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## **MARGINAL GROUPS IN THE LABOUR MARKET: THOSE REFUSED UNEMPLOYMENT BENEFITS**

Statistics compiled by the National Jobs Centre show that a certain percentage of people eligible for unemployment benefits are excluded from the system. The official explanation is that "they do not cooperate properly with the Jobs Centre". One of the goals of my research was to determine just what 'not properly cooperating' actually means - to find out why people are denied benefits which would otherwise keep them above the poverty line. My intention is to examine the manner in which the Jobs Centre deals with its clients; what happens to an individual or a family as a result of the elimination of benefits; and how people are able to cope with exclusion from benefits.

I conducted my research in Somogy County. My sample was comprised of the 138 people who had been denied unemployment benefits in Somogy County in 1990. Questionnaires were completed during the course of personal interviews with these people. Unfortunately, a rather large percentage (58 persons = 42%) of potential respondents could not be used: 22 had moved<sup>1</sup>; 17 were not actually denied welfare benefits, but had renounced them of their own free will; 7 were unwilling to take part in the survey; 6 were never found at home; 5 had no known address; and 1 person had died. The final sample contained 80 individuals (58 per cent of the sample).

### *A Few Characteristics of the Local Labour Market*

Somogy County is not in Hungary's so-called unemployment crisis belt; its unemployment rate only slightly surpasses the national average. The labor market in Somogy is highly seasonal. There are a great number of summer time employment opportunities due to the proximity of Lake Balaton (a tourist attraction), and accordingly unemployment tends to be higher in the winter months. Unemployment rates have risen particularly in the southern part of the county because a higher number of state owned companies have gone or are going bankrupt. In addition, the private sector is less efficient at absorbing surplus labour in the south due to its greater distance from Lake Balaton.

In 1990, of the 3,800 people in Somogy County eligible for unemployment benefits, 138 persons, nearly 4 per cent, were excluded for one reason or another. If we compare the total number of those who left the unemployment system (1,185) to the number of those excluded from benefits, we find that nearly 12 per cent of those who left the system were cut off from benefits for administrative reasons.<sup>2</sup>

### *Who Can Be Denied Benefits?*

The people we surveyed were denied benefits on the basis of legal provisions established in a 1988 decree<sup>3</sup>. The Employment Act of 1991<sup>4</sup> stipulates the same procedures for the denial of benefits as the 1988 decree. The decree states that benefits are to be paid if the unemployed

person cooperates with the Jobs Centre's procedures by maintaining regular contact with it, by accepting jobs offered by the Centre (if possible), by independently searching for work, and by generally endeavoring to be re-employed or retrained so as to be more easily employable. The most important requirements are that the unemployed person appear monthly at the Centre at the time appointed by the Centre, that he/she contact the workplaces recommended by the Centre, and that he/she accept work if the Centre deems it suitable.

Officially, four criteria make a workplace 'suitable': the job matches the prospective employee's abilities; the job will not unduly burden the prospective employee's health; the job will provide a reasonable salary; and the workplace will be located within a reasonable distance from the prospective employee's home. These criteria are themselves further interpreted as follows:

1. Employee's abilities. This is the easiest criterion to meet. The Centre is no longer required to offer work which matches a prospective worker's skills. The most frequent problem is getting people accept work for which they are overqualified. This is especially common among those people who had earlier accepted unchallenging work to avoid unemployment but who later, despite this compromise, lost these jobs. Another problem is posed by the fact that retraining offered by the Centre is obligatory, regardless of whether or not it fits an individual's needs. Retraining is not tailored to meet the needs of those whom it is supposed to help. Studies in other countries have demonstrated that the success of such retraining programs depends to a large extent on their adaptation to individual capabilities and demands.

2. Employee's health. An employee's physical ability to carry out any given job is to be determined by the staff doctor at the workplace. Health examinations, however, are generally superficial and ignore particular concerns of the prospective employee. If an unemployed person complains of health problems, he/she may risk being viewed of as "not endeavoring to become employed."

