Monthly Bulletin of Economic Trends

April 2019

Fringe benefits in use by Hungarian businesses

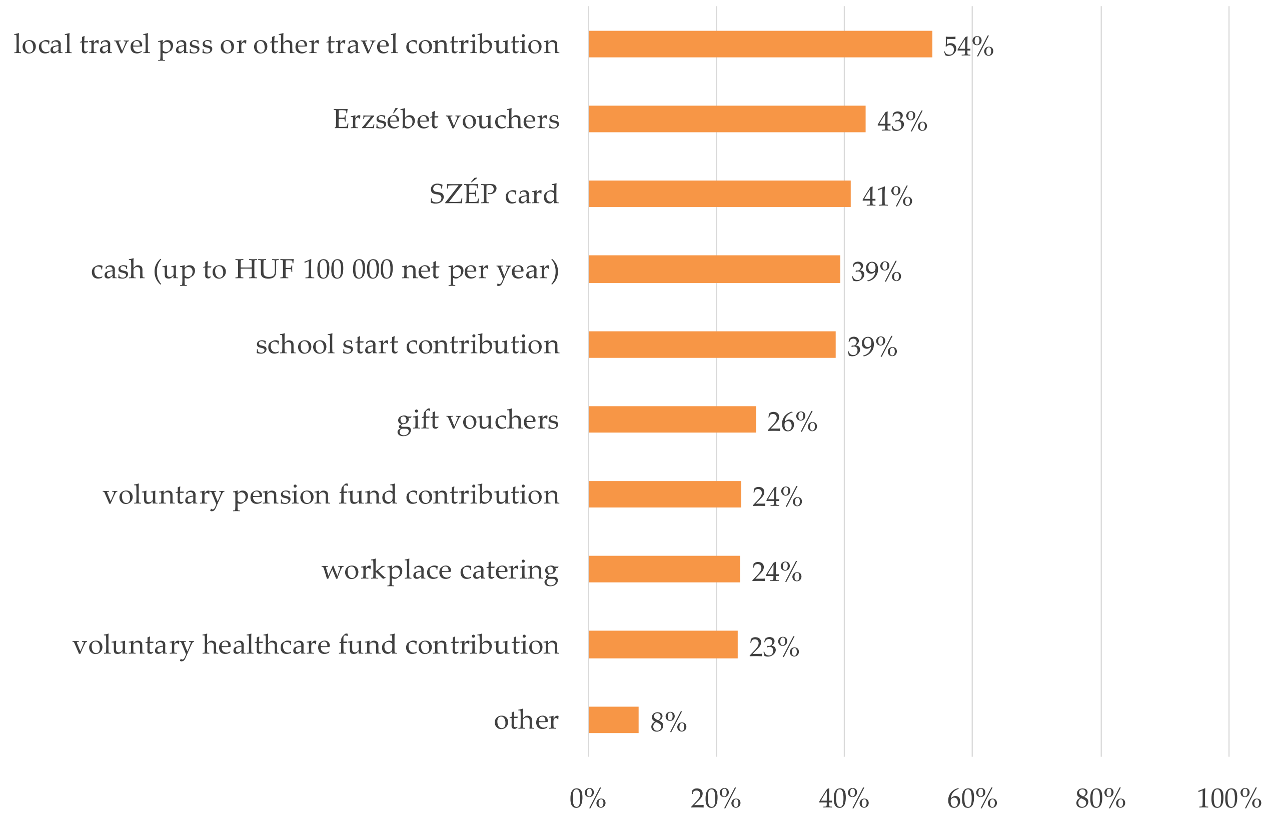
This analysis is based on data taken from the October 2018 Business Climate Survey conducted by the Hungarian Chamber of Industry and Commerce's Institute for Economic and Enterprise Research (HCCI IEER), involving 2830 CEO respondents. The survey respondents were enquired about the presence of fringe benefits. The sample of responding companies can be considered representative regarding economic sector, region, and the number of employees.

According to our findings, 80% of surveyed companies offered their employees at least one type of fringe benefit in 2018, out of which, the two most popular were season tickets for local public transport and Erzsébet vouchers. The use of fringe benefits correlated with company size, foreign ownership rate, economic sector, and the economic situation of the companies involved. The use of fringe benefits was the most common at large companies employing 250+ people, businesses of predominantly foreign ownership, industrial companies, and those in a fair business situation.

