
HUNGARY: GENDER ISSUES IN THE TRANSITION TO A MARKET ECONOMY

FINAL REPORT

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TO A MARKET ECONOMY**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
II. THE LABOR FORCE FROM A GENDER PERSPECTIVE	4
A. Trends in Labor Force Participation	
B. Gender-Based Differences in Education	
C. Gender-Based Differences in Occupations	
D. Gender-Based Differences in Management Positions	
E. Gender-Based Differences in Income	
III. UNEMPLOYMENT FROM A GENDER PERSPECTIVE	15
A. Gender Analysis of Unemployment Trends	
B. Trends in Re-employment	
C. The Social Safety Net	
D. Profiles of Economies in Flux: Hodmezovasarhely and Mosonmogyorovar	
IV. PRIVATE SECTOR DEVELOPMENT FROM A GENDER PERSPECTIVE	28
A. The Profile of Women Entrepreneurs	
B. Opportunities and Constraints to Entrepreneurs	
V. INSTITUTIONAL CHANGE FROM A GENDER PERSPECTIVE	43
A. Key Legal and Policy Issues	
B. Women's Roles in the Legal and Policy Reform Process	
VI. CONCLUSIONS AND CONSIDERATIONS FOR U.S. DEVELOPMENT ASSISTANCE	52
A. Summary of Findings and Conclusions	
B. Considerations for U.S. Development Assistance	

ANNEXES

1. **LIST OF CONTACTS**
2. **LIST OF REFERENCES**
3. **PROFILES OF WOMEN IN BUSINESS IN HUNGARY**
4. **BIOGRAPHICAL INFORMATION ON THE TEAM MEMBERS**

EXECUTIVE SUMMARY

The change of system -- Hungarians' term for their country's gradual evolution from a socialist, centrally-planned system to a democratic, market-based economy -- has meant fundamental changes in all facets of society. The purpose of this study is to examine Hungary's transition to a market-based economy from a gender perspective, that is, from the perspective of how men and women might participate in and be affected by political and economic reform in different ways. The ultimate objective is to help A.I.D. integrate gender considerations into the development of its programs in Central and Eastern Europe. The study was prepared at the request of the Office of Women in Development in the U.S. Agency for International Development. It was funded by the WID Office through a buy-in to the Private Enterprise Development Support Project (PEDS) of the Bureau for Private Enterprise.

Hungary has faced -- and will continue to face -- considerable challenges in the process of reforming its political and economic systems. Given these challenges, one might ask whether gender issues are really that important, and if so, why. There are three reasons why gender issues are important to consider in the context of Hungary.

- ◆ In no other region of the world do women play as active a role in the paid labor force as they do in Eastern Europe. In Hungary, women comprise more than 45 percent of the active workforce.
- ◆ Structural adjustment is not gender-neutral. There is evidence that economic adjustment does have different impacts on men and women. The question is, as Hungary goes through fundamental political and economic change, will women -- or men -- pay particular costs in the adjustment process? And if so, what can be done to mitigate these costs?
- ◆ Hungary's well-educated population has proved to be an asset in its transition to a market economy. Women comprise a large portion of the country's educated population. In fact, among Hungarians under the age of 30, women's educational qualifications surpass those of men. Because of their strong educational backgrounds, women can be a valuable resource in the transition to a market economy. Their knowledge and skills are a resource that can and should be tapped to Hungary's advantage.
- ◆ Women have been the backbone of a number of professions that are key to private sector development, including banking, accounting, financial management, and a number of service-related professions. However, the skills they acquired under socialism will be of little value in a market economy. Training is critical to ensuring that women remain competitive in Hungary's changing job market.

