017): Government at a Glance 2017. Paris, OECD Publishing. (https://read.oecd-ilibrary.org/governance/government-at-a-glance-2017_gov_glance-2017-en#page1)

the countries with higher distribution rates, categorized according to the theory of European social models, we can find a total of four Scandinavian (Sweden, Norway, Denmark, Finland), three continental (Austria, Belgium, France) and two Mediterranean (Italy, Greece) countries functioning according to the model named after them. The same theory classifies Hungary in the continental model. Further countries in this group e.g.: Slovakia, Poland and the Czech Republic are at the end of the list, with a 41.5, 41.2 and 39.4 percent redistribution ratio, with Hungary having an outstanding value. This is well illustrated by the fact that the value of the Netherlands also included in the Nordic-Scandinavian model is more than 3.5 percentage points higher.

However, budget expenditures include many expenditures that do not affect public administration staff, so it is worth examining the composition of the expenditures as well as the cost structure.

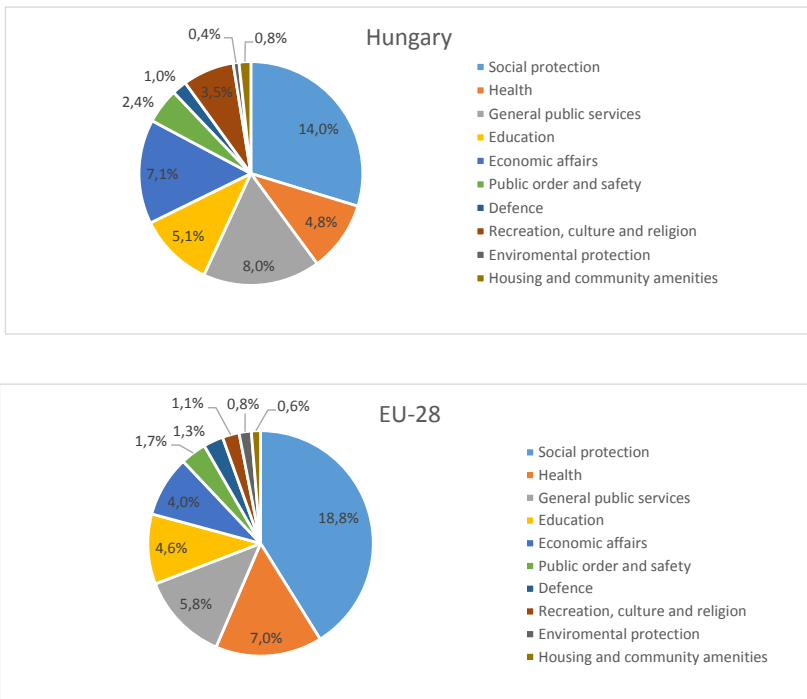


Figure 5: Public expenditure-to-GDP breakdown by function of public expenditure⁶
 Source: Eurostat

⁶http://ec.europa.eu/eurostat/statisticsexplained/index.php?title=Government_expenditure_by_function_%E2%80%93_COFOG

The Classification of the Functions of Government (COFOG) allows international comparisons of the expenditure structure of states through a unified methodology. The 'general public services' group, which also includes the costs for executive bodies, is part of the distribution of expenditure. At the same time, it is a problem that COFOG does not measure the number of public administrations, payrolls, or other relevant features that we investigate in our research during the function grouping. In spite of its aggregated nature, however, one of the most accurate, long-term, internationally available data collection for the analysis of countries' expenditure structures is provided by the HCSO in Hungary. For international comparison, therefore, we have typically used all public sector indicators, or where available statistics have been allowed, we have further narrowed it down to public administration. Domestic data are compared with the EU-28 average due to the fact that not all OECD member countries have more detailed data than the main breakdown. Resoectively, the traditional COFOG structure has been broken down by removing from the main public services group and submitting separately the amount of the "sovereign debt transactions" subgroup, which, due to the significant variation and proportion of annual public debt service, would significantly distort the results.

Based on the two charts, it appears that spending on general public services is above the EU average in Hungary. Compared to the EU-28 average of 3.8 percentage points in Hungary - spending, equivalent to 46.7 percent of GDP – expenses accounts for 4.7 percent of total spending. That is, EU countries spend about one-fifth less on public service costs while in Hungary, one tenth of the total expenditure (the ratio of 4.7 percentage points of expenditure to 46.7 percentage points, ie 10.1%) can be categorized into this cost category. However, there are a number of other distorting cost items in the main group which impede the credible assessment of the expenditure under review (such as economic aid to other countries or the allocation of budget support for basic research) thus, in the following section, we will examine the sub-groups of the "executive and legislative bodies" classified under the general public services main group.

