

## SHORTAGE OF SKILLED WORKERS IN HUNGARY: ORGANIZATIONAL RESPONSES AND METHODOLOGICAL QUESTIONS

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**Abstract:** *This is a conceptual paper which contains our previous empirical results in the field of organizational management's responses to shortage of skilled workers, the most important points from a planning research - include the methodology, research questions and hypothesis. Last year we conducted a research entitled "Local Capital, Local Employment in Heves County" with the Regional Economic Development Research Group. The results of our primary surveys allowed us to conclude that it would be useful to examine how organizations were prepared for the difficulties arising from the current and expected labor market situation. Especially the shortage of skilled workers bring new challenges to the organizational management and HR specialists. Our goal is to create a measuring system to be able to assess the stress points on the labor market, analyze the organizational responses and evaluate their effectiveness. In order to get a complete picture of the exanimated influence our empirical research would spread employees' views besides the employer's side.*

**Key words:** *shortage of skilled workers, human resource management, employee satisfaction, employee commitment*

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### 1. INTRODUCTION

During the economic crisis, unemployment was the most significant problem in the labor market in Hungary. However, the experience of recent years shows that, besides the difficulties of employability of the unskilled people, there is a shortage of skilled, talented workers. Practically, an interesting phenomenon has emerged in the labor market: there is a lack of workforce with a relative low level of employment (FÜLÖP et al., 2016). Due to the lack of skilled workforce, retention management has become one of the key areas of HR, according to the HR portal – one of the most prominent professional web portals in Hungary – this will be the most important personnel task in 2018. DAJNOKI – HÉDER (2016) points out that organizations that do not focus on retaining key employees have to account for the direct and indirect costs of losing their employees.

The purpose of this study is to present some important statistical data related to the Hungarian labor market, the results of some researches on this subject, and to outline the basic questions, hypotheses and methodology of our research.

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## 2. STATISTICAL DATA FOR A PLANNED RESEARCH AND PRELIMINARY RESULTS

The lack of the skilled workforce is a problem for the European Union as a whole<sup>202</sup>, according to EUROSAT (1) data, the number of vacant positions is continuously increasing from 2013, which rate is 1.4% in the first quarter of 2013, and 2% in the fourth quarter of 2017. The worst situation is in the Czech Republic where currently 4.4% of the jobs are vacant, but Hungary is also above the EU-28 average by 2.4%.

The number of vacancies between 2013 and 2017 in Hungary is shown in Figure 1.

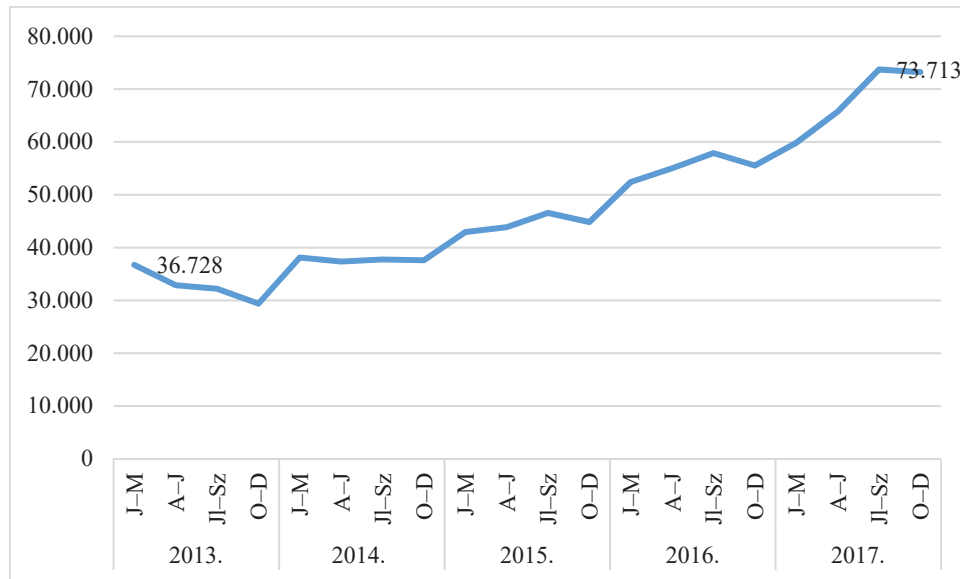


Figure 1: The number of vacancies between 2013 and 2017 in Hungary (J – M: Jan–Mar; A–J: Apr–Jun; Jl–Sz: Jul–Sept; O–D: Oct–Dec)  
Source: Hungarian Central Statistical Office 1, 2018

