



IMPROVING PRODUCTIVITY IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

19 October 2021, Paris

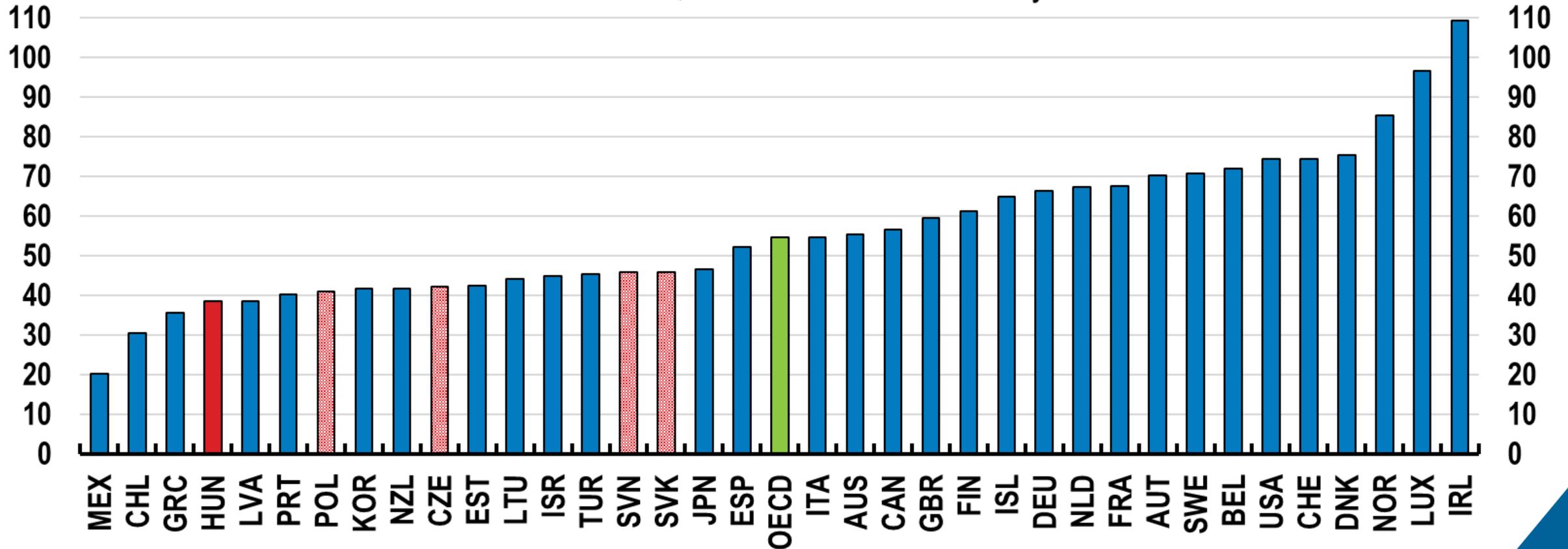
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<https://www.oecd.org/economy/hungary-economic-snapshot/>