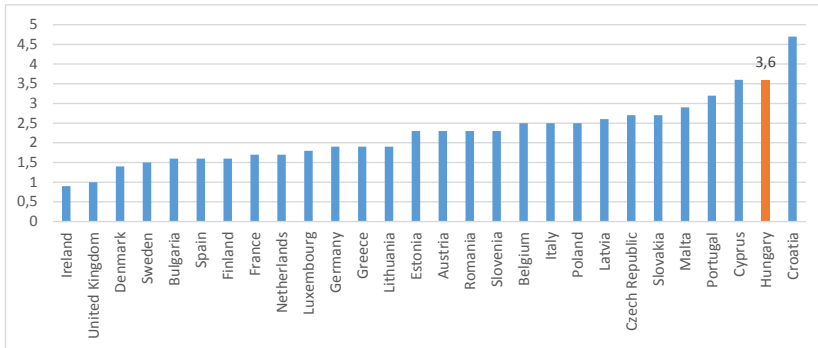


Figure 7: Government expenditures on the GDP of executive and legislative bodies⁷

Source: OECD, 2017

The international comparison of the subgroup shows that Hungary stands out among the EU-28 countries in terms of public spending on executive and legislative bodies, with its 3.6 percentage point GDP, ratio only preceded by the 4.7 percentage point of Croatia. Due to the diversity and complexity of state tasks, statistics cannot handle non-traditional forms of task delivery (for example, outsourcing, concession), so there are some distortions in these results. Against this background, it is also outstanding that compared with both Scandinavian welfare states (Denmark: 1.4, Sweden: 1.5, Finland: 1.6) and V3 countries (Poland: 2.5, Czech Republic and Slovakia: 2.7) the funding rate of executive and legislative bodies in Hungary is extremely high and in the still aggregated cost group, obviously, the executive bodies have more.

7. Wage and salary levels

Remuneration is a relative but extremely important component of the labor market environment. In order to assess the efficiency of human resources management within public administration, we examined the trend of the absolute value of wages and then the wage level of public administration in comparison with the private sector in the framework of a more efficient indicator.

⁷ OECD (2017): Government at a Glance 2017. Paris, OECD Publishing. (https://read.oecd-ilibrary.org/governance/government-at-a-glance-2017_gov_glance-2017-en#page1)

Average earnings in the public sector⁸

Gross Average Wages (Ft / Month)				
	Education	Human, healthcare and social care	Public administration, defense, compulsory social security	Budgetary institutions in total*
2008	205 940	171 551	267 657	219 044
2009	195 501	162 377	234 341	201 632
2010	196 799	139 034	242 447	195 980
2011	193 301	150 553	252 302	203 516
2012	197 757	144 074	246 756	200 027
2013	217 579	147 195	256 468	207 191
2014	246 318	139 462	260 240	209 706
2015	258 802	142 469	281 072	220 212
2016	272 998	149 551	313 883	237 494
2017	296 866	180 384	358 782	275 263
2018.I.	310 978	204 529	381 177	297 576

Source: HCSO, 2018

In the fiscal sphere, the average wages (salaries) have changed to a greater extent than in the previous year in 2008-2015, but the change did not exceed 15 percentage points. The decline in real earnings can only be seen in two cases, between 2007 and 2010 (-2.2–4.4 percentage points) and in 2012 (-2.6 percentage points) in the rest of the years, only the increase in real earnings in the fiscal sector declined. Compared to the average earnings of the previous year, the average wage measured without public employees in 2014 increased by 5.9 percentage points compared to 2013, by 6.2 percentage points in 2015, by 9.6% in 2016, and by 13.0 percentage points in 2017 (an increase of 13.5 percentage points in the first

⁸ Average earnings in the public sector (HCSO, 2018):

http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli012.html

* Including employment and contract staff, public and government officials, and public servants. Statistics classify public workers into the category of human, healthcare and social care.

quarter of 2018). Dynamic growth is undermined by the comparison of the salaries of those employed in public administration to the average earnings of the private sector.

