

# THE CHARACTERISTICS OF PART-TIME EMPLOYMENT, REGARDING THE DUTCH AND HUNGARIAN LABOUR MARKETS

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## *Abstract:*

*One of the most important ecological problems of EU members is the high unemployment rate. That is why, according to the experts, one of the most important tasks to reduce unemployment. According to their opinion it can be reduced by making the labour market more flexible.*

*The first part of this essay presents one of those methods - a part time work - which is used so far by West-European countries to enhance the flexibility. The second part is dealing with part-time work system of Netherlands and Hungary.*

*Keywords: labour market, flexibility, reduce unemployment*

## **Main features of labour market of EU**

Considering employment characteristics it was after the rise of oil prices in 1973 that the developed countries experienced the end of their golden age(1). General economic difficulties led to rising unemployment figures, also meaning, that unemployment rates have steadily been on the rise in the western countries ((2) (3) (4) (5). In general it is the state that carries the burdens of unemployment in these countries. The following points are to be considered in this respect:

1. Money paid by the state in the form of unemployment benefit.
2. Running costs of networks that provide for the unemployed (job offices and other organizations)
3. Retraining costs.
4. Shortfall of revenue formerly paid in the form of income tax by the unemployed.

Due to these features the financial burdens of the welfare state were of considerable volume as early as the beginning of the 1980s, as it is attested by an example from England. At a rough estimate each new unemployed person annually cost the state 5,000

pounds. The financial costs related to the country's 3 million unemployed, totalled 15 billion pounds (6) Due to the considerably rising unemployment-related costs, there was a shift of paradigm in western European countries in the 1990s, and job-supporting techniques were preferred instead of financing unemployment itself.

As you see unemployment is one of the most serious problems in the countries of the European Union, employment policy is a significant strategic element of the Lisbon process. The Lisbon Summit of 2000, held with the participation of the heads of states and governments of the European Union, defined the following aim: '...by the end of the decade the European Union is to become the world's most competitive and most dynamic knowledge-based society, capable of demonstrating strong social cohesion and sustainable growth by creating an increased number of better jobs.'

When trying to handle unemployment problem, the necessity of making labour markets flexible is increasingly emphasized, both on the level of theoretical literature and also on

the level of practical issues. Flexibilization is one of the potential tools to fight unemployment. Theoretical literature uses the notion of the flexibility of the labour market in a variety of ways; when overviewing the flexibility of the national labour market of a given country, an internal (in- company) and an external (outside the company) flexibility are all to be concerned.

In our opinion two larger categories can be identified when grouping the tools and methods, with which the labour market can be made flexible

1. Methods, which are meant to mobilize employment, that is, with the help of which it might become easier to enter and/or leave the labour market.

2. Techniques to mobilize labour itself, that is those techniques, which are to modify and flexibilize work time.

The techniques enlisted under point 1. refer to the labour markets of several EU countries, including France, Greece, Germany and Spain (7) (8). The governments of these countries have made it easier and cheaper to lay off workers, and, by using several techniques they have been trying to enhance the entry of the young (first-job seekers) and of women into the labour market. Trade unions in these countries have been trying to oppose these trends, but their attempts did not prove very successful. The reform of the welfare state –including the reduction of unemployment benefits – is becoming a general trend in Europe.

Regarding the group of tools enlisted under point 2, four tendencies have begun to shape up so as to flexibilize the working process itself:

1. Reduction of working hours.
2. Intense support of atypical forms of work – primarily of part-time work- as opposed to more traditional forms of employment.

3. Training and on-the- job training, together with the consideration

of the time spent on these programs, are seen as a way of managing unemployment.

4. The introduction of various forms of time sharing.

Our survey first deals with the characteristics of part time employment, while in the second section the special features of the Dutch labour market is going to be introduced, where part time employment is the most typical. The third part of the paper is to offer a survey of the Hungarian labour market.

### **The main characteristics of part time employment**

It was in the middle of the 1970s that the notion of part time employment emerged in the world of work. It is primarily rooted in the concept of work solidarity, a situation, in which employees intend to avoid lay-offs by sharing work voluntarily. (9) (10) (11). This form of employment later grew into the concept of part time employment as a special tool in employment policy, and it soon started to play an increasingly significant role in the countries of the European Union (See Table 1).

Despite the fact that the weight of part time employment has lately increased in the world of work, the concept does not have a generally accepted definition. Most experts use the definitions given by ILO or OECD.

The definition by ILO is as follows: Part time employment is regular wage employment with hours of work substantially shorter than normal in the establishment concerned. (Normal work hours mean 40 hours per week.) This definition does not detail what it means to be 'substantially shorter'.

The definition by OECD is as follows: Part time employment means work time not exceeding 30 hours per week.