Productivity is low in CEE economies

Labour productivity level
USD 2015 PPPs, 2020 or latest available year

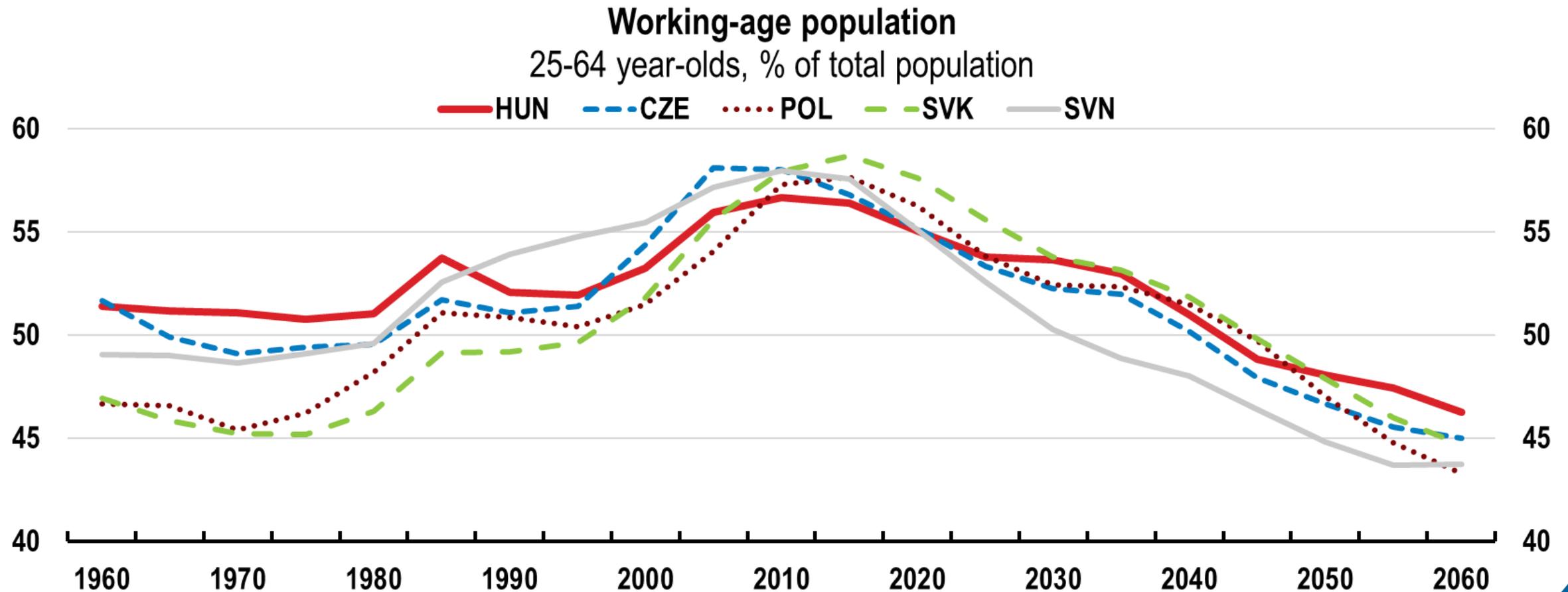


Note: Labour productivity is measured as real GDP per hour worked.

Source: OECD Productivity database; and OECD calculations.



Ageing leads to a smaller and older workforce





Key messages for Hungary

- Bolster productivity growth through:
 - Better labour allocation
 - Improved skills formation
 - More competitive markets
 - Faster adaptation of new technologies.