Fringe benefits used

At 80% of surveyed companies, employees received at least one type of fringe benefit in 2018. As seen in figure 1, the most popular perk types in 2018 were local travel passes or other travel benefits (offered by 54%), and Erzsébet vouchers (offered by 43% of respondents). Furthermore, 41% of companies gave out SZÉP cards, 39% offered cash as a substitute for perks, and 39% contributed with school supplies. About a quarter of the companies offered gift vouchers, voluntary pension fund contribution, workplace catering and healthcare contribution to their employees. Other types of fringe benefits were offered by a mere 8% of the companies surveyed.

Figure 1: Fringe benefits offered in 2018 by the companies surveyed, per cent



Source: *IEER* *2018*

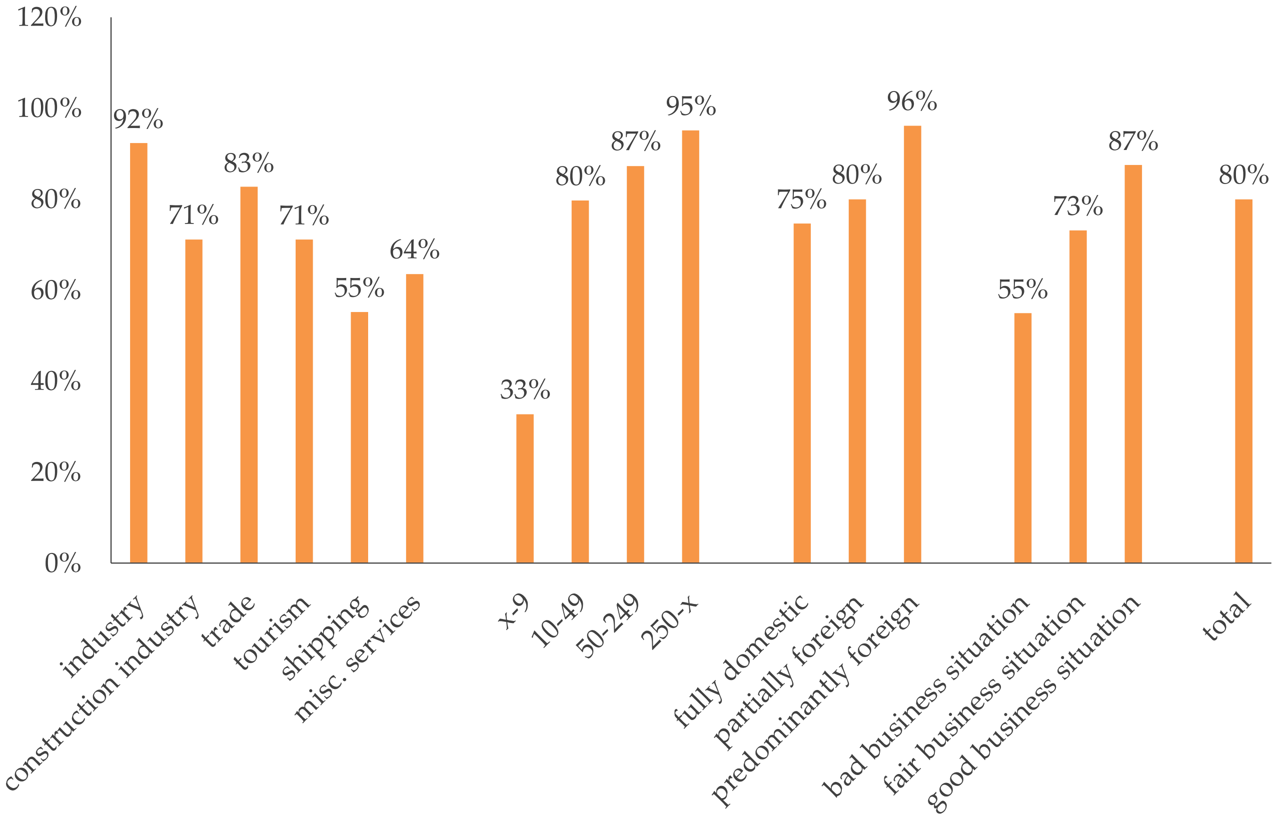
Economic sector, company size, foreign ownership rate and business situation were all in significant statistical correlation with the fringe benefits used. Figure 2 shows that it was the industrial sector in which companies offered fringe benefits to their employees at the highest rate (92%) followed by companies specialising in trade (83%), construction industry and tourism (71-71%), miscellaneous economic services (64%), and shipping (55%).