Table 1

## Part time employment in EU-15 1985-2004

Country	1985	1989	1994	1997	2004
Austria	7,0 %	n.a.	9,1%	14,9%	20,2%
Belgium	8,6%	10,2%	12,8%	14,7%	21,4%
Denmark	24,3%	23,4%	21,1%	22,2%	22,2%
United Kingdom	21,2 %	20,2%	23,8%	24,9%	25,8%
Finland	8,2%	n.a.	8,3%	11,4%	11,5%
France	10,9%	12,1%	14,9%	16,8%	16,7%
Greece	5,3%	4,4%	4,8%	4,6%	4,6%
Netherlands	22,7%	31,7%	36,4%	38,0%	45,5 %
Ireland	6,5%	7,4%	10,8%	12,3%	16,8%
Luxembourg	7,2%	7,3%	8,0%	8,2%	17,8%
Germany	12,8%	13,4%	15,8%	17,5%	22,3%
Italy	5,3%	5,7%	10,8%	7,1%	12,7%
Portugal	6,0%	5,9%	8,0%	9,9%	11,3%
Spain	5,8%	4,8%	6,9%	8,2%	8,7%
Sweden	25,4%	n.a.	25,3%	24,5%	23,6%
average EU 15	10,8%	13,2%	15,4%	16,9%	19,4%

Source: Employment in Europe 2005

In addition to the above – not very precise – definitions on national level certain countries may have specific rules concerning the notion of part time employment (12). These specific descriptors tend to define the notion of part time work by determining the minimum and/or the maximum number of work hours. Generally it is the weekly and not the daily hours that are given. In France the number of work hours can occasionally be defined on a yearly basis as well. National differences can be demonstrated with the following examples:

- In Belgium one third of the total weekly work hours, that is 13 hours are taken as a minimum.
- In Ireland the minimum is 8 hours
- In Portugal it is 20 hours/week
- In France it is one fifth of the weekly or monthly work hours.
- In Spain it is the maximum that is defined, and it is 77% of the weekly work hours.

Having overviewed these figures, given by Hungarian as well as by foreign experts, in summary it can be stated that part time employment means working for a period shorter,

than the assigned work time in full time employment (13).

It is also significant, that the growth in part time employment ran parallel with the tendency of rising numbers considering working women. In OECD countries it is the women who represent 75% of part time employees (14). According to several surveys into this area it is the female employees who are in favour of this form of employment, because it enables them to be mothers and homekeepers as well.

On the other hand men who are in part time employment in general belong to two different categories. By age they are either under 24 or over 60. Those who are under 24 usually opt for this form of employment because it enables them to coordinate their studies and their entry into the labour market. Those who are over 60 usually opt for part time employment because it will reduce the effects of the so-called 'retirement shock' for them.

Another aspect of part time employment arising from its definition is the question of voluntarism, that is, in what proportion part time workers have chosen this form of work out of

necessity, and, how many of those, who are employed full time, would want to work part time, if given the possibility. It is a significant question, because part time employment also has its dark sides, and that feature also should be taken into consideration (15). Some of the possible disadvantages include the following:

1. Law does not grant the full spectrum of labour rights for part timers.
2. Part time workers are paid less.
3. Part time employment divides the labour market into two sectors. At one end there are the full time workers, who are highly productive and well-paid. At the other end there are the part time workers who are underpaid. According to a survey conducted in the early 1990s, low wages are twice as likely to occur in the group of part time workers than in the group of full-timers (16).
4. Part timers are not part of the optional schemes of income supplements and fringe benefits.
5. Part timers will get lower pensions when they retire.
6. Despite the fact that part timers are underpaid, the amount of work they put into their job is corresponding to the amount of work done by full timers.
7. In many countries part timers are obliged to do overtime.

National trade unions, as well as the European Association for Trade Unions (ETUC), are aimed at reducing the disadvantages of part time employment. One of their aims is to grant part time workers the same rights as their full time counterparts have.

These aims include granting equality in wages, the same term of notice and severance pay. Two examples can be quoted to illustrate the usefulness of trade union work.

1. The disadvantageous effect of part time employment on retirement pension- detailed under 5 in the previous section - is for example remedied in Austria by granting the employee the right to request the consideration of the best 15 years in his/her employment history when calculating his/her pension.
2. The problem of obligatory overtime - detailed under 7 in the previous section -is solved for example in Italy by 'banning employers from assigning overtime to part time workers'

In the first decade of the 21st century the general European tendency has been that a part time employee has the same status at a company than a full time employee, only his/her work hours are shorter.

### **Netherlands, a model country for part time employment**

Netherlands, with the largest proportion of part time employees within the EU, is the 'pioneer' country in part time employment. (See Table 1.) While in 2004 the EU average in part time employment was 19.4% , 45.5% of all Dutch employees worked part time. By some experts Holland is called the world's Number 1 part time employers. The development of part time employment is well illustrated by Table 2.