Over the past five years, the number of vacancies has been doubled in the national economy. According to the data of the Hungarian Central Statistical Office, the labor shortage mainly affects the competitive sphere, where from the beginning of 2013 to the end of 2017 the number of vacant positions increased from 19,297 to 53,605. The large increasing in the shortage can be observed especially in the industrial production (from 8,321 to 23,775), in the sector of trade and repair (from 1,404 to 6,314), and in administrative and service support activities (from 2,117 to 8,807) in this period.

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<sup>202</sup> A skilled workforce is indispensable for technological development. CSUGÁNY (2013) also points out that the main cause of European weakness in R & D & I is the innovation activity of the corporate sector, which can be traced back to the lack of highly skilled workers.

An increasing proportion of Hungarian citizens who work and settle abroad are expected to be greatly contributed to the situation as well. According to the results and analyzes of HÁRS – SIMON (2016), only about 80,000 Hungarian had been worked abroad in 2006, which increased to the number of around 350,000 over a decade (it is noted that the authors had compiled the data based on labor market surveys, which contains only the employees are working abroad with having a spouse who living in Hungary – out of the statistics are the inactives, e.g. the students or the unemployed, and the people who live with their whole family away from home and have no contact with any Hungarian households).

Figure 2 shows the average of the annual net wages in the EU, in Hungary and the in the main target countries of the Hungarians.

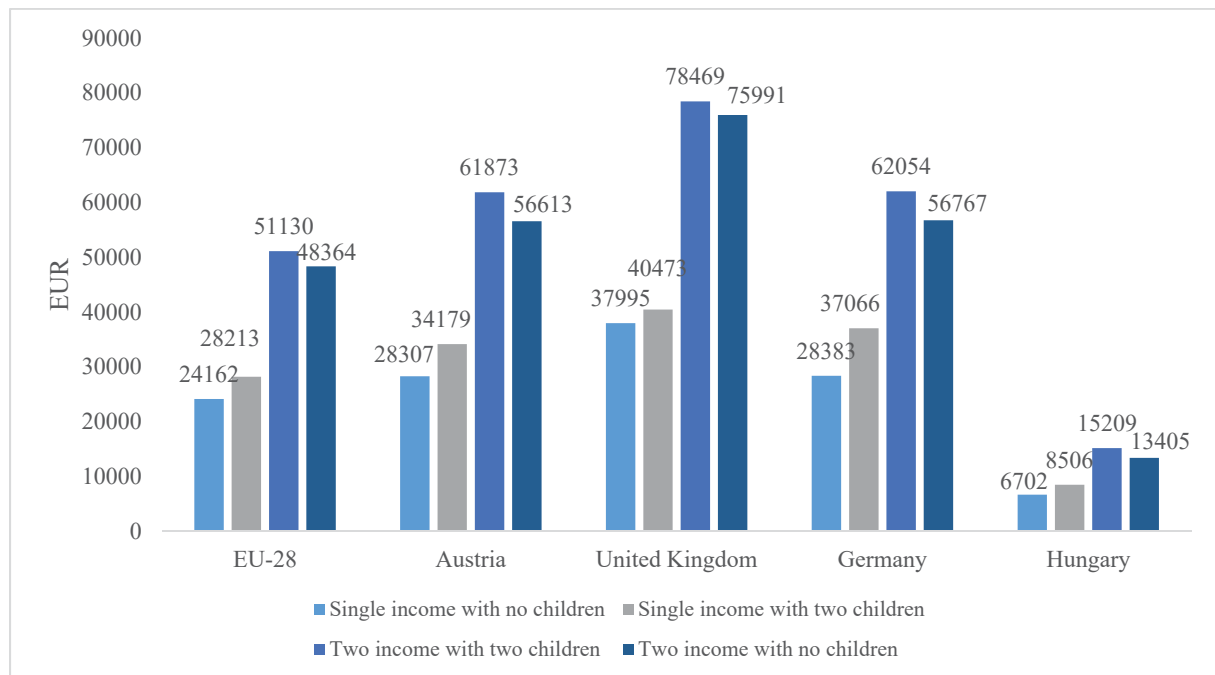


Figure 2: The average of the annual net wages in EU-28, in Austria, in UK, in Hungary, and in Germany

