

MARIANNA SEBŐK

## Mobility readiness of Hungarian employees in light the housing policy

Abstract: Mobility readiness of Hungarian employees in light the housing policy. Statistics reveal that migration readiness of Hungarian employees is quite low, they commute rather than change their residence. What can be its reason? How is mobility affected by the ownership structure and present operation of the real property market? What factors influence employees' decision in a mobility process? In my paper, I search answers for these questions.

Researchers, historians and sociologists have diverging opinion concerning the reasons why exactly the Hungarians are bound to a location. However, all of them agree on the fact that the current extent of property ownership, being far above the European average, is decisive here. In Germany, share of owned flats makes 43% only, being the second lowest value in Europe. While real property ownership is about 60% on average in Europe, this figure exceeds 90% in Hungary. In 2011, share of privately owned flats was 96.3%<sup>1</sup>, the rest belong to local governments and other institutions.

It is interesting to search for the roots of this ownership attitude. Has it deep sociological and historical background or is just utilization of opportunities provided by real property privatization mirrored in this high ratio?

### **Housing policy in Hungary**

While 1972-1973, hundreds of studies regarded housing situation as the most urgent problem of the Hungarian society,<sup>2</sup> today this picture is quite different.

Extraordinarily high rate of households living in own flats and restricted availability of rented flats determines housing situation in Hungary in many respects. 89.7% of Hungarian households live in own flats, while 2.4% in rented flats with market-based rentals and 7.9% in free of charge flats or in ones with preferential rental fee. A similar situation has developed in many former socialist countries, ratio of households living in own property is 97.5% in Romania, 90% in Slovakia and 86.9% in Bulgaria. In contrast, it is the lowest in Germany and Austria: 53.2% and 57.4%, respectively.<sup>3</sup>

Shrinkage of flat portfolio of Hungarian local governments since flat privatization in first half of 1990s continues today, however, at a slower rate, thus, number of flats that can be used for social purposes is a little bit more than 130 thousand. Local governments sold 1998 flats in 2010, while built altogether 44 new flats available for rent. Flat portfolio of local governments decreased by 24.5% between 2000 and 2010, and its main reason is lack of resources. Local governments use obtained rental fees mainly for flat maintenance, and it is often insufficient for renovations, and accumulated rental arrears of tenants represent also a severe problem. Objective of flats of local governments is to provide housing for socially handicapped persons at favourable rents.

---

<sup>1</sup> Census 2011, 6. Flats and their inhabitants, Central Statistical Office KSH 2013

<sup>2</sup> In 1968, 2 persons came to one living room compared to 2.5 in 1961. See Adatgyűjtemény a magyarországi lakáshelyzet alakulásáról (Data collection about the development of housing issue in Hungary). Budapest, Szövosz, 1969. In contrast, in 2010, 89 persons lived in 100 flats. See KSH adatok, 2010 (Statistical data, 2010).

<sup>3</sup> Társadalmi Helyzetkép, KSH 2010., Lakáshelyzet (Social look-round, KSH 2010, Housing situation) in: A háztartások lakáshasználatának arányai az EU tagállamaiban (Rates of flat use of households in EU member states), 2010, page 22, table 1 in Annex

Rental fees strongly vary with areas. Although rental fees defined by local governments grew faster than market-based ones in the past years, they are still more favourable than fees required for privately owned flats. Also data confirm that when moving from Southern Lowland to Central Hungary, one faces with twofold rental fee differences, and this difference can be hardly claimed in wage. Difference in regional rental fees is not the only factor hampering geographic mobility; this difference can be found in real property prices, too.

*Rental fees under local governmental and market circumstances by regions (HUF/sq. m)*

Region	Flats let	
	by local governments	by private persons
Central Hungary	260	1 038
Central Transdanubia	229	658
Western Transdanubia	361	639
Southern Transdanubia	175	569
Northern Hungary	261	521
Northern Lowland	305	520
Southern Lowland	213	485
In total	<b>262</b>	<b>736</b>
Out of it: Budapest	247	1 144

Source: KSH, Social look-around, 2010

The undeveloped sector of social rented flats, the scarce supply in business sector of rented flats, and cuts of subsidies for having and maintaining a flat mean severe problems mainly for young generations starting their career, founding a family and forced to mobility for getting a job. Practically, social flat is a missing element of system of subsidies. Only 1% of these generations live in flats rented from local governments.

Having recognized this situation, local governments launch programs for increasing retaining power of their settlements, for retaining fresh graduates, and consequently, strengthening economic potential of their towns.<sup>4</sup> Its primary objective is to solve housing problems of young people returning to the town either by providing flats at preferential rates or subsidizing persons getting their first flats and also by building "Houses for Youth". "Call Back" projects of towns date back to some years only, therefore, no essential results can be reported yet.