3. Adequate salary. If a workplace offers just one forint more than the unemployment benefit, the unemployed person is obliged to accept the job. In practice this means that unemployed people are often obliged to accept salaries below the official minimum wage. As unemployment benefits are only 70% (and may be as low as 50%) of the previous salary, and as periods of unemployment can often be long (with relentless inflation), a newly re-employed person can often suffer as much as a 60% decline in real purchasing power.

4. Reasonable distance. The maximum time allotted for travel is three hours. By itself, this is quite a long time, but if one takes into consideration the fact that public transportation timetables do not always correspond nicely to work schedules, a 'three-hour' trip may take much longer in practice.

### *Denial of Benefits as Seen by the Jobs Centre*

The Jobs Centre performs both servicing and administrative functions. At least a certain number of case workers at the Jobs Centre continue to believe that unemployed persons have only lost their jobs because of their own inadequacies, are not interested in finding new work and accordingly are quite content with simply receiving unemployment benefits. It should be remembered, however, that these case workers often work eight hours a day under poor working conditions and for wages not substantially higher than the actual unemployment benefits. Moreover, the system is not well equipped to deal with rapid increases in the number of the unemployed. Thus, the burdens of the extra work fall directly upon these case workers and the time spent on each individual correspondingly declines. The job performance of the case worker is evaluated according to adherence to regulations. There is no allowance for subjective considerations in dealing with individual cases. For the case worker, following formal procedures offers the lowest risk and requires the least amount of work.

The majority of the unemployment benefit recipients do not receive benefits beyond the first three months. If someone remains in the system for more than three months, his/her situation usually receives special consideration. The criteria which determine that someone just beginning to receive benefits will be excluded do not automatically apply to those who have been receiving benefits for a longer period of time. (Respondents who had been receiving benefits for more than one year were almost as likely not to visit the Jobs Centre at their appointed times as were those benefit recipients who had been excluded - 32% as compared to 39% of the cases. Moreover, one quarter of these one-year recipients did not even accept the employment opportunities offered by the Jobs Centre.) Thus, it is clear that certain subjective elements definitely operate in the system. The unemployed individual, however, is unable to determine when exceptions might be made or when the letter of the law is strictly to be applied. There are many instances when special consideration is in fact warranted, but these cases too fall victim to the Jobs Centre's efforts to purge all abusers from the system. Such efforts to catch the relatively few abusers can often disproportionately affect those legitimately in need. In this respect, a more humane solution may be to ignore the few abusers than to deny benefits to legitimate non-abusers.

The administrative activities of the Jobs Centres will in all likelihood continue to expand. For instance, a special department has recently been established with the express purpose of investigating and eliminating benefit abuses as well as catching those individuals illegally employed. Nevertheless, the result of these expanded investigative activities may serve only to reinforce distrust in the system among the rest of the benefit recipients.

### *The Unemployed Individual's Perspective on Exclusion from Benefits*

The most frequent reason for a stoppage in benefits occurs when an unemployed person does not accept a job offer. This occurred in more than half (54%) of the cases surveyed. The second most common reason for a stoppage occurs when an unemployed individual fails to appear for a scheduled appointment at the Jobs Centre. This was the case with slightly more than one fourth (28%) of those surveyed. Other reasons included those instances when an unemployed person failed to explore a potential job opportunity (4% of the cases), when a recipient refused retraining (also 4% of the cases), and when an individual did not endeavor to seek employment (again, 4% of the cases). There were, however, several instances (4%) when the recipient requested that benefits be stopped, either because of feelings of shame associated

with receiving unemployment benefits, or because a case worker at the Jobs Centre failed to handle the case in a satisfactory manner.

Irrespective of the individual reasons, though, recipients almost never expected a stoppage in their benefits to occur. Most recipients believed that they had not infringed upon any of the Jobs Centre's regulations. Even if they were aware of some offences, they often believed that they could offer an excuse that would prevent a stoppage in benefits.