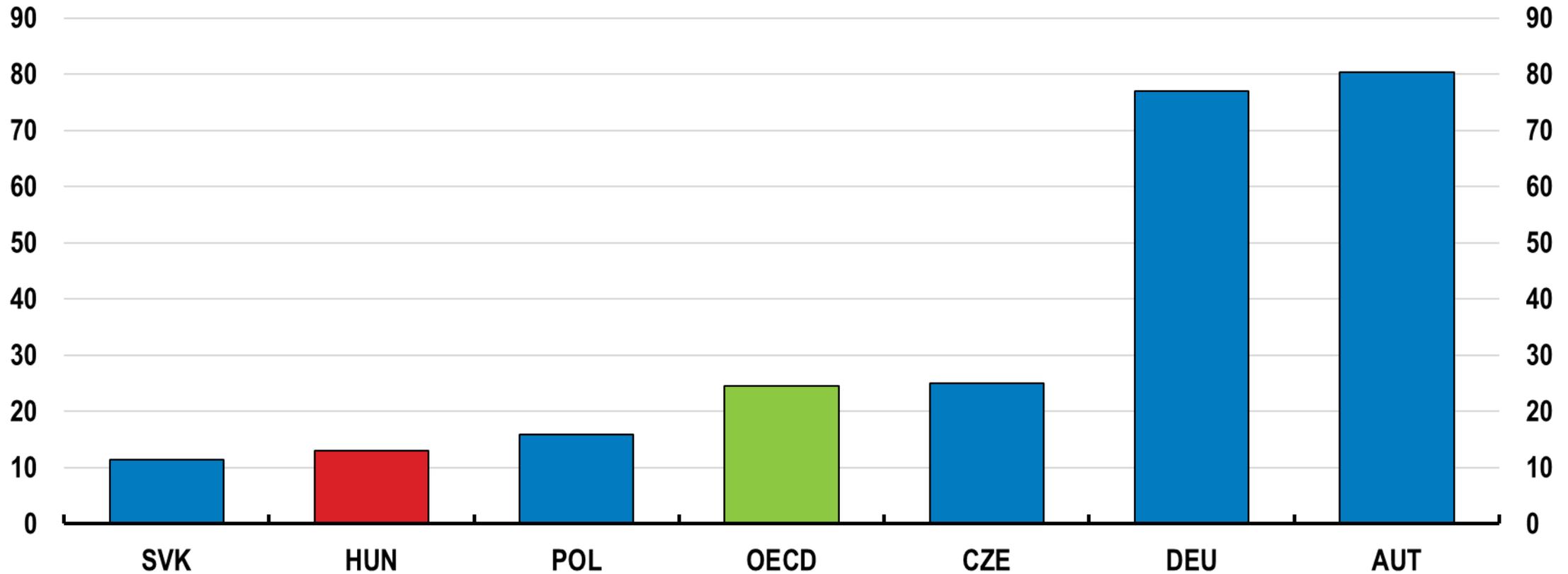


SUPPORT SKILLS AND LABOUR MOBILITY



Vocational training lacks apprenticeships

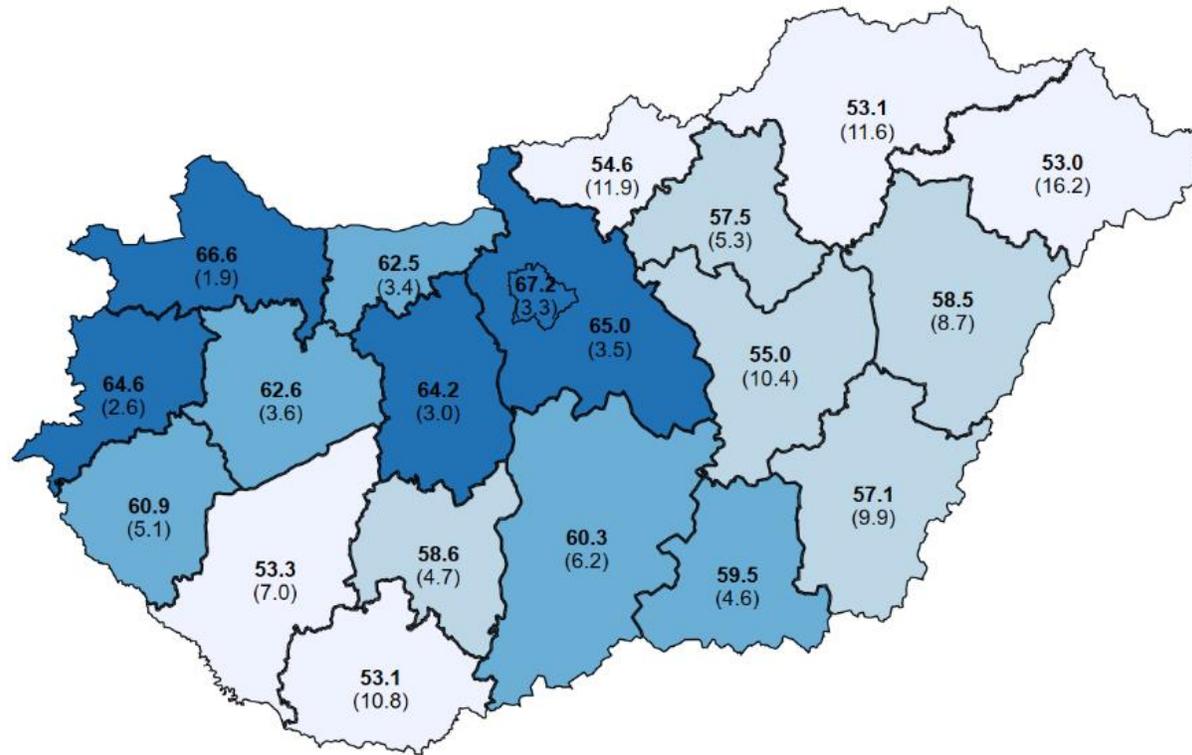
Share of VET graduates with apprenticeship positions while studying
% of vocational education and training (VET) graduates (aged 15 to 34), 2016