The examination based on company size concludes that employees of large companies were the most likely to receive fringe benefits: 95% of the employees at 250+ companies were perk recipients. This rate was 87% and 80% for 50-249 companies and 10-49 companies, respectively. Fringe benefits were far less widespread among the smallest of businesses: only one in three companies employing not more than 9 people offered perks to their employees.

Based on the results, predominantly foreign companies were more generous with fringe benefits: 75% of fully domestic companies and 80% of partially foreign companies offered at least one benefit type, whereas the rate was 96% with companies of predominantly foreign ownership.

It also seems apparent that those companies which judged their business situation as favourable gave more perks to their employees. Only 55% of businesses in a bad business situation spent on fringe benefits. The rate was 73% at companies judging their situation as satisfactory, while 87% of companies in a good business situation offered benefits to their workers.

Figure 2: Rate of companies offering fringe benefits by economic sector, company size, ownership structure and business situation, 2018, per cent



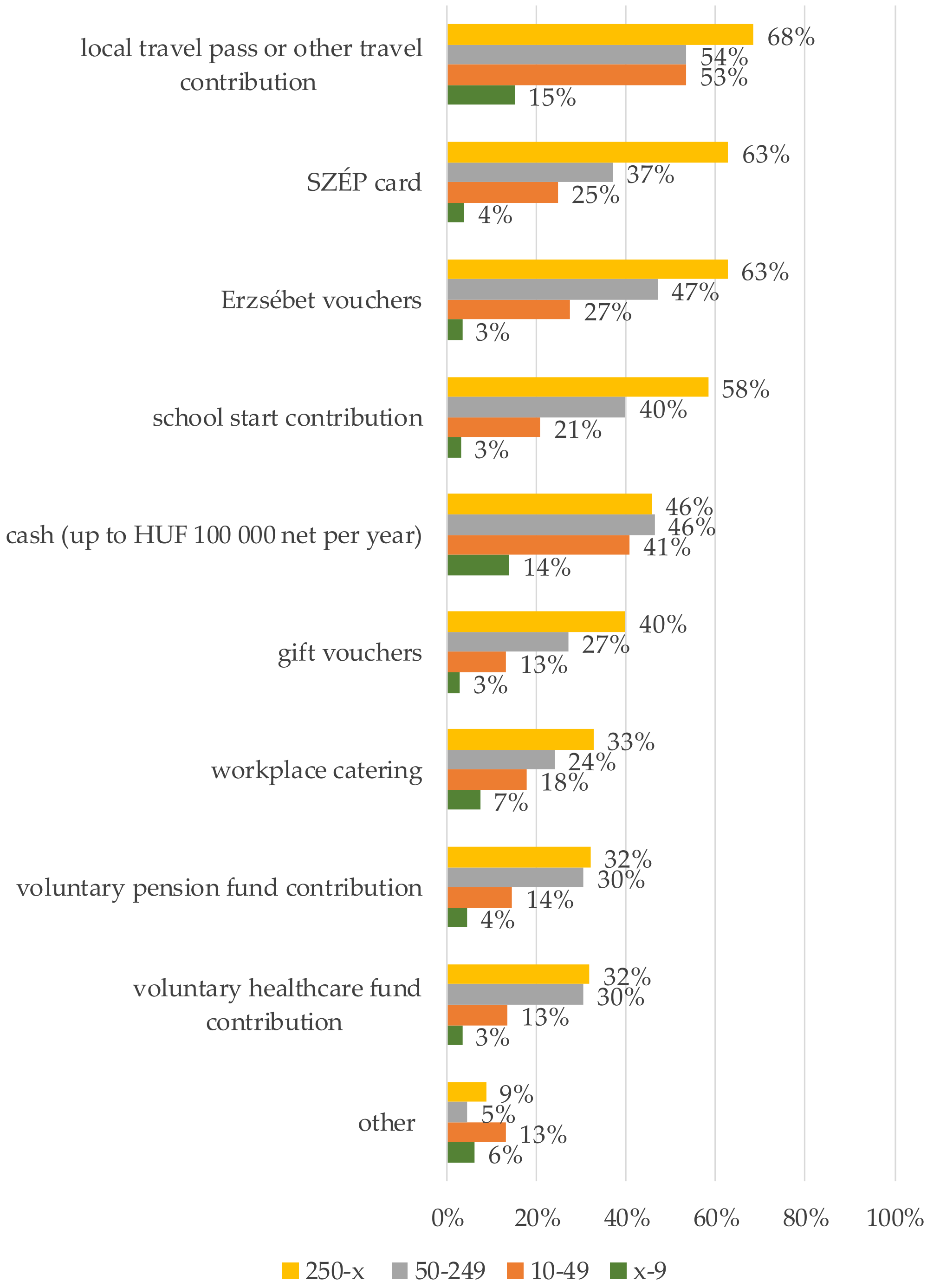
Source: IEER 2018

Types of fringe benefits by company features

Concluding from the data (see figure 3) the most popular fringe benefit type in 2018 was the local travel pass or other travel contribution for all company sizes: 68% of large companies, 54% of 50-249 companies, 53% of 10-49 companies and 15% of 0-9 companies offered this perk to employees.