Source: EUROSTAT 2 (2018)

The figures illustrate that Hungarian wages are significantly less than the average of wages in EU, and the difference is even more pronounced compared to the target countries preferred by Hungarians. Figure 2 shows data for 2016, while Hungary's net wages have hardly reached 30% of the average of the EU, with respect to the four observed employee groups, while the lag behind the United Kingdom was 80%. According to the records of the Hungarian Central Statistical Office (2), the convergence of the wages in Hungary has begun, which is evidenced by the fact that the net average wages in the fourth quarter of 2017 were 12.9% higher than in the same period of last year.

The increasing of the average wages is also caused by government measures such as the increase of the guaranteed minimum wages, and wage settlements in certain areas of the budgetary sector, and on the other hand, it is also caused by the profit-oriented businesses, which have increased the wages in order to retain the workforce. Thus, the wage gap has become less wide, however, the total closure of it may obviously be the result of a longer process.

The lack of skilled workforce has also been kept a leading role in the public work-related news, and it is likely to be attributed to the growing number of analyzes that sought to reveal corporate responses to the causes of labor shortages as well.

Two years ago, PIVOT Human Capital and the Management and HR Research Center of the Szent István University carried out a survey entitled “Shortage of Specialists and Workforce Retention in the Key Jobs”. The survey evaluated the organizations’ relevant data for 2015 and 328 responses. According to the results, more than one of three companies have over 10% fluctuation and most respondents focus on retaining existing workforce, and organizations find less useful to take longer-term measures, such as introduction of efficiency improvement programs or technological developments. Most of the companies involved in the research seek to retain their employees by financial incentives, but the review of the wages and benefit system also includes other items such as health insurance, pension insurance, life insurance, company car allowance, extra holidays, teleworking, etc.

Another research had been made in this topic last year by the Hungarian Chamber of Commerce and Industry (MKIK, 2017). The study entitled “Corporate Responses to Labor Shortages” was based on an interviews conducted with 400 corporate executives. More than a third (38%) of the enterprises highlighted the shortage of the skilled workers, which challenge is tried to solve by restructuring the organization of the jobs (42%), by introducing atypical forms of employment (39%), and by new recruitment methods (38%). The report shows that most of them have already taken efforts to retain their existing employees. Their highest share (70%) introduced wage increases, but there is a significant proportion (59%), who are seeking to become more attractive to their employees by developing working conditions and working tools.

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Both studies therefore confirm that organizations primarily try to increase the commitment of their employees by wage increases, despite the fact that employee commitment is a multi-component, complex attitude, with only one of the decisive pillars of wage satisfaction.

The Research Group of Regional Economic Development of the Eszterházy Károly University, also with the support of the Joint Future Workplaces Foundation, has completed a partly empirical study on this subject. Contrary to the two researches presented above, this was not done by interviewing the employer but the employee side. The main objective of the study was to reveal the degrees of employee satisfaction and commitment and the relationships between them by quantitative methods. In our research, we used a sample with 198 employees, mainly from Heves county, Hungary.

We looked at three components of job satisfaction: satisfaction with work, satisfaction with the leadership, and satisfaction with the pay and fringe benefits. According to our results, the respondents were generally satisfied with the working conditions, they were highly valued as

self-reliance, providing the necessary tools, and the amount of work and the adequacy of the work. The interviewed employees also appreciated their satisfaction with their direct managers as well. Among the various aspects, the workplace atmosphere received the highest average rating, and the employees were less satisfied with the organization of their jobs. In the case of remuneration-related aspects we expected a more critical scoring. The respondents were supposed to have considered the level of their own salary and benefits in line with the average level established in Heves County (Heves County is in the North Hungarian region of the country, where wages are well above the national average wages). It is positive that, according to the respondents, there is no any significant different among the compensational practices among the organizations. However, it is worth noting, that the lowest average scored item was related to the amount of wages compared to the employees' own demands.