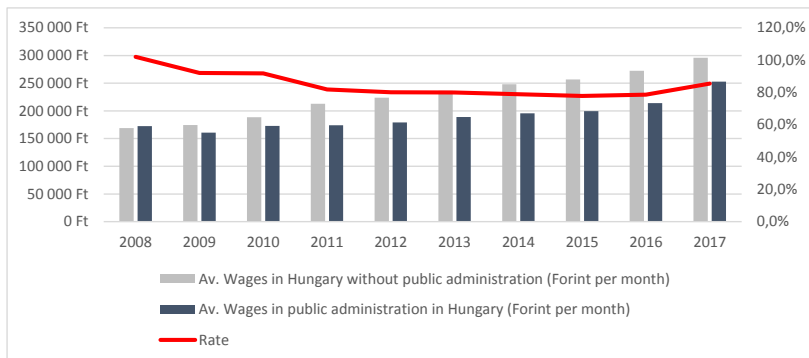


Figure 8: Relation of average earnings to average earnings in the private sector ⁹

Source: NKE, 2018 (*Jó Állam Jelentés 2018*)

In terms of public-private wage ratios, the turning point was 2008, since the average earnings of public-sector intellectuals - about 90 percent of the public administration - are increasingly falling out of the competitive sector (the rate is gradually decreasing from 102.0 percent to 77.8 percentage points). However, this trend is not due to the lack of wage growth within the public administration, but to the lagging behind the dynamically increasing wages of the private sector. In the period since then, there was only one case of a noticeable decline in wages: in 2009, the net salary in public administration fell by an average of about 12 thousand forints, which at that time fell by approximately 14 thousand forints from the private sector. The value of the wage gap was 14.6 percentage points in 2017, and it was approximately 43 thousand forints. The results are also distorted by the informal employment of the private sector (paying a part or all of the salary in pocket), so the difference is probably more significant than the measured values. At the territorial level, values are somewhat more favorable, the difference comes from the different earnings data of the private sector (Békés is the only county where the earnings of the public sector exceed the national economy average).

⁹ NKE, 2018 (*Good State Report 2018.*)158 p.

*The figure illustrates the net monthly salary scales of civil servants employed by the public administration for the net earnings of employees in the private sector.

8. Opportunities for development of the macro environment

An important consideration when estimating the number of employees in the public sector is that behind the size (and wage) data alone there may be structural, social and efficiency outcomes. For example, the public works program significantly distorts the ex-post impact of the administrative redundancies in 2011, since it is necessary to include public workers in the public sector from 2012 onwards (not to mention the public administration wage costs, which apparently increases the wage bill). At the same time, if we subtract the number of public workers from the total number of employees in the state, it can be stated that the reduction of bureaucracy started in 2012, and from 2016 another decrease in the total number of budgetary institutions, and also within the statistical category of „administration, defense, compulsory social security” (Number of public sector employees). Thus, the trend of decline can be identified, but its extent is not satisfactory based on deeper studies.

However, the proportion of those employed in public employment is not satisfactory, even after the bureaucratic steps taken. According to the ratio of the total number of employees (proportion of employees in public employment to the total number of employees) in Hungary 21.9 percent of the employees receive income from the state budget, which is remarkably high compared to the OECD average (18.1 percent) states and it can only be compared to the welfare states of the Scandinavian type. On this basis, the proportion of public employment should be reduced to at least the OECD average (18.1%), or within the range defined by the employment levels of regional competitors (Slovakia: 19.4% and the Czech Republic: 16.2%).

Particular emphasis is placed on the need for cuts in the headcount trend over the three selected periods of the last decade (Annual Growth Rate of Public Employment). The results show that while in the leading countries in terms of public employment rate growth did not exceed 2 per cent, in Hungary the decrease of 0.22 per cent between 2007 and 2009 was followed by an increase of about 1.5 per cent between 2011 and 2012. Between 2014 and 2015, the total number of employees in public employment increased by 3.53 percent.

A comparison of the redistribution ratio, as an examination of the budgetary resources used to cover the administrative headcount, shows that there is a disproportion between total public expenditure and public employment (Budget expenditure as a percentage of GDP): compared to 21.9 percent of public employees, the ratio of budget expenditures to GDP in Hungary is 46.7 percent compared to the OECD average of 43.0 percent. By comparison, the proportion of public employees in Slovakia is 19.4 percent and the redistribution rate is only 41.5 percent.