Among large companies, the second most widespread benefit types were SZÉP cards and Erzsébet vouchers (63% each). After local travel passes, cash and Erzsébet vouchers were the most popular perk types among the widest array of companies employing anywhere between 9 to 250 people. 46% of 50-249 companies and 41% of 10-49 offered cash to their employees as a fringe benefit. Erzsébet vouchers were used by 47% and 27%, respectively. The most popular perk type with companies in the 0-9 employment range was cash (14%) and workplace catering (7%).

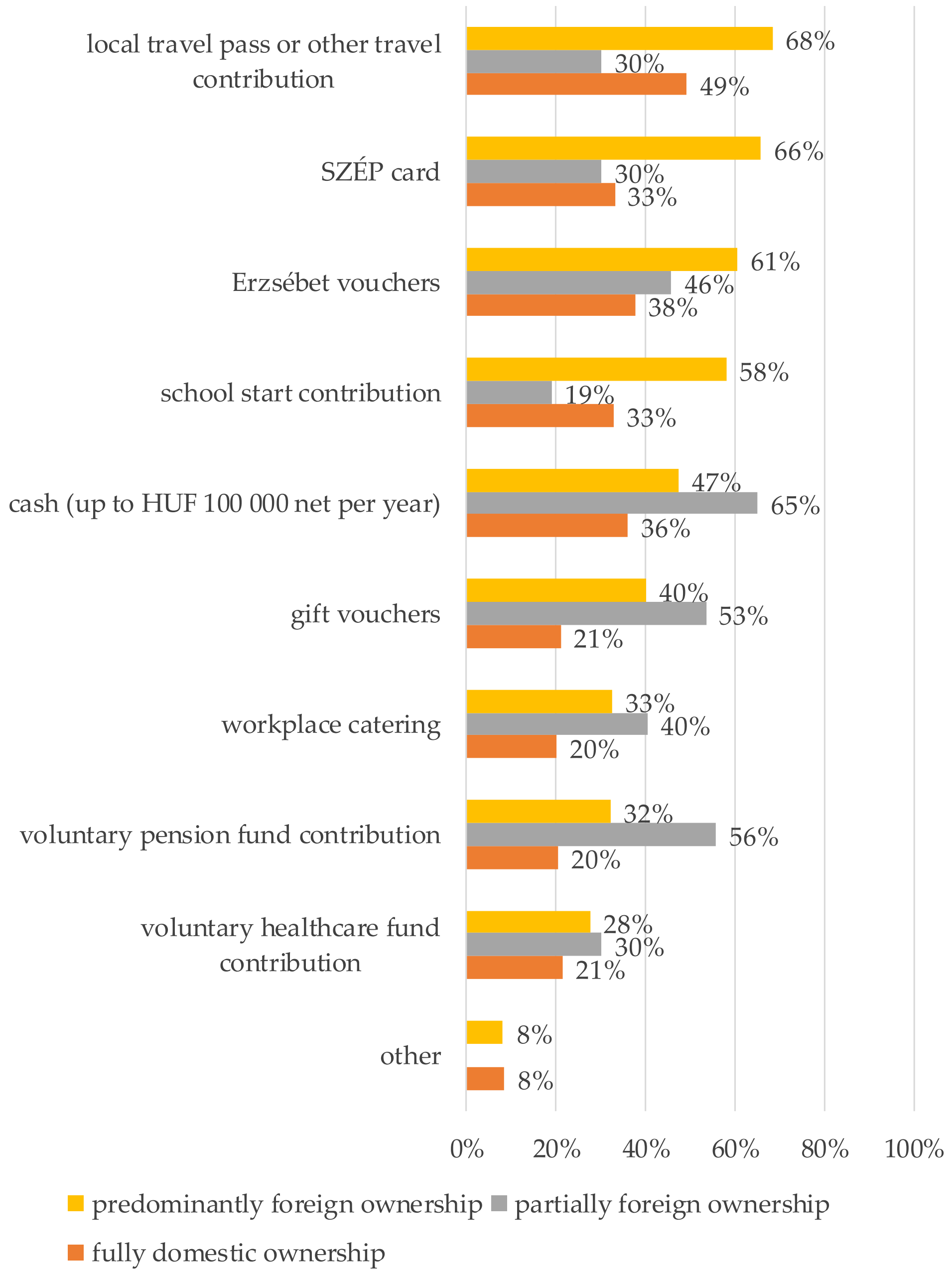
Figure 3: Fringe benefits by company size, per cent



