

## **Differences or similarities? –**

# **Regional disparities on the labour market by the region of Western Greece and Northern Hungary**

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### **Abstract**

My paper presents the regional disparities on the regional labour market, in particular by the region of Western Greece (Dytiki Ellada) and Northern Hungary. I have chosen the analysis of the situation of employment in this regions because I have spent a sort time in Greece, on the other hand I live in the North Hungarian region and I have experienced some differences and similarities. I tried to find the reasons of regional disparities. The methodology of the paper is the analysis of available statistical data, the study and critical analysis of the situation.

### **Key words**

Labour market, regional disparities, unemployment

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## Introduction

There are regional disparities in terms of labour market, besides economic performance. Having examined European employment – or even other continents as well – one can well notice the differences among the NUTS 2 level regions, however, there are intraregional discrepancies as well. One important aspect of the European integration process is reducing the developmental differences among particular countries and regions; and help underdeveloped countries and regions closing the gap. It has become clear in the course of the operation of the European Union that the ongoing integration does not reduce the differences in development, it rather enhances those. (Lengyel – Rechnitzer 2004)

In my Ph.D. research I examined the relationship between the regional labour market and the spatial development, that now I want to analyze a smaller area. The objective of my study is to introduce the labour market processes in the region of Western Greece and the Northern Hungary in the recent years.

### 1 Major social indicators of Greece and Hungary

I hold it important examine the relative position of the two countries and the European Union in terms of the main social and labour market indicators before starting with the analysis of the chosen regions.

Table 1: Social indicators

	2000			2008		
	EU-27	Greece	Hungary	EU-27	Greece	Hungary
Total population (1000)	474 647	10 427	9 924	490 446	10 780	9 893
Total employment (1000)	209 443	4 255	3 846	226 330	4 759	4 130
Employment rate (% population aged 15-64)	62,2	56,5	56,3	65,9	61,9	56,7
Activity rate (% population aged 15-64)	68,6	63,8	60,1	70,9	67,1	61,5
Total unemployment (1000)	19 508	517	261	16 768	378	329
Unemployment rate (%)	8,7	11,2	6,4	7,0	7,7	8,0
Youth unemployment rate (% labour force 15-24)	17,3	29,1	12,4	15,4	22,1	19,9
Long term unemployment rate (% labour force)	4,0	6,2	3,1	2,6	3,6	3,6

Source: Own compilation on the basis of data derived from Employment in Europe 2009

Greece and Hungary are almost in the same situation in terms of social and labour market data if we take social data into consideration and disregard other influential factors. Taking a closer look, the two countries have totally different conditions and their problems are also different. The two countries occupied the same position, relative to the EU, in 2008. The Greek employment rate (61,9%) is higher than the Hungarian one (56,7%), however, the unemployment rate of the young population is higher by 2,2%. The statistical data (2000 and

2008 years) gives opportunity to look at how changed the situation in each country. The long-term unemployment rate was at the same level in the case of both countries in 2008, however, it was 6,2% in Greece in 2000. The Greek employment policy and the Lisbon Strategy worked hand-in-hand towards the improvement of the employment conditions. A positive change of its kind cannot be stated about Hungary. Converse trend is typical for Hungary, the population declined in 2008, but all the other values increased, thus created a worse employment situation. In Greece could be observed the rising trend.

The GDP per capita of the Greek and Hungarian NUTS 2 regions well demonstrates the developed regions, with outstandingly high value, and less developed regions relative to the EU average. Both region of Western Greece and Northern Hungary possess low values.