The most frequent reason for benefit recipients to reject job offers was that they found the "salary offered was too low." Nevertheless, recipients were obliged to accept positions even if the wages offered were below minimum wage. In one case, a 20-year-old man with no qualifications was offered two different positions, one as a postman, the second as a porter in a secondary school. The man, who had previously worked as a loader, did not consider postal work suitable for him and accordingly declined the position. The salary for the secondary school porter, however, would have been below his unemployment benefit of 4,600 forints. This man lives with his parents who both receive disability and pension benefits. In addition, he occasionally finds part time work as a loader. He would like to get a truck driver's licence, but at 40,000 forints, it is beyond his financial means.

There are also occasions when employers officially offer higher salaries than what they really intend to pay. The Jobs Centre avoids getting involved in any such disputes, though it most frequently sides with the employer. One 59-year-old man, who had been receiving an unemployment benefit of 4,200 forints, was offered a position with a salary of 5,600 forints. When he later reported to this job, the salary was lowered to 3,900 forints. The man then refused the position and asked the Jobs Centre to intervene on his behalf. The Jobs Centre administrators, however, "even without familiarizing themselves with the circumstances, sided with the employer and were unwilling to intervene."

It is also quite frequent for offered salaries, though higher than unemployment benefits, to be lower than the salaries of previous jobs held by the recipients. These individuals are quite reluctant to accept such work. They often feel that it is not worth working for these lower salaries even if the consequences of refusing the position might result in a stoppage of benefits. Some of these people would rather risk losing these benefits than accept a lower paying job which they view as degrading.

A special problem occurs when people with decent seasonal employment depend upon being able to return to their regular employer at the beginning of each season. They are reluctant to accept less lucrative off-season work. This problem is especially acute near Lake Balaton. In practice, the Jobs Centres in the area quite often simply extend benefits during the off-season to seasonal workers and do not seriously attempt to find positions for them.

The Jobs Centres are able to exercise broad discretion in offering positions to the unemployed. Case workers discuss different job opportunities with the benefit recipients. There is no well-established practice regarding which jobs can reasonably be refused. In certain Jobs Centres, rejecting one offer may be overlooked, though benefits would be stopped after the second or third rejection.

The second most frequent reason for rejecting a position is that either employees are required to work overtime or the schedule itself is undesirable. This is particularly problematic for mothers with small children. The present law does not provide for any standards regarding the

time or duration of shifts among its criteria for a 'suitable workplace'. Therefore, if the position offered matches the individual's qualifications and health requirements and is within the three-hour travel period, then the individual is obliged to accept the position. Jobs Centres do not consistently note which shifts are most agreeable to the individual recipients. At times they attempt to match individual requests, but their success is spotty at best. For example, a thirty-year-old woman with two children aged 4 and 9 and a husband on disability benefits requested a single shift job from the Jobs Centre. They in turn offered her two jobs. One position would have required her to perform janitorial work in a secondary school beginning each night at 6pm. This was unacceptable because the last bus to her home departed at 8pm. The second position would have required her to make deliveries beginning at 8am and do cleaning from 4pm, both presenting insurmountable child care and transportation obstacles. The woman protested the stoppage of her benefits, but her complaint has not yet been heard. In the meantime, after a period of several months, she was able to obtain seasonal employment from her previous employer.

The third most frequently offered excuse for rejecting a position was that it required too much travel time, transportation options were inadequate, or employers refused to reimburse employees for travel expenses. This was especially problematic for people living in villages, and was their primary reason for rejecting jobs. Poor public transportation from villages has always been a problem, but only recently have employers begun to refuse to reimburse workers for travel costs. In Kaposvár, for example, there are practically no companies willing to employ an individual who would have to travel more than 15 kilometres. Moreover, with recent rises in transportation costs, an employee's transportation expenses often account for up to 50% of his salary. One man with several children lost his job with a salary of 3,300 forints when his employer stopped paying his travel costs of 830 forints: The Jobs Centre then sent him back to the same exact workplace where he again requested that his transportation expenses be covered by the employer. The employer refused and he consequently turned down the job offer: Both this man and his wife are currently unemployed, neither receives benefits, and their sole source of income is their family allowance from the state. In another case, a 35-year-old divorced woman with two children (aged 12 and 7) worked as a waitress in a summer house, which also employed her off-season doing assembly work. After losing this job, the Jobs Centre offered her a position which would have required her to work two shifts and travel a greater distance than her previous job had required. She was unable to accept the position, and as a result her benefits were stopped. She has lodged a complaint, but her case has yet to be heard. For two months her only sources of income were the family allowance from the state and her alimony. Fortunately, though, she was later able to return to her former workplace. Officially speaking, the Jobs Centre followed normal procedures in this case, though a simple reading of the circumstances would reveal that the offer was unacceptable to this woman. Current regulations reduce the maximum travel time to two hours for single-parent families and women raising children below 10 years of age. This, however, is often of little consequence to those living in villages.