Source: IEER 2018

As far as the popularity of various types of fringe benefits are concerned there is a difference between fully domestic companies and businesses of partially/predominantly foreign ownership (see figure 4). While travel contributions and SZÉP cards were the most popular perk types with companies of predominantly foreign ownership (68% and 66% respectively), companies of partially foreign ownership generally chose cash and voluntary pension fund contributions (65% and 56% respectively). Finally, fully domestic companies provided employees with travel passes and Erzsébet vouchers (49% and 38% respectively). Visibly, the use of all surveyed perk types, except for miscellaneous contributions, was more widespread among companies of predominantly foreign ownership than among fully domestic businesses. Cash, gift vouchers, workplace catering, voluntary pension fund and healthcare contributions were the types of perks chosen by companies of a partially foreign ownership.

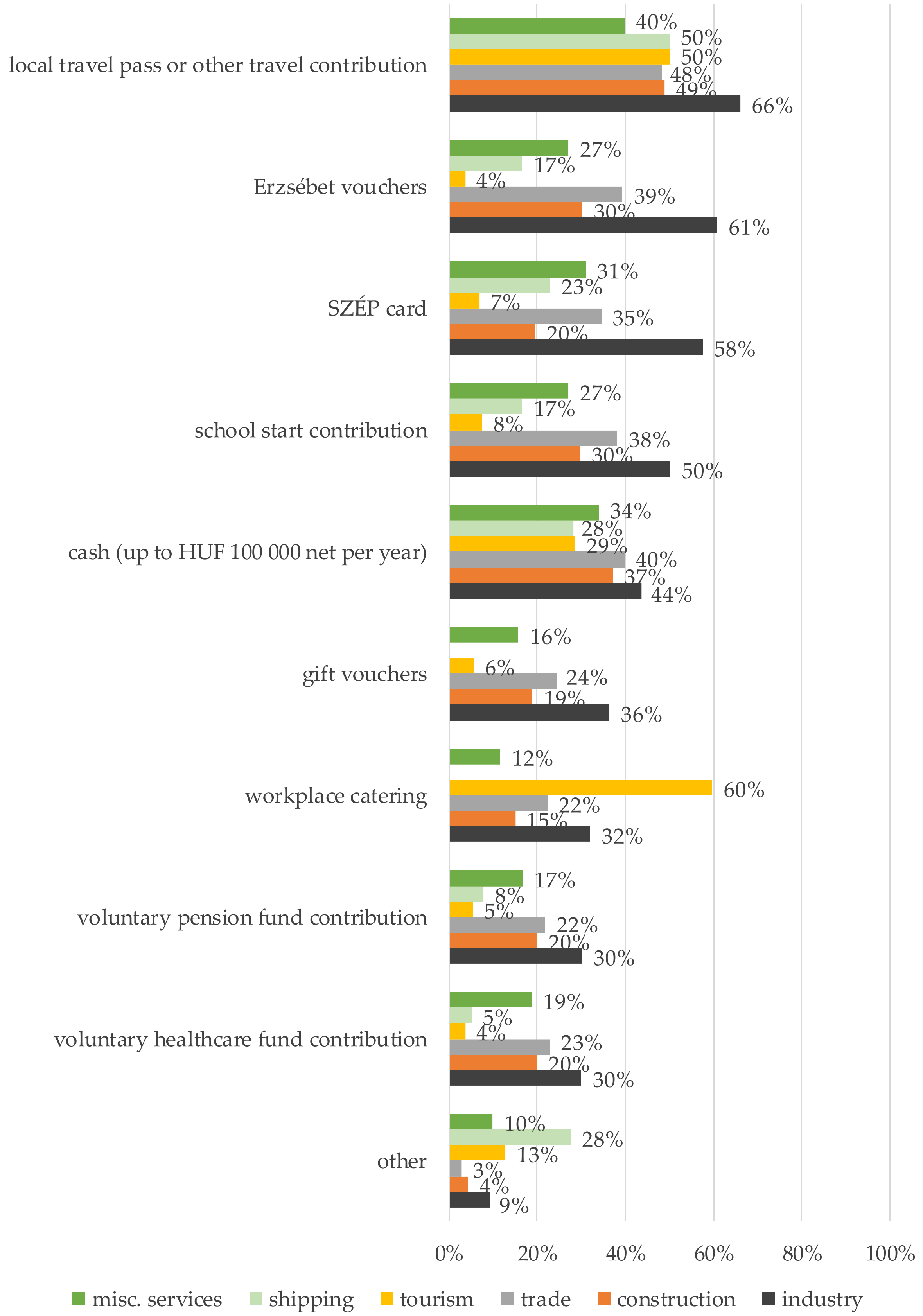
Figure 4: Fringe benefits by ownership structure, per cent