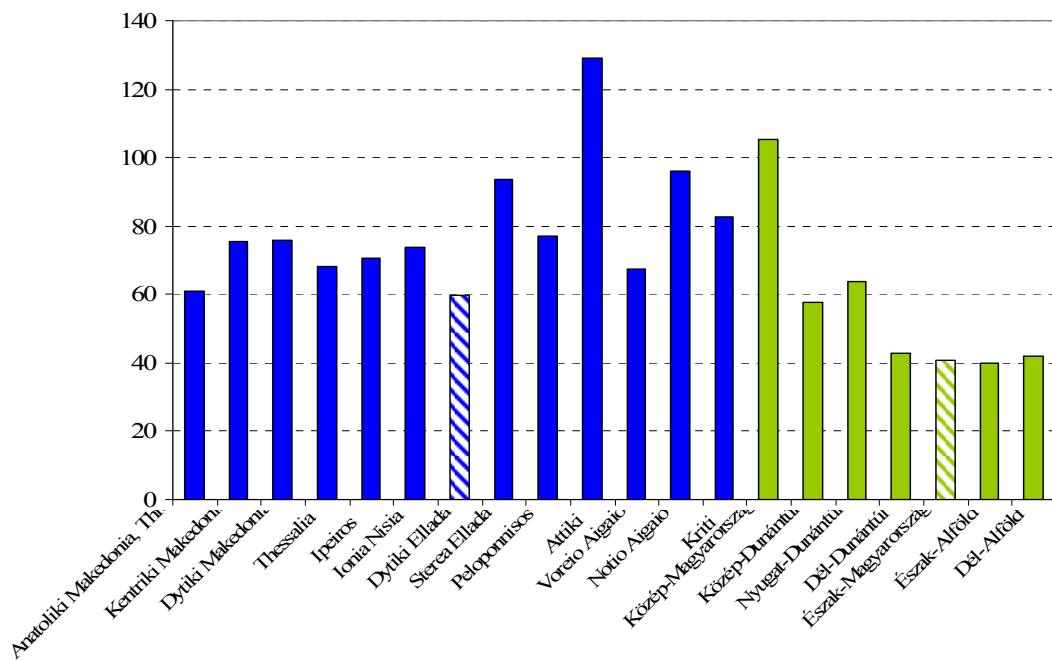


Figure 1: GDP per capita of the regions of Greece and Hungary relative to the average of EU27 in 2006

Source: Own compilation

Greece has appropriated more and more money for social purposes since 1996. Naturally, there are problems to be solved, such as the deficiencies of the pension system and the low level of administration. Greece, as a Mediterranean country, greatly differs from the western states. It puts the development of rural farming, that of small and medium enterprises. Protecting families is the most important from the social point of view. (Regner – Boros)

In Hungary the territorial discrepancies, in terms of employment and unemployment, greatly increased among the counties, regions and the various types of settlements following the change of regime. The literature mentions the following factors determining regional disparities:

- development of infrastructure,
- geographical position,

- human resources of the region,
- quality of education,
- level of research and development,
- size of working capital and many other factors. (Lengyel – Rechnitzer 2004)

One of the reasons for the discrepancies is geographical setting. It seems true that peripheral regions – whether considered within a country or a continent – are always less developed than central territories because peripheral regions in general have no points of connection to the rapidly developing economic centres that are usually the capital of the country or the capital of the counties, latter functioning as knowledge centres as well. (Bittner)

It is equally important reason for the specific area of human resource composition, educational level, employment in the region and the individual motivations.

## 2 Comparative analysis of the region of Western Greece and Northern Hungary

The region of Western Greece stretches from the northwest part of the Peloponnese to the western tip of the Greek mainland. It is one of the 13 regions of Greece, is separated in 3 administrative districts, the prefectures of Aitolioakarnania, Achaia, Elia and covers an area of 11.350 km<sup>2</sup> (8,6% of the total area of Greece). Today the region of Western Greece is a modern communications and transport hub that connects Greece to the rest of Europe. The busy port of Patras is not only the region's capital but also the country's main gateway to Western Europe. (Patras was the cultural capital of Europe in 2006.)



Figure 2: The region of Western Greece and Northern Hungary

Source: Own compilation

The region of Northern Hungary is located in North-eastern Hungary, it could be found three county: Borsod-Abaúj-Zemplén, Heves and Nógrád county. The region is 13.429 km<sup>2</sup>, which is the country's territory, 14,4% of the total. The second largest county of Hungary is Borsod-Abaúj-Zemplén and the second smallest county is Nógrád. Borsod-Abaúj-Zemplén is 54% in the

region's area, Heves 27% and Nógrád 19%. By the area and population of the region in the fourth place in Hungary.

Before the analysis of selected regions I made a comparison table of the main statistical data, which is hereinafter necessary .