Labour market problems are concentrated in poor regions

Employment rate and unemployment rate (in brackets) 2020



Note: Employment rate as % of working age population and unemployment rate (in brackets) as % of labour force, population aged 15-74. Average monthly number of participants in the Public Work Schemes are included in the unemployment rate.

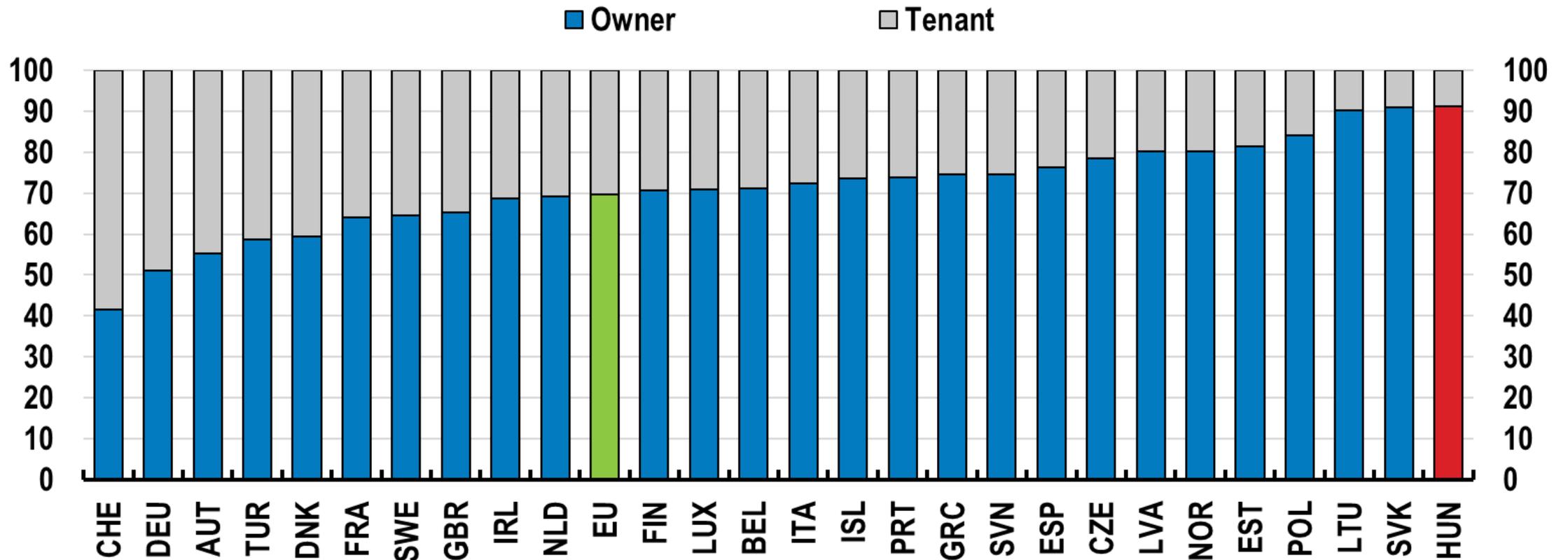
Source: Hungarian Central Statistical Office; and OECD calculations.



The small rental market hinders mobility

Housing tenure distribution

As a percentage of total population, %, 2020 or latest available year



Note: EU aggregate does not include the United Kingdom.

Source: Eurostat Housing Statistics database.