Real property financing crisis as a result of the economic depression has severely impacted also the market of used flats. After 2008, flat prices dropped strongly, and also flat turnover decreased essentially. Price reduction was in the handicapped areas<sup>5</sup> stronger, thus, flat market mobility from undeveloped areas to more developed regions was made even worse.

*Average price of used flats in different regions and settlement types (Million HUF)*

Settlement type	2007	2008	2009	2010
Budapest	16.0	15.6	15.0	14.9
County capitals	10.4	10.5	10.1	9.9
Towns	9.6	9.9	9.3	9.8
Villages	7.4	6.8	5.9	6.5
<b>In total</b>	<b>11.5</b>	<b>10.7</b>	<b>10.1</b>	<b>10.6</b>
Out of it:				
in most undeveloped regions	4.8	4.3	3.7	3.4

Source: KSH, Társadalmi Helyzetkép (Social look-around), 2010

<sup>4</sup> Project Szolnok Calls You Back: <http://info.szolnok.hu/alap.php?mid=5&aktid=29>

<sup>5</sup> In LEADER decree, handicapped area is defined as follows: "...most handicapped regions contained in government decree No. 311/2007. (XI. 17.) Korm. on classification of preferential areas, Annex No. 2 or those handled in the same way, undeveloped in social-economic and infrastructural respects or settlements with over-average unemployment rate specified in Annex of government decree No. 240/2006 (XI.30)."

Market price level of flats is in a rather close relationship with level of incomes attainable in a settlement (exceptions are recreation areas or particular agglomerations as examples).

After change of economic mechanisms in 2008 (economic crisis, crediting crisis), this figure is not expected to change highly as real property market is operating just on another value level. This makes expectations concerning rearrangement of the ownership structure of the housing market even more complicated.

Average value of a flat makes five or six times the income of a household. While flat/income quotient was 5.9 in 1999, it rose to 6.5 by 2003. This way, if a household makes a wrong decision (i.e. it misprices its own flat by 20% and overestimates the one to be purchased by 20%), just even one-year income of a household may be jeopardized through this transaction. (Data of News Agency Köznelkép) This fact necessarily impacts on mobility negatively. Most owners are not ready to face such a large loss in wealth. If move is needed, they prefer renting a flat. As a consequence, quantity of flats for rent is decreasing in developing regions (such as Szentgotthárd, Győr, Kecskemét).

### Spatial mobility of workforce

Spatial mobility implies workforce flow from one point of space to another point of space. Before studying this issue, we shall clarify some terms.

Mobility or wandering, wandering or migration?

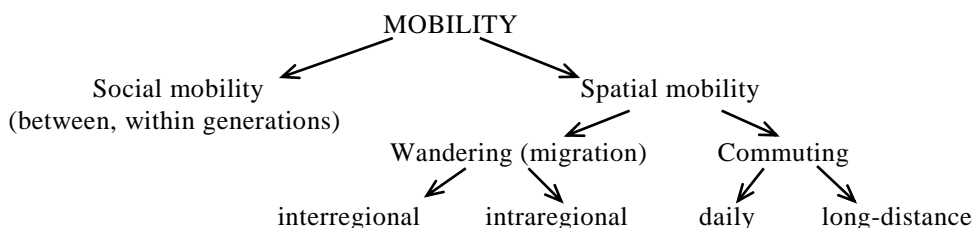
These words are almost the same for everyday people, it is difficult to define the difference between them because the approach and definition of these terms vary with authors in literature.

Based on my present knowledge, I find that mobility is the word with the widest sense within this special field, and mobility means motion both in spatial and social respects.

Wandering, in contrast, is a spatial phenomenon involving necessarily at least two areas (area of departure and area of arrival). Within wandering, we distinguish inland wandering, i.e. spatial or geographic motion within the country and wandering between countries, i.e. outside the country.

Wandering cannot be regarded as an exceptional process, change of residence is a natural phenomenon during life, and thus, migration of mankind is as old as mankind itself.

If spatial, i.e. geographic mobility goes with change of residence, we speak of wandering or, with a foreign term used also in common language, migration. (Ekéné Z. I. – Dövényi Z. 2010). Wandering (migration) is a form of spatial mobility, in addition to commuting.



Source: edited by author

Commuting covers journey to work while crossing settlements border. There are two types: daily commuting and long distance commuting. Persons commuting between their domicile and place of work every day are called daily commuters; persons travelling not every day, but typically weekly, bi-weekly or less frequently are called long distance commuters.

There are 4 preconditions of commuting: 1. Free workforce in the sending settlement. 2. Vacant jobs in the receiving settlement. 3. Adequate transportation between both settlements. 4. Duration of journey is acceptable and supportable for a commuter. (Illés, S. 2000)<sup>6</sup> In the end,

<sup>6</sup> Illés, Sándor (2000): Belföldi vándormozgalom a XX. század utolsó évtizedeiben (Intermigration in Hungary in the last decades of 20th century)

commuting has been generated by unbalanced regional workforce demand and workforce supply (Böhm, A.–Pál, L. 1979; 1985).