Table 2: The most important indicators of region of Western Greece (Dytiki Ellada) and Northern Hungary

	year	Dytiki Ellada	Northern Hungary
GDP (millions of PPS)	2007	10.981,2	12.437,8
GDP (euro per inhabitant)	2007	13.000	6.400
GDP (PPS per inhabitant in % of the EU-27 average)	2006	59,8	40,7
Employment rate of the group 55-64 years (%)	2008	42,5	26,9
Share of long-term unemployment (%)	2008	4,94	6,89
Unemployment rate (%)	2008	9,6	13,4
Employment by economic activity	2008	280.100	410.200
Total population	2008	738.955	1.236.690
Population density inhabitants per km <sup>2</sup> )	2006	66,5	93,6
Area, km <sup>2</sup>		11.350	13.431

Source: Eurostat

I have divided small questions the analysis of two regions:

***A. The presence of by the unemployment most vulnerable population groups***

In both regions can be identified by the unemployment highly vulnerable populations greater presence of national one. Migration and its labour market implications are important topics for the Greek. A significant proportion of the Greek population are immigrants (the immigrants proportion of the population was nearly 5% in the last year in the region of Western Greece), most of whom have low education and low willingness to work, as well as low levels of motivation., they don't want to work. The composition of immigrants in the region of Western Greece is as follows: about 60% Albanian population, a further 10% Yugoslav, 5% Bulgarian and 3% Romanian. Figure 3 shows the homeland countries by immigrants.



Figure 3: The immigrants in Greece according to their homeland

Source: own construction

A significant problem of the region of Northern Hungary is the multi-disadvantaged Roma (gipsy) population. The proportion of Roma population in the region is very high compared to other regions of the country, according to the census in year 2001 67.000 Roma lived in the region, it was 35% of the country's total Roma population. The Roma have low education and few of them have not work. „The moves search mainly to the cheaper living facilities (property, current expenses, food) they are already poor, often they are Roma families, who flee in front of ethnic discrimination to the smaller resistance villages.“ (G. Fekete 2006, 54)

**B. The long-term employment situation of the regions**

I surveyed the unemployment data (Figure 4) and the employment data (Figure 5) in the case of the two regions.

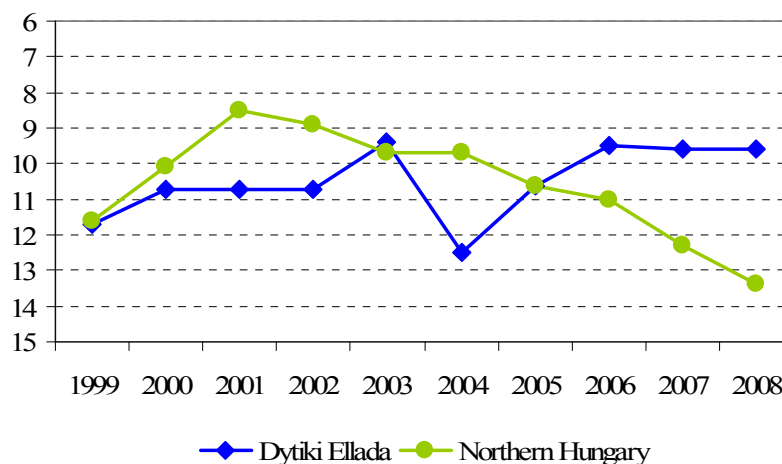


Figure 4: Rates of unemployment between 1999 and 2008

Source: Own compilation based on Eurostat data

The worsening trend of unemployment can obviously be seen in the North Hungarian region, indeed more jobs was lost in the region. In the region of Western Greece an improvement can be experienced, which stopped because of the economic crisis. The region of Western Greece will give particular attention to the employment situation to improve, to more than some EU source at their disposal, which is trying to take advantage well.

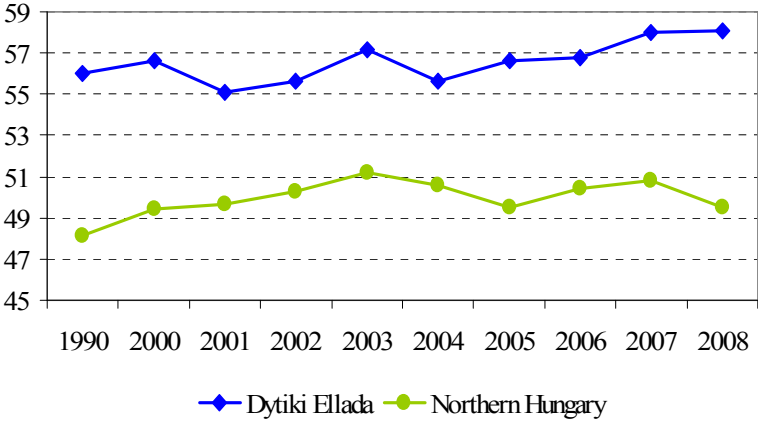


Figure 5: Rates of employment between 1999 and 2008  
 Source: Own compilation based on Eurostat data