Source: IEER 2018

Travel contribution was clearly the most popular fringe benefit type in all economic sectors except in companies specialising in tourism (see figure 5). In the tourism sector, workplace catering seems to have been the most widespread perk: almost 60% of companies chose this type of fringe benefit. The smallest difference between the sectors concerns the use of cash - in all sectors, more than a quarter and fewer than a half of companies paid cash to the employees as a fringe benefit.

Figure 5: Fringe benefits by economic sector, per cent

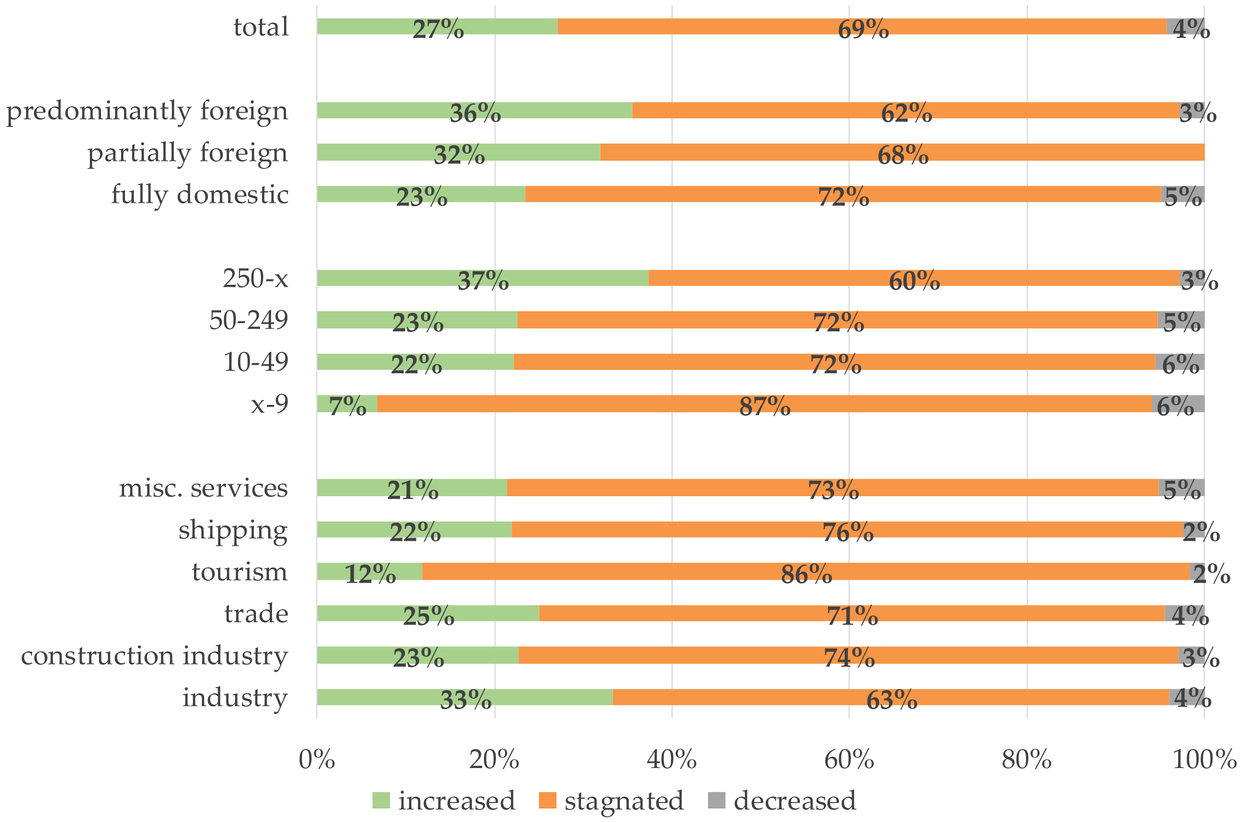


Source: IEER 2018

Fringe benefit budget

As seen in figure 6, the budget to be spent on fringe benefits remained unchanged at 69% of the surveyed companies year-on-year. 4% decreased the budget, whereas the remaining 27% increased it. 37% of large companies employing 250 people or more increased the budget to be spent on fringe benefits. This number was much lower in the 50-249 and 10-49 group (23% and 22%, respectively), while only 7% of the small companies increased their spending target. 32% of companies of partially foreign ownership and 36% of predominantly foreign-owned businesses increased their budget on fringe benefits while it was only 23% of fully domestic companies that did the same. Regarding economic sectors, the fringe benefit budgets were raised by 33% of industrial companies and 25% of trading companies. In the construction industry, 23% of companies increased the budget to be spent on fringe benefits. For companies specialising in shipping, miscellaneous services and tourism, this rate was 22%, 21% and 12%, respectively.

Figure 6: Fringe benefit budget in the previous year by ownership structure, company size and economic sector, per cent



Source: IEER 2018

Automatable jobs at Hungarian enterprises

In this analysis we shall examine the extent at which businesses active in Hungary may be affected by automation, based on the tasks and duties their employees are required to carry out. The data used for this analysis were taken from the survey titled "Short term labour market forecast", conducted by IEER in cooperation with the Ministry of Finance in 2018. 6781 companies were asked about the implementation of innovative and automation technologies. The proportion of employees on technically automatable jobs was also surveyed. The results can be considered representative by distribution of geographical location, economic sector and company size.

Research papers about the effects of automation on the labour market distinguish skills and functions that can be substituted by new technologies from those that cannot, i.e. there are automatable and non-automatable skills and functions. The latter skills may, to our present knowledge, not fully be replaced by automatic and digital technologies, in these jobs machines can only play an auxiliary role next to human workforce. Automatable functions mainly include so-called routine tasks, both manual and cognitive, which are simple and easy to describe, and as such, they can be broken down into easily programmable sub-processes. There is another group of potentially automatable physical tasks involving hard labour and health hazards (e.g. working with dangerous materials), which could be more efficiently done by robots without putting employees to risk. Non-automatable physical duties include complex tasks which, though manual, require skills, for example manual dexterity. Tasks which require creativity or social skills would also be difficult to substitute.