In respect of migration, the period can be divided – by terms of Szauter (1974, 1975) – into time-spans of interregional wandering (long-term motions between counties) and intraregional wandering (short-term motions within a county).

Theoretically, workforce with free capacity flows to regions with higher wages and salaries enabling individuals to buy products/services. This means that adequate infrastructure is also required. This logical sequence is a pure economic (macroeconomic) approach, i.e. a theory that can be interpreted based on a study published in 1970 (*Harris-Todaro, Generic balanced model*).<sup>7</sup> According to it, inhabitants' motion between settlements of the countryside and the town operates based on a balanced model with main parameters, formed by internal properties of the model rather than by external factors. The essence of this model is as follows. People of the countryside focus on effects of the minimum wage, they use the expected difference between wages in the town and wages in the countryside as variable motivating their move, so, it is the only factor considered by an individual pondering move when making her/his decision. If higher wages are offered in the town than in villages, workforce starts flowing into towns and this flow continues until this wage difference exists. If production capacities are fixed, this difference fades away with decrease of the marginal product of workforce. Although this model is important in respect of unemployment, it does not play a direct role in the individual's decision.

After this macroeconomic approach, we shall mention also the *Blanchard-Katz, (1992)* microeconomic description<sup>8</sup> studying workforce migration between states of the USA, i.e. it examines whether these differences are able to compensate disproportions and, if yes, in what timeframe. We know that in more developed economies (regions), unemployment is lower and expectable wages are higher, while in less developed areas just the opposite. In this case, inhabitants of less developed regions are interested in moving to a more developed area in order to realize the difference between opportunities of both regions. In the case of sufficient decisions, workforce oversupply is generated in more developed regions being in a more favourable situation, consequently, wages will decrease (in function of demand elasticity), and unemployment will grow. At the same time, an opposite process occurs in the less developed regions as wages will increase while workforce moves away and unemployment decreases. As soon as circumstances of both areas become balanced, common sense does not predict move, and the process stops. Considering that this process occurs for all possible pairs of regions, after a particular time, the whole country becomes (may become) balanced.

In my opinion, this balance could not have been obtained until now in Hungary because working capital coming from Western Europe to Hungary was interested in areas close to Western border of the country, having more skilled workforce and more favourable transportation. Although workforce mobility is growing in Hungary, many years are necessary for measuring equal employment and income data in Western and Eastern parts of Hungary.

### **Factors hampering inland mobility**

The present employment policy encourages mobility, first of all, via travel costs, forcing employers to cover them partially, in particular cases tax free or taxed preferentially. Only a small part of costs of renting a flat, buying a flat or moving is taken over by the state.

Mobility decisions are made usually at family level, especially in the case of families with children or when the family has to take care of an old or sick member. In many cases, additional

<sup>7</sup> Harris, J.R. – Todaro, M.P. (1970): Migration, Unemployment and Development. *The American Economic Review*, Vol. 60. No. 1, pp. 126-142

<sup>8</sup> Blanchard, O. J. – Katz, L. F. (1992): Regional Evolutions. *Brookings Papers on Economic Activity*, No 1, pp.1-61

load or costs related to moving or commuting are so high that the individual gives up her/his plan of being employed. That is why workforce mobility shall be examined within family life context.

People are held back from mobility within the country by the lack of a proper mass transport network with affordable rates, lack of housing facilities or other infrastructure. Also cultural, sociological and psychological difficulties and coping with them require long-term efforts not only from the employed person but also from her/his family. We can systematize factors hampering mobility within two forms of mobility under three categories:

**Factors hampering inland wandering (migration) from the aspect of Hungarian employed persons**

1.) Economic – financial difficulties

- Crisis of the real property market
- Differences between regions concerning real estate prices and rental fees
- Missing income of the moving spouse – due to the necessary change of job
- There is no guarantee for a long-term employment, therefore, this decision is connected with a high risk level whether employment for an unforeseeable period is worth of such a change and the related energy input and financial investment
- Transfer of credit collateral to a new flat in the case of flats with credit burdens, as a cumulating problem of the past years
- Costs arising from changing domicile (payment of state dues, costs of moving, administrative costs of changing address)

2.) Administrative difficulties

- Administrative tasks connected with changing domicile and requiring immense time (applying for a new address card, reporting change of address to a number of service providers and institutions like bank, insurance company)
- Cancelling service contracts in the old settlement and concluding contracts at the new place (utilities, internet and media service providers)
- Change of institutions for members of the family (school, nursery school, crèche)

3.) Human and individual psychic difficulties

- A family changing domicile loses its usual supporting network (where grandparents take care of children as an example)
- Psychological load, fear of new and unknown environment
- Other problems connected with becoming accustomed to new cultural context and life style