According to our commitment related results, commitment to the organization can be judged slightly higher than the middle (the average value of all the items was 3.23 on the 5-staged Likert-scale). However, the affective commitment aspects got the highest scores, which also implies the acceptance of the goals set by the management and the existence of a pleasant workplace atmosphere. Our detailed investigations revealed that there is a correlation between the level of employee commitment and the size and location of the organization. Employees of small businesses and employees from the county seat claim to be significantly more committed.

According to our research findings by searching correlations between the question groups, respondents who are more satisfied with the circumstances of their jobs, they are more committed to their employers. Thus, the level of organizational commitment could be increased by improving work-related circumstances. This is especially justified by the fact that job satisfaction was examined along factors that would not require direct financial expense from the organizations to improve or optimize that.

### **3. THE METHODOLOGY OF THE PLANNED RESEARCH**

The main purpose of our research was to find out how the HR and management tools employed by organizations are effective in addressing the challenges of labor shortages and to answer what changes in employer and employee attitudes are generated by labor shortage.

In the light of the relevant statistical data and preliminary results, the following basic assumptions were formulated:

1. At least 40% of the companies surveyed have problems with the labor shortage.
2. Managing labor replacement is a priority area for the HR.
3. Most organizations tend to be attractive by developing their wage systems.
4. The labor shortage mainly affects the SME sector (larger organizations can better remedy the problem by introducing financial incentives).
5. There are links between retention measures and job satisfaction and retention measures and employees' commitment.
6. There is a link between employees' foreign work experiences and their satisfaction and commitment (employees are less satisfied and committed who have worked abroad already).
7. Commitment trends on the employer side are being changed:
  - a. The organizational role of professional commitment is growing (the lack of the high level of professional commitment results a workforce with less skills and efficiency).



- b. The organizational importance of the affective commitment is decreasing (the actual spread of atypical forms of employment is expected in the future, especially the teleworking).
- c. The organizational importance of continuance commitment is growing (retention is more important than ever before, so employees will work with better conditions in the future; job satisfaction will surpass all the past levels; and the wages will increasingly be separated from real individual or organizational achievements).
- d. The organizational role of the deliberate commitment is also decreasing (after the recession – and in fact, with the emergence of the quazi full employment, employees' deliberate commitment is eliminated).

In order to justify our hypotheses, we base our empirical studies on two viewpoints: a semi-structured interviews of the employers' side and questionnaires on the employees' side.

The questions of the employer / HR interview concern the following topics:

- organizational data;
- labor shortage (number of vacancies, turnover intentions, reasons for the withdrawals, etc.);
- the methods used to ensure the supply of employees, their effectiveness (e.g. development of recruitment methods, internships, scholarships programs, operating by a recruitment system, etc.);
- corporate policy related to wage increasing;
- programs to support the retention of the staff (what kind of the groups of employees are affected, how they work, what future ideas are there);
- Five dimensions of employee commitment: affective, continuance, normative (ALLEN – MEYER, 1990), professional (ARANYA et al., 1981 and ROTHWELL – ARNOLD, 2007) and deliberate (KRAJCSÁK, 2014) factors – current situation and the expected trends.

The employee questionnaire covers the following:

- demographic data;
- past experiences and future ideas on foreign employment;
- what measures can help retaining and motivating employees, and how effective they are;
- job satisfaction: related to the circumstances of the job, to the direct managers, and related to the structure of the wage system (based on 28 items by SZLÁVICZ, 2010);
- commitment (items by ALLEN – MEYER, 1990; ARANYA et al., 1981; ROTHWELL – ARNOLD, 2007; and KRAJCSÁK, 2014).

Our planned research is expected to assess the today's challenges in the labor market, the organizational responses to them, and evaluate their effectiveness. We are also confident that, based on our findings, we can formulate practical suggestions on the management of human resources that can contribute to improving the effectiveness of the measures.

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