Bearing that in mind, the companies were asked the proportion of their employees having duties that could or could not be automated. In the course of the analysis, the following duties were termed as automatable: routine tasks, hard physical work, hazardous work, cognitive routine tasks such as administration, data collection, data processing, compilation and creation of simple texts, sales and customer service tasks that can be replaced by digital technologies. Tasks were not considered automatable that involve dexterity, creativity, leadership or assistance, teaching, R&D - which field requires having original ideas - and programming, which itself is needed to operate automating and digitalising technologies.

The overwhelming majority (99%) of the surveyed companies employ at least one person whose duties could be automated. There were three such employees working for the majority of the surveyed companies (83%) whose tasks are potentially automatable. The most common tasks that could be automated are of an administrative kind: 81% of Hungary-based companies employ at least one person doing such a job. At more than half of the companies there are sales duties (61%), customer service functions (53%) and hard physical work (53%) of this sort. 44% of CEOs reportedly have at least one employee doing a physical routine job. Over a third of the companies employ at least one worker who performs dangerous tasks with hazardous materials or machinery. Duties involving data collection and simple writing tasks were also common (41% and 35% respectively - see figure 7).

Figure 7: The rate of companies with employees working on automatable jobs N=6759

Source: PROGNÓZIS_2018, GVI-PM

Regarding the number of people performing automatable tasks we concluded that most of them do hard physical labour: on average, 30% of employees relative to all the companies surveyed. Furthermore, about one in four people employed at respondent companies do monotonous routine tasks, 15% are involved in sales and selling, 14% work in administration and, on average, 13% perform tasks with hazardous materials and tools. Except for administrative duties, cognitive routine tasks are performed by a smaller number of employees in Hungary. The most typical non-automatable duties are those requiring manual dexterity, done by 24% of employees on average. 10% of all employees solve creative tasks, while another group (fewer than 10%) works on other duties that cannot be automated (see figure 8).

Figure 8: Average rate of employees working on specific automatable jobs at Hungarian companies, per cent, 4808≤N≤5857

Source: PROGNÓZIS_2018, GVI-PM
Colour code: Orange and grey respectively denote the tasks that can and that cannot be automated. The rate relates to the statistically documented staff of the surveyed companies.