The fourth most frequent reason for rejecting a position was that the individual either did not like the job or a potential superior. There was one instance when a woman who was qualified as a dressmaker was offered a position as a barmaid. Since she had never actually been employed as a seamstress, but instead only had worked as a shopkeeper, the Jobs Centre did not take her seamstress qualifications into account. This woman, however, did not want to become a barmaid because she considered it demeaning. There was another case when an unemployed person knew and disliked his potential supervisor, and therefore rejected the job.

On yet another occasion, an unemployed individual was offered a position where he would have worked for the very people he used to boss.

Yet another reason cited for rejecting job offers was that the position did not correspond with the applicant's qualifications or state of health. A 35-year-old man with epilepsy who had been working as a doorman was offered loading work on two separate occasions. The man's condition had been legally verified by the required medical forms.

Nevertheless, the Jobs Centre reproached him for refusing these offers and consequently stopped his benefits. He has remained unemployed since then and his sister's family has been providing for him, though they hope to obtain disability benefits for him in the future. It is important to note that almost one-third of the people whose benefits were stopped reported some sort of health problem that limited their employment options.

Thus, mothers with small children, people living in villages and people with health problems are not only disadvantaged when it comes to finding suitable work, they are also often the first to lose their unemployment benefits.

As has been mentioned, the reason given for a stoppage in benefits in more than one quarter (28%) of the cases was that the unemployed person failed to appear for an appointment at the Jobs Centre. Regulations governing how frequently the benefits recipient is required to report are actually quite liberal. In Belgium, by contrast, recipients of unemployment benefits are required to 'validate tickets' several times a day at assigned times. Belgium introduced this measure in an attempt to reduce unregulated and illegal labour. Nevertheless, how often one chooses to visit the Jobs Centre to seek employment remains at the discretion of the unemployed individual. In the Netherlands, where the practice is even more liberal, there are no regulations governing how often unemployed people should report to the Jobs Centre. The administrative functions of the Institution for Unemployment Benefits are distinct from the servicing duties of the Jobs Centre, and neither is obliged to share information with the other. The Institution for Unemployment Benefits only randomly checks up on its unemployment cases, requiring the benefit recipients to verify that they are indeed searching for work. The Jobs Centre, on the other hand, directly assists the unemployed in finding new and suitable work.

Therefore, Hungarian regulations may be considered liberal in that individuals are only required to report once a month, and yet the strict requirement that recipients report precisely at the appointed time is not particularly liberal. Recipients can only be exempted from the appointment if they have a medical excuse from a doctor. These people must report to the Jobs Centre irrespective of whether or not the Centre is able to offer a job. Reporting is most often just a formal procedure since the Centre can only rarely offer a job at the time the unemployed person appears in the office. Still, lacking travel and the several hours of waiting into account, reporting to the Jobs Centre can take almost an entire day. Though the unemployed are told that they must meet this obligation if they want to receive their benefits, they still have difficulty grasping the importance of appearing for their scheduled appointments. Moreover, they are often aware of situations when the Jobs Centre, recognising personal problems, has overlooked a one or two day delinquency. Over one-third (39%) of those denied benefits did not show up for their scheduled appointments. This was offered as the reason for stoppage in benefits in 70 per cent of the cases. In most of these cases the first delinquency provided sufficient reason to stop the benefits. When we asked those who were denied benefits why they had not gone to the Jobs Centre when they were supposed to, they

offered a variety of excuses: they either confused the date or simply forgot it; either they, themselves, or a member of their family had been sick; or they were busy looking for a job or doing odd jobs which they could not afford to skip.