**Table 2**

**Part time employment in Netherlands (%)1993-2004**

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
35,2	36,7	37,4	38,0	37,9	38,9	39,7	41,5	42,2	43,9	45,0	45,5

Source: Employment in Europe 2005

On the basis of these figures the question arises: why is part time employment so popular in this country? In our opinion the reason behind this

popularity is the system of the Dutch welfare state and its legal background.

The Dutch welfare state came into being after the Second World War and it soon had several accomplishments in

the social sphere. In this country social and welfare costs represent more than 30% of the national income, a figure, which means that Dutch citizens are able to enjoy a great variety of state-granted benefits. There are 14-15 laws that represent the pillars of the Dutch welfare system, of which the most important are the health care and retirement laws and those items of the legislation which are to care for the children, the disabled and the disadvantaged. The system operates on insurance basis; employees pay a certain amount from their income into the system – participation is obligatory- and in return they get old-age, health, casualty and disability insurance. In addition, they are also insured against unemployment and disablement. It means that they are always entitled to receive some form of financial aid or support. In addition, it is one of the basic principles of the Dutch welfare state that each social group including the disadvantaged has the right to have access to social services. Since certain groups have difficulties to have access to some social services- the young, the elderly and the ethnic minorities – this is the state that has to make the system more accessible for them (17).

The most significant labour market –oriented achievements of the Dutch welfare state are as follow:

- 38 work hours per week, divided into 5 work days.
- A minimum of 4 weeks of paid holidays per year.
- An extra allowance (13th month's salary) given to each employee for holidays.
- 80 % of the employee's average monthly earning granted for each employee for the time of sickness.
- 70 % of the employee's average monthly earning granted for each employee for the period of unemployment.

The popularity of part time employment can partly be explained by

the fact that the Dutch social system is appreciative of employment in general, regardless of how many hours the work time consists of. In other words, it means that the government has helped to shape its citizens mentality, and as a result, employees cooperate with the state regarding the questions of employment. More concretely it means that in Holland both the employers and the employees are interested in legalizing all sorts of short time employment and paying tax accordingly, because they know that at the other end of the social system this investment will be profitable for all of them.

As it is attested by relevant research, in Holland it pays to register all workers and pay tax even after a two-hour- a- week job, because it is evident for all parties involved that although the state withholds part of its citizens' income, on the other hand it will pay it lavishly back in other forms of payment, including unemployment and sickness benefits and pension (18).

In this respect it is also necessary to add that in addition to the Dutch model of welfare state, Dutch women with children also played a role in popularizing part time employment within the country by going back to their relevant jobs and in the meantime trying to find an acceptable and convenient way for raising their children.

In summary it can be concluded that part time employment has been a success story in Holland. On the other hand it is not yet known which European countries will be able to copy the Dutch model. The difficulties of adopting the Dutch system can very well be illustrated by the Hungarian example.

### **Part time employment in Hungary**

Part time employment is not yet common in Hungary (19). This fact is seen in Table 3, which shows that while in 2004 the proportion of part time employment in the EU 15 countries was

19.4 %, the same figure in Hungary was as low as 4.7%.

Another peculiarity of part time jobs in Hungary is that they can typically

be found in the area of unskilled work, such as cleaning, door keeping, heating jobs and some clerical work (20).

**Table 3**

**Part time employment in Hungary 2000-2004**

Country	2000	2001	2002	2003	2004
Netherlands	41,5	42,2	43,9	45,0	45,5
EU 15	17,7	17,8	18,1	18,5	19,4
Hungary	3,5	3,6	3,6	4,4	4,7

Source: Employment in Europe 2005.

Most employers in Hungary are averse to part time employment, what is more, according to survey data the majority of employees also disapprove it. It is also common in Hungary that employees are reluctant to occupy part time jobs. Subsequently, the question arises why Hungarian employees dislike part time employment.

In the background there are financial reasons in our opinion. Considering how little salary Hungarian employees receive after an 40-hour working week (See Table 4), it is understandable that they would rather do a 50-hour working week than a 20- or 30- hour one.

**Table 4**

**Minimal wages some EU-15 and some other countries 2005**

Country	Minimal wages (Euro/month)
Belgium	1234
Croatia	285
Czech Republic	238
United Kingdom	1380
France	1217
Greece	560
Hungary	232
Netherlands	1264
Ireland	1326
Luxembourg	1467
Portugal	374
Spain	513

Source: Fazekas et. al. 2007. (21)

In general it can be assumed that a much higher level of income would be necessary to make part time employment more popular in Hungary.

As long as employees' earnings do not rise significantly, part time employment remains peripheral in the country's economy.

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