Recommendations to support skills and mobility

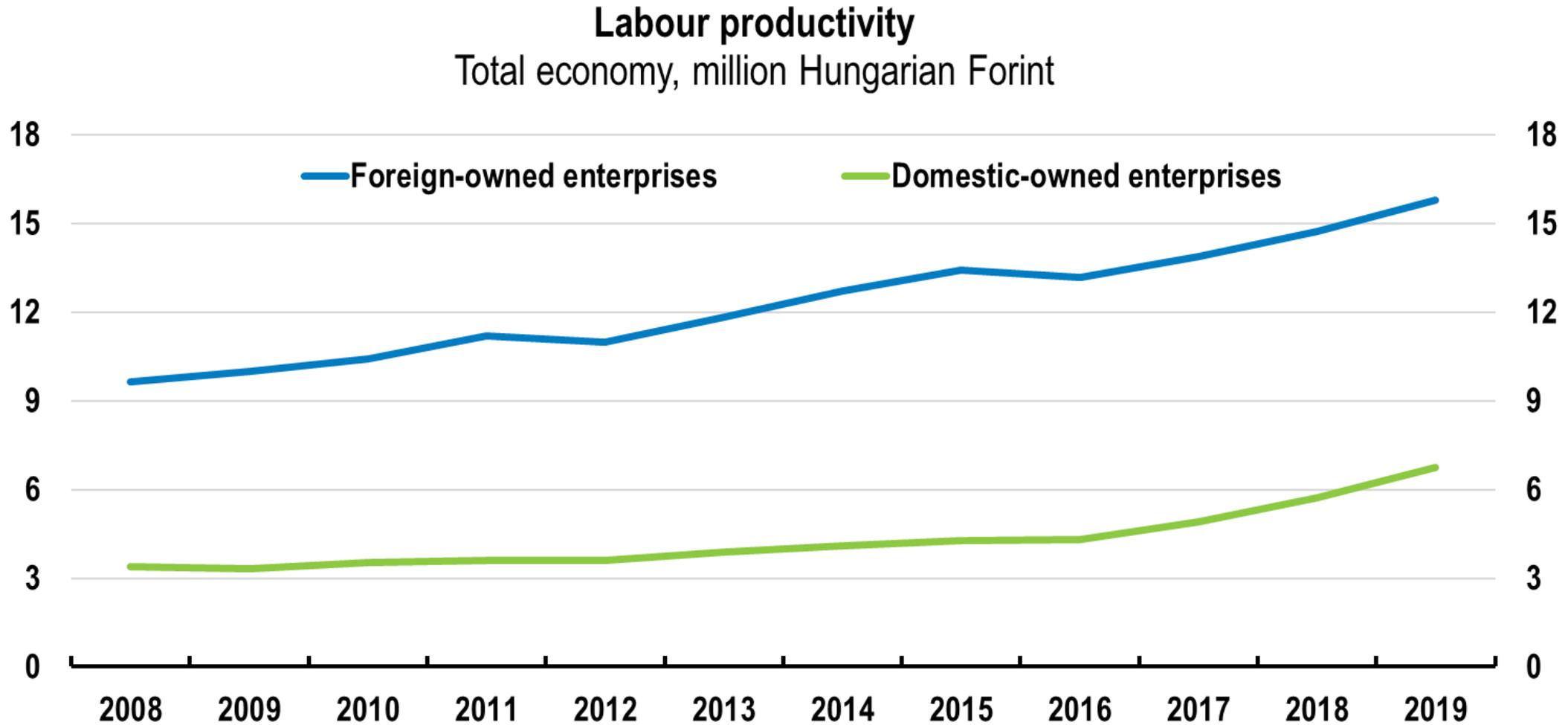
- Link vocational schools funding to students in work placements.
- Start apprenticeships when work placements are secured.
- Balance rent regulation between tenants and landlords.
- Increase the duration of unemployment benefits.
- Increase investment in local train networks.
- Bolster funding for road maintenance, using cost-benefit analysis and co-funding.
- Shorten parental leave and facilitate flexible working arrangements.
- Expand the availability of childcare.