One 45-year-old woman, for example, who was late for her first appointment was immediately denied benefits. She asked the Jobs Centre to overlook her tardiness because her spouse was also unemployed and did not receive benefits. This woman's physical condition also prevented her from doing any physical labour. She and her husband lived together with her son off his paltry 9,000 forint salary. The previous winter they had not even had enough money for heating fuel. This woman was willing to accept a position which paid as little as 3,000 forints a month. In another case, a young woman missed her appointment at the Jobs Centre when she had to take her sick child to the doctor for a vaccination. The next day she told her case worker that she could either bring a medical certificate or the case worker could simply call the doctor to verify her story. Both options were rejected. This young woman has appealed the decision, but she has yet to receive an answer. Furthermore, the pre-school was not willing to accept her child as long as she remained unemployed. Thus, she could not accept any position because there was no one to care for her baby.

### *Employers and the Unemployed*

Though the relationship between employers and the unemployed is not the focus of the present examination, several interesting trends emerged during the course of my research. It is well known that employers traditionally are reluctant to employ unemployed persons. It was surprising to discover, however, that they often deliberately took advantage of these unemployed individuals. There were several cases when unemployed persons were denied benefits as a direct result of the actions of their prospective employers. For instance, on several occasions, employers offered salaries which were lower than those officially registered with the Jobs Centres. There were still other instances when employers refused to sign the report books which the unemployed required in order to receive their benefits.

In one case a young woman was offered a job with the Forestry Department. When she reported to their office, she was told that they only employed men. They instructed her to go to the Forestry Department's administrative centre some 60 kilometers away to have her report book validated. She was unwilling to make this trip and as a result the Jobs Centre withdrew her benefits.

In another case, a recently divorced woman was offered a job as a cleaning lady for a salary (5,600 forints) which was lower than her previous wages. She agreed to accept the position, but requested that she be given time off to attend her divorce proceedings. The representative of the company verbally agreed to this, but when the woman returned to the Jobs Centre, it was discovered that this representative had written in her report book that she was unwilling to accept the position. When she requested an opportunity to talk once more with this representative, the Jobs Centre refused.

There was also a 23-year-old man who was denied benefits when a secretary incorrectly wrote that the job was refused simply because "he does not want to accept it". In fact, the boss had instructed the secretary to write that the man was unable to accept the job because "he could not get to work on time". This man had already turned down one job offer which would have required him to live near the work site without any guarantee of accommodations from the employer. He was also reluctant to leave his parents alone at home because his younger

brother had recently died. The Jobs Centre denied him his benefits because he had rejected these two jobs. This man then explained his situation in detail to the head of the Jobs Centre, but to no avail.

The unemployed, unfortunately, are powerless in their relationships with the Jobs Centre and prospective employers. There have been many occasions when an employer will advertise a position with the Jobs Centre, which does not actually exist. The paperwork that the Jobs Centre requires of employers is also confusing and time consuming. Furthermore, employers, like the case workers at the Jobs Centres, often hold the opinion that the unemployed "do not want to work anyway, they only want to have their unemployment report book signed". The Jobs Centres are able to freely do their work unrestrained by any higher supervisory body. Nonetheless, operations would run smoother for all parties involved if the Jobs Centre would be more selective in matching jobs with individuals.

### *Is The Denial of Benefits Just or Unjust?*

Two-thirds of those people denied benefits felt that their benefits had been withdrawn from them unjustly. Nearly one-fourth of the former recipients, however, were willing to acknowledge that the Jobs Centre adhered to the regulations in handling their cases. Nevertheless, these people did not consider themselves responsible for the stoppage in benefits. The remainder of benefit recipients refrained from placing all of the blame on either themselves or on the Jobs Centre. In total, 11% of those people denied benefits accepted full responsibility for their situation, two-thirds of them assumed no responsibility, and the remaining 20% accepted partial responsibility.