**Factors hampering commuting from the aspect of Hungarian employed persons**

4.) Transportation difficulties

- Poor transportation infrastructure organized in a way not matching individual needs (such as bus service not adjusted to shifts)
- Poor quality of minor roads
- Missing individual transportation means (passenger car, motorcycle, bicycle)

5.) Economic – financial difficulties

- Employers do not cover or only partially pay the travel costs to workplace
- Commuting-related time that is not compensated by the attainable wage
- Price of leisure time versus price of work
- Any activity in the secondary economy (such as agricultural work, secondary job, undertaking) becomes impossible

6.) Human and individual psychic factors

- Low or very low education<sup>9</sup>
- Individuals cannot cope with stress connected with journey
- Long-term unemployed persons are not accustomed to a strict time schedule required by daily commuting
- Suppression of home activities and family-related tasks

### Summary

In spite of the numerous hampering factors, we can say based on census data that number of commuters continuously grows; in 1980, 24% of employed persons commuted, this figure is by 26.2% higher after thirty years, i.e. number of employed persons<sup>10</sup> ready to commute to work every day grew to 30.3%.

Persisting on their freehold flats and accustomed surroundings, employees opt rather for commuting, accepting all its inconveniences just even for a longer period instead of abandoning their familiar dwelling environment for a job for an unforeseeable period. This statement is best confirmed by intermigration data; and based on this data, Dövényi (2008) formulated his opinion:<sup>11</sup>"readiness of the Hungarian population for migration is rather low".

A flat is the most important property of Hungarian families, therefore, the observable regional differences in real estate prices essentially restrict workforce flow and its flexible adjustment to workforce market needs. People living in their own flats and poor flat owners having payment problems find themselves in an even severer situation on the real estate market as a consequence of the economic depression.

In my opinion, projects promoting mobility shall not be restricted to travel subsidy, mass transportation development or, to a limited extent, to subtenancy contribution, but number of flats rented from a local government shall be increased, building of flats for rent encouraged and workers hostels developed. In consent with Kulcsár (2006),<sup>12</sup> the practice cannot be supported that people of regions with a higher unemployment rate are encouraged to move to places where they can find jobs because draining human capital can result in farther erosion of abandoned settlements on long run, therefore, promotion of commuting seems to be the right solution. Development of handicapped areas is an urgent task together with creating workplaces and improving infrastructure.

### References

- Cseres-Gergely, Zsombor (2003): A munkaerő mobilitása és annak feltételei (Workforce mobility and its preconditions), in: Munkaerőpiaci Tükör, edited by Fazekas, Károly, Hungarian Academy of Sciences, Economics Research Center, Budapest, ISSN 1586-460X, pp.43-123.
- Dövényi, Zoltán: A belső vándormozgalom Magyarországon: folyamatok és struktúrák, (Intermigration in Hungary: processes and structures) Statisztikai Szemle, Volume 87, No. 7-8, KSH, ISSN 0039 0690, pp. 748-762
- Hegedűs, József (2006): Lakáspolitikai és a lakás piac – a közpolitika korlátai (Housing policy and housing market – limits of public politics), Esély 2006/5., ISSN: 0865-0810, pp. 65 -100
- Kulcsár, Gábor: A munkaerő területi mobilitását akadályozó tényezők, (Factors discouraging workforce's geographic mobility) Esély, 2006/3, ISSN 0865-0810, pp. 61-84.

---

<sup>9</sup> According to a statement of final study of research No. OFA/6341/26, there is almost no commuting from areas to be characterized with the lowest primary school education (no more than primary school) (like Szikszó, Szerencs and many areas in county Borsod-Abaúj-Zemplén and numerous areas in county Szabolcs-Szatmár, e.g. Tiszavasvári, Nagykálló). Long distances between regions, transportation difficulties and usual issues of changing domicile prevent also skilled workers living in North-Eastern part of Hungary from commuting.

<sup>10</sup> Hungarian Central Statistical Office, Műhelytanulmányok 3, 2013

<sup>11</sup> Dövényi, Zoltán (2009), pp. 749

<sup>12</sup> Kulcsár, Gábor: A munkaerő területi mobilitását akadályozó tényezők, (Factors discouraging workforce's geographic mobility) Esély, 2006/3

- Lakatos, Miklós (2013): A foglalkoztatottak időfelhasználása az ingázás és a munkába járás idejének tükrében (Time consumption of employees in terms of commuting and duration of journey to work), Budapest, Hungarian Central Statistical Office, Műhelytanulmányok 3. ISBN 978-235-433-0
- Szelényi, Iván (1990): Városi társadalmi egyenlőtlenségek (Social inequalities in towns), Akadémiai Kiadó, Budapest, ISBN 963 05 5509 3