All this point to the conclusion that the automation potential of Hungarian companies can be considered high with over 80 per cent of companies having at least three automatable duties and with a third of the employees (on average at each company) doing the most common automatable job functions.

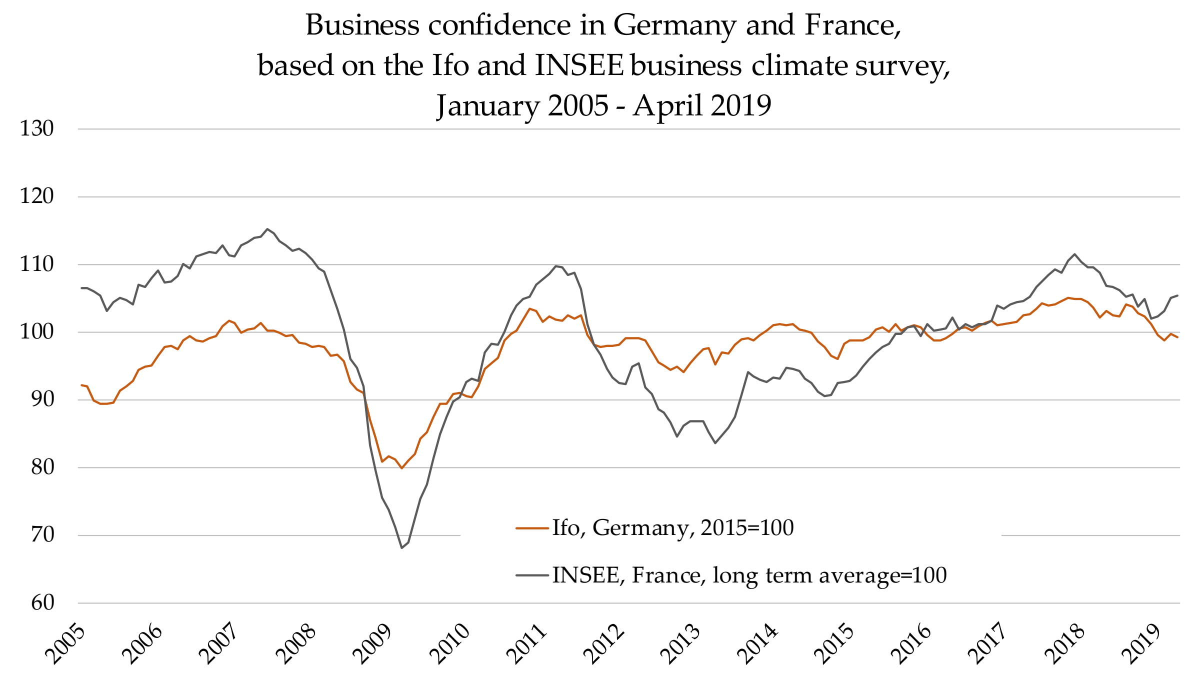
International trends

Changes in the production, consumption and employment situation in certain major international economies compared with peer expectations and the previous period.

		Period in review	Actual data	Expectations	Previous period
Germany	Unemployment Rate	(Apr)	**4.9%**	**4.9%**	**4.9%**
	Manufacturing Purchasing Managers Index	(Apr)	**44.4**	**44.5**	**44.5**
	IFO Business Climate Index[1]	(Apr)	**99.2**	**99.9**	**99.6**
France	INSEE Business Climate Index[2]	(Apr)	**105**		**105**
USA	Unemployment Rate	(Apr)	**3.6%**	**3.8%**	**3.8%**
	CB Consumer Confidence Index	(Apr)	**129.2**	**126.0**	**124.1**
	Manufacturing Purchasing Managers Index	(Apr)	**52.6**	**52.4**	**52.4**
China	Manufacturing Purchasing Managers Index	(Apr)	**50.1**	**50.7**	**50.5**

[1] https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/
[2] http://www.insee.fr/en/themes/indicateur.asp?id=105
The rest of the data source: http://worldeconomiccalendar.com

In Germany, the unemployment rate stagnates at the same level as in March and performed as expected in April. The manufacturing purchasing manager index (PMI) and the IFO business climate index decreased and were lower than expected. The French INSEE business climate index stagnates at the same level as in March. In the United States, the CB consumer confidence index and the manufacturing PMI increased compared to last month and were above the expectations. The unemployment rate slightly decreased and performed better than expected. The Chinese manufacturing PMI slightly decreased and was below the expectations in April.



Sources: www.cesifo.de, www.insee.fr

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