Of all the people who were denied benefits, only 40 per cent were notified in advance by the Jobs Centre. The others claimed that they had been taken completely by surprise by the withdrawal of support. Half of these people were notified of the stoppage in person when they visited the Jobs Centre while the other half received notification via the mail.

Of all those people who considered the stoppage in their benefits unjust, only a small percentage took legal action against the Jobs Centre. The problem is that most of these people are unaware of their legal rights. Moreover, either they are inexperienced in dealing with bureaucracies such as the Jobs Centre, or they have dealt with them all too frequently and accordingly have become disillusioned. Another reason for the low number of appeals may be that appeals have to be filed at the county Jobs Centre. In the end, only one-fifth of those denied benefits actually filed appeals, and of these, only one individual succeeded in having his case reversed. The examples cited above demonstrate that many times the Jobs Centre does not even respond to appeals. The lack of any supervisory body compounds this situation. Though the unemployed may also take their grievances to a court of law for legal restitution, such a route is often deemed too troublesome. We found no instances where legal proceedings were entered.

We also asked the people who had been denied benefits how they felt the Jobs Centre should have handled their cases. The most frequent opinion (30%) was that the Jobs Centre should have continued paying benefits until the person found a more suitable job: one that corresponded more closely to personal qualifications and health limitations, one with a better salary, or one which would not be unreasonably far from home. A large percentage (26%) also argued that the Jobs Centre should give greater attention to the individual and the individual circumstances, as well as be more lenient when applying regulations. The Jobs

Centre, on the other hand, responded that as it was not an institution of social welfare, these requests were beyond its scope. About 18 per cent of the respondents acknowledged that the Jobs Centre had proceeded according to the regulations. Another 8 per cent stressed that the Jobs Centre should have investigated any allegations of wrongful activity on the part of the employers instead of automatically assuming that the unemployed individual was in the wrong.

I believe that stoppages in benefits were justifiable in roughly one-fifth of the cases. Applying this ratio to our sample, we find that no more than thirty persons were justly denied benefits. One should consider whether it is worthwhile to jeopardize the livelihoods of 100 innocent people to punish 30 abusers of the system!

### *The Chances for Employment and the Restructuring of the Jobs Centres*

Though half of the people who were denied benefits have since found new employment, many of these new jobs are only seasonal. Individuals living in the towns have been more successful than those living in the country in locating acceptable jobs, while women from villages have had the most difficulty in finding new work.

Those sectors which have provided the largest number of employment opportunities merit further investigation. More than half of those who are re-employed found their new jobs in the private sector, mostly as employees but some as entrepreneurs. The remaining people found jobs in state owned firms or cooperatives. The importance of the private sector is steadily increasing, and those looking for jobs are increasingly willing to accept employment in the private sector. Nevertheless, since actual salaries in the private sector tend to be higher than officially registered salaries, problems can arise in times of sick leave or lay-offs as health and unemployment benefits are based on official salaries. Thus, individuals who lose private sector jobs are often put in the position of accepting lesser paying jobs from the Jobs Centres. If such work is not accepted, then exclusion from the benefit system is risked altogether. The new Act provides that an individual who is denied benefits can re-apply for benefits 90 days after the original stoppage. Very few of our respondents were aware of this right.

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1. The number of the persons who had moved within one year was surprisingly high. In several cases we were able to obtain new addresses from their old neighbours and reach them in this way. My impression was that only a small percentage of those who had moved actually left the county. Those who did leave the county often found work in some of the larger towns of Trans-Danubia. This group profited most from its move. Moving from one village to another was more characteristic of the intra-county moves. The primary motivation for such a move was not to find employment but to improve everyday life by moving closer to family or finding a less costly home.

2. The percentage of those denied benefits is relatively high in Somogy County as compared to other the counties. Nationally, 2 per cent of all persons receiving benefits were excluded from the system, while the ratio of those excluded compared to those who left the system on their own free will was 3 per cent.

3. Government Decree No. 114/1988. (XII. 31.) MT on Unemployment Benefits.

4. Act IV of 1991 on the Promotion of Employment and Provision for the Unemployed.