It can be observed by the employment rate that the same trend as the unemployment rate is visible. The employment rate decreases in the region of Northern Hungary while the region of Western Greece is slowly but steadily increasing. This is because the Greeks focused more on their employment goals.

**C. The short-term changes in the regional labour market**

Afterwards I looked at the monthly regional unemployment data by months as well, which is significant because my hypothesis at the beginning of the research was that the higher unemployment is in close relationship with the seasonal employment as well. My assumption was that the seasonality of employment can be experienced better in Greece, especially in agriculture, tourism and hospitality, since the third largest city in Greece, Patra, can be found in this region. The data show a diametrically opposite trend. Some extent of seasonality can be noticed however it is fairly uneven and it does not affect the summer-months. At the same time, in Hungary more people were employed in the summer-months than in the winter-months and the seasonal nature can also be observed. Unfortunately, it is coupled with a strongly worsening rate of unemployment.

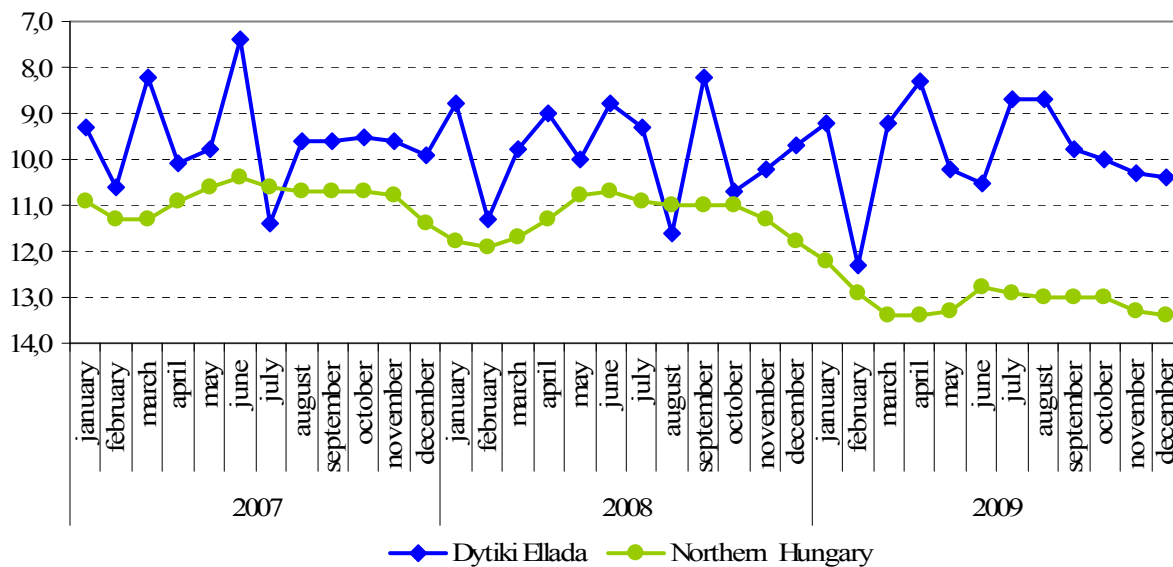


Figure 6: Unemployment data in the surveyed regions

Source: Own compilation on the basis of the data of NSS Greece and the ÁFSZ Hungary

The evaluation of the Greek curve is thought-provoking, it is expected in the summer months that the reduction in tourism due to unemployment, while the opposite is observed. One explanation is, that the number of tourists in recent years significantly (about 10%), and thus reduced the staff that serve them also fell in 2009. Because of declining tourism 19.000 jobs were lost. The tourism sector has been strong throughout the country, the Greek GDP in tourism was 18% in 2008, all five of the Greek labour force worked by the tourism. Another striking detail of the value in February 2009, which is extremely high, this is probably due to the periodicity search of employment programs.

