

Special session on the public service and the economic crisis:
country experience – HUNGARY

Rabat, 17th June, 2009

First let me apologize for not having before my written presentation. It's because our topic is so hot and so actual I couldn't have enough time to write my country presentation. I give you an example: the Hungarian Minister of Foreign Affairs just yesterday proclaimed the closure of 15 Hungarian diplomatic missions in abroad and other painful human, logistic and first of all financial restrictions. This is one of the first government responses how we face the actual economic situation.

What does the crisis mean? For the public administration the message of the crisis is very easy. The state has to re-allocate sources to keep the balance of the expenses and the public budget. The first aid used to be to remove money from the public administration. Now we are witnesses of this measure. I point out the governments are under heavy media and society pressure to do it.

Without give you more details about current economic situation of Hungary I have to mention Hungary was among of the first victims of the current world economic crisis. In last October the state bond market and the stock marked practically collapsed, the national currency lost 20-30% of its value and grown the country risk in the global finance markets. With the strong aim to avoid and anticipate more catastrophic consequences (see Iceland) on 4th November Hungary signed an international loan agreement with the EU and IMF about 20 billion EUR. Its Article No. 2 says: "*a nominal wage freeze in the public sector in 2009, (...) eliminating the 13th monthly salary for all public servants in 2009.*" (It means about 7% salary reduction.)

The following additional government measures are adopted in this year:

- Tax Law modifications – to reduce the cafeteria benefits for the public servants,
- Reduce possible premiums for civil servants (before 1-3 monthly salary value per year),
- Reduce the possibility and conditions the employment of pensioners and facilitate their retire,

- Withdraw significant percent of ministry's annual budgets,
- Modification of the recruitment regulation.

In the following I give you some details about the incoming state measures. But before it I answer to the main question of our hot topic: *does the crisis reinforce or slowdown the main orientation of public employment management that were before the onset of the crisis?* The short answer is not. The long answer – if I would joke – is: I don't know.

In Hungary two main factors determine the number of public servants in the central administration. (I don't mean the local government staffs.). On one hand a government decision what fixes the maximum number of staff in every ministries, on other hand the annual budget adopted by the Parliament. I also mention that in 2006 the new government introduced administrative reforms and in its framework reduced the number of public servants and modified leading structures in the public administration. The public administration suffered qualitative capacity damages. Anyway if conditions change for any reason, needs government reaction. This moment in the agenda we do have draft to change the above mentioned legal act, but we are facing to the budget of next year. The main problem is we don't have any idea how long and deep is the crisis we suffer from. At the moment we have to manage the huge damages, but also try to planning the next future. I point out the strict conditions of the EU-IMF loan we have to repay from the next year without know the next world economic conditions.

In the next months, during the preparation of the next year's budget, could happen downsizing measures in the public sector (see the closure of embassies). At the moment I don't have clear vision, perhaps our strict minister of finance has already.

Finally here you are some better news. In May the government adopted a resolution on competence and selection exam system to be public servant. The revolutionary system will enter to force in the next days and it seems to be a good answer how to shift the capacity of the public administration and introduce objective recruitment regulation. No doubt it favours young people to be public servant.

The second positive element is the actual preparation period for the Hungarian presidency in the EU in the first semester 2011. For the central presidency staff (700-800 public servant) the government has created extra conditions, additional linguistic and professional courses, and opens door for qualified additional staff.

The above mentioned measures are to complete the actual possibilities of the actual government. However in the new April will be hold the next parliamentary elections. The new government will have the task to follow and complete the mentioned tasks and also to face to the incoming economic and social events.

Thank you for the attention!