The breakdown of expenditure shows a similar picture (Distribution of government expenditure as a share of GDP by function of public expenditure). The share of the COFOG

category of "General public services" according to Eurostat is 4.7 percentage points in Hungary and 3.8 percentage points on average in the OECD (we exclude the amount of public debt service as a significant distorting factor from the statistics). Further deepening the study (public expenditure on GDP per executive and legislative body) reveals that expenditure on executive bodies in Hungary is exceptionally high: at 3.6% of GDP, only Croatia's data is higher, most Western and Northern European countries are below the OECD average (1.8%), with V3 spending a maximum of two-thirds of Hungary's same figure or less on this cost category (Slovakia and Czech Republic: 2.7 percent, Poland: 2.5 percent).

In the public sector, wages in absolute terms are satisfactory, with a fall in real earnings only in two cases, between 2007-2010 (-2.2 to 4.4 percentage points) and 2012 (-2.6 percentage points), while only the growth of real earnings has slowed down in other years in the budgetary sphere (Average earnings in the public sector). However, compared to private sector wages (Average earnings relative to private sector earnings), wage levels are unsatisfactory (and, according to an examination of budget expenditures, they cannot be raised significantly). From the turning point in 2008, the average earnings of public sector intellectual workers - about 90 percent in the public administration - are increasingly falling behind the competitive sector (from 102.0 percentage points to 77.8 percentage points by 2015). In 2017, there was a slight increase, but the wage gap was still 14.6 percentage points, HUF 43,000 in nominal terms. Despite distortions such as black and gray employment, wage developments in the public sector are unavoidable and are based on realistic reductions in the number of public employees on the basis of further indicators and, at the same time, wage increases with unchanged wage-bill.

Thus, the examination of the macro- and mezzo-environment has concluded that in Hungary the public sector employment data lag behind similar indicators of the countries under comparison, thus, similarly to central administration, it is necessary to rationalize human resources and capacities in territorial administration, which can be achieved by reducing the number of state employees and increasing their wages, based on the analyzed indicators.

As a preliminary observation, the current economic cycle, coupled with dynamic economic growth and high labor shortages, allows public-sector workers to be redirected to the primary labor market with greater chances of being employed.

Headcount: a small number of well-paid civil servants is needed in the domestic territorial administration. However, a differentiated approach is needed when rationalizing staff; instead of an approach based solely on proportionality, with no efficiency and resource-based approach, a streamlined management plan based on an individual examination of future workload and quality of service provision is needed.

Wages: The current wage level, despite its multi-stage development, is considered to be low, - especially in relation to the dynamic growth of private sector wages – and does not reflect real work performance or the value of work done. In order to improve existing conditions, it is necessary to increase the current wage level, while keeping the wage-bill constant. In addition to this, customer-driven resource allocation and further efficiency improvements are needed.

Public services: In addition to rationalisation staffing and wage relations, there is a need for extensive streamlining of public services provided by regional administrations, a more detailed examination of the feasibility of the rationalization proposals presented in the study and further development suggestions based on empirical experience.

At the same time, interventions must also take into account the risks of 'shifting' public sector employees to the private sector. Specifically, job choices - which is especially true for the public sphere – are not only influenced by income considerations: previous studies (Molnár, Kapitány, 2013) have found that this may be the case, for example, for increased safety or social utility. It is now well-known and even scientifically proven (Bellante, Link, 1981) that public sector employees are more risk averse than private sector employees and that the public sector as a workplace is more in need of a lower risk appetite. (Gregory, Borland, 1999)

The direction of the interaction of the two factors is questionable, and, thirdly, the possibility of the worker becoming risk averse as a result of work. Against this background, the success of a job change also depends on the employee's ability to adapt to the demands of a changed work environment, and the ability to adopt a less risk-averse - or more risk-taking - attitude that is more suited to the private sphere.

In addition, the larger organizational dimensions and the potential for greater concentration in territorial administration provide the human resource efficiency reserve. To take full advantage of this, long-term integrated human resource management is needed: it must be ensured that mechanisms in place (such as strategic headcount management, mobility policy or career planning) are capable of permanently improving operational efficiency while rationalizing headcount.

With this in mind, below there are three intervention points - headcount, salary and public services - and suggestions that have been made for these intervention points.

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