ENSURE DYNAMIC AND COMPETITIVE MARKETS



There is a large productivity gap



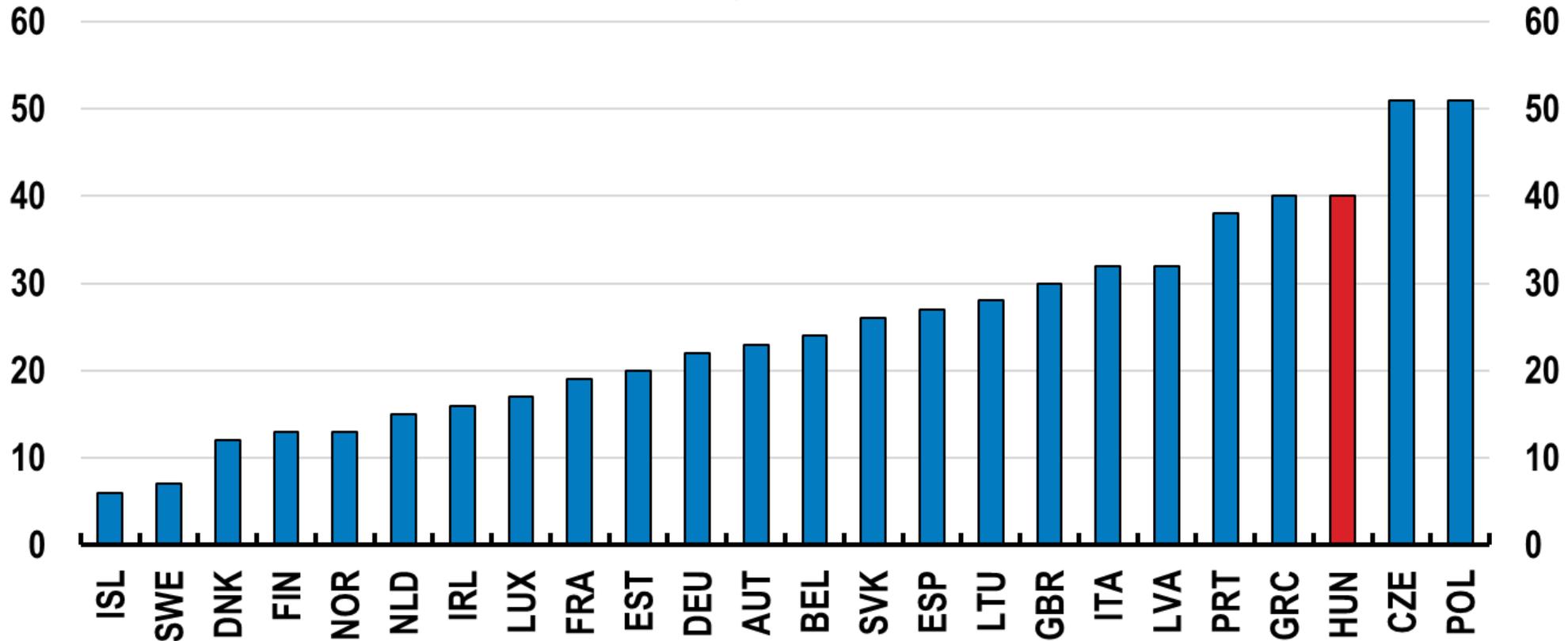
Note: Labour productivity is measured as real value added per employee.

Source: OECD calculations based on business balance sheet and business survey data from the Hungarian Central Statistical Office.