***D. The regional labor market trends are compared with the country-specific processes***

I wonder if that is true of the countries, even to the regions? - Namely, that the two regions at the same developmental path to the labour market trends in terms than what the two countries on track.

According to the OECD Employment Outlook: “Regional inequalities in unemployment and employment rates are especially pronounced in Italy,...Central and Eastern European countries. The unemployment rate in low-unemployment regions, at around 3-5%, is very similar across countries. By contrast, the unemployment rate in high-unemployment regions varies considerably across countries, ranging from 4 to 27 %. In addition, in most countries, disparities across regions in employment rates and unemployment rates tend to coincide, i.e. high-unemployment regions often have low employment rates.” In the light of the above I examined the rate of employment in both regions and I found that the rate of employment in the region of



Western Greece was 8 to 10 percentage point higher than that of the Hungarian one almost every year. It was 51,8% in 2008 whereas it was 49,5% in the North-Hungarian region.

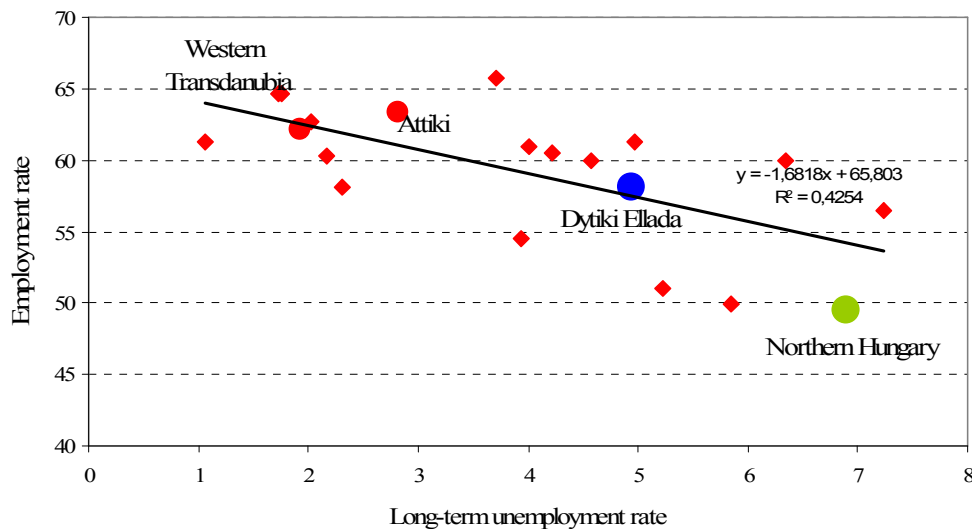


Figure 7: Positioning the Greek and Hungarian regions in terms of the employment rate and the long-term unemployment rate, 2008.

Source: Own compilation based on Eurostat data

I positioned Greece's and Hungary's region by showing the employment rate and the long-term unemployment rate in the same system of co-ordinates. The relative positions of the particular regions can be seen well. The position of the Northern Hungary is the worst of all, while the region of Western Greece is in the lower-middle range. In Hungary the best conditions are in Western Transdanubia while in the case of Greece it is the Attiki region.

The above statement of OECD is true for both regions, although it is rather true for the North Hungarian one, that is, the high rate of unemployment is coupled with low rate of employment. I assume that the social economy is stronger in the Greek region than in any of the Hungarian regions, and it greatly contributes to the higher proportion of employment.

## Conclusion

The regional disparities in the case of the region of Western Greece and the Northern Hungary, from the point of view of employment, can totally reflect the relative positions of the rest of the regions in the given country. Nevertheless, many similarities can be discovered between the two regions: relatively high unemployment rate is present in both, although the rates of employment significantly differ. By the Greek labour market trends in the monthly unemployment clearly highlights the importance of the tourism sector, a decrease of tourists. The seasonality was more drawn than in the region of Northern Hungary. Overall, concluded that the test period, the region of Western Greece labour market was in a better position than in the Northern Hungary one. The

title that appears the answer: the similarities and differences co-exist with this two analysed regions. Further lines of research can be – which is not discussed here - the situation in the handling of the two regions.

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