Competition in public procurement is low

Share of procurements with only one bidder
%, 2019



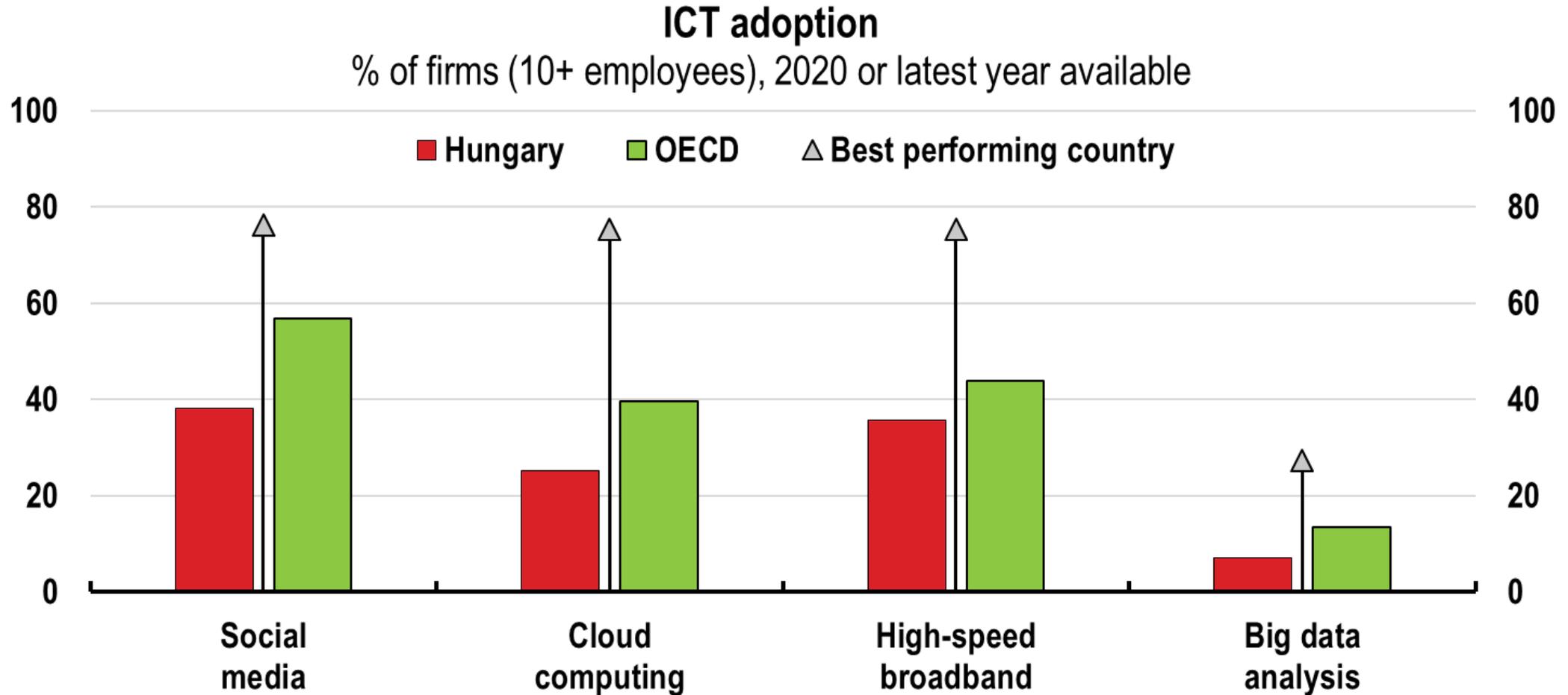
Note: The Figure measures the proportion of contracts awarded where there was just a single bidder (excluding framework agreements, as they have different reporting patterns).

Source: Eurostat Single Market Scoreboard, Public Procurement,

https://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm#indicators.



Hungary lags in ICT adoption



Note: Firms from the financial sector are excluded. High-speed broadband are subscriptions with 100+ Mbps.

Source: OECD ICT Access and Usage by Businesses database.



Recommendations to ensure competitive markets

- Review all key mergers. Exempt on explicit public interest grounds.
- Phase out sector taxes in energy, finance and retail sectors.
- Increase e-invoicing through the electronic procurement system.
- Increase the share of public procurement subject to competitive tendering and enhance transparency.
- Phase out levies on phone calls and messages.
- Use auctions to expand the number of mobile network operators.
- Establish an independent anti-corruption authority or a strong coordination committee.



For more information



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