This study examines gender issues in four areas: (i) labor force participation, (ii) unemployment; (iii) private sector development; and (iv) institutional change. Key findings and conclusions include the following:

1. THE STRUCTURE OF THE LABOR FORCE

- ◆ Since the end of World War II, Hungary has experienced dramatic increases in women's labor force participation. The two-earner family was a political and economic imperative under socialism, and as of 1988, women accounted for nearly 46 percent of the labor force.
- ◆ Despite nearly equal levels of participation in the work-force, there are significant differences in men's and women's occupations, their roles in management and their incomes. One factor which helps to account for these differences is the fact that men's and women's educational background vary significantly. In vocational schools, girls predominate in programs which provide training for the textile, garment and leather industries. In higher education, women tend to major in medicine and health care, teaching, economics, law and public administration.
- ◆ Like the educational system, the labor force is also segmented by gender. Four-fifths of working women are employed in sectors where women comprise the majority of employees. Some of these sectors include commerce, trade, light industry, accounting, and banking.
- ◆ Historically, men have held the majority of leading positions in government and enterprise management. However, women have increasingly assumed leading positions in selected sectors. Under socialism, women were placed in leading positions to demonstrate men's and women's "equality." Now, women are moving into management because of their skills and experience in areas such as financial management and banking.
- ◆ Women earn 70 to 80 percent of men's income. However, gender-based differences vary considerably with the type of position and the sector of employment.

2. UNEMPLOYMENT

- ◆ Unemployment is a new, or at least newly-recognized development, in Hungary. The Hungarian government formally recognized that unemployment existed by introducing unemployment benefits for the first time on January 1, 1989. There were almost 295,000 unemployed people as of September 1991, nearly 6.1 percent of the workforce.

- ✦ Gender is one of many important variables in the unemployment scenario. In the case of Hungary, men have been more severely affected by unemployment than women. This is due to the fact that the hardest-hit industries have been mining, metallurgy and the machine industry. These sectors employ primarily men.
- ◆ Cutbacks in heavy industry have also affected women. Women comprise the majority of employees in the accounting and administrative offices of heavy industry. These offices tend to be heavily over-staffed, and economic restructuring has often started with them. Light industry is also in decline, with lay-offs in progress and further cutbacks anticipated in the textile and food industries. These sectors employ mostly women. As a function of their lower average wages, women receive less in unemployment benefits than men who have been laid off from similar jobs.
- ◆ The biggest discrepancies in unemployment stem from geography, age and skills level, rather than gender. As of fall 1991, unemployment was about 1.8 percent in Budapest, while in economically endangered regions in the northeast and southwest of the country, unemployment was above 10 percent. Unskilled manual workers, as well as young people, are particularly vulnerable to unemployment.

3. PRIVATE SECTOR DEVELOPMENT

- ◆ Women are an important part of Hungary's burgeoning small business community. Precise numbers are hard to come by because so little data on the Hungarian business community is gender-disaggregated. Leaders of Hungary's business associations and banks estimate that roughly 20 percent of Hungary's businesses are owned and operated by women. However, this percentage may under-estimate women's involvement in small businesses. In many cases women are not the "official" owner of the business, but nonetheless, play a key role in its management and operations.
- ◆ The team found that there are no major legal or structural impediments specific to women in business. Hungarian women stated repeatedly that they face the same opportunities and constraints in business as their male counterparts. In the same breath, however, they also noted how difficult it is for women to start new businesses in light of the traditional Hungarian family structure, which places responsibility for the care of the children and home on the mother.
- ◆ Women comprise a small percentage of the business-people that participate in the network of business-support institutions that have been created in the past few years, including banks, business assistance and training institutions, and business associations.
- ◆ Women have begun to create their own business networks. Most notably, the Hungarian Association of Entrepreneurial Women was created this year in order to encourage women in business.

4. *INSTITUTIONAL CHANGE*

- ◆ Hungary offers the most generous maternity and child-care leave policies of any of the Central and East European countries. New mothers are eligible for twenty-four weeks of paid maternity leave. Following maternity leave, women receive child-care allowances for up to two years, equal to 75 percent of their income. During the third year, women receive a flat sum, equal to about 40 percent of the average wage for women. Women are guaranteed the right to their job or one at a similar level upon completing maternity leave.
- ◆ The question is whether Hungary can afford to maintain these generous maternity and child-care allowances. Hungarians from all segments of society say that these allowances are considered virtually "sacred." No one dares to take them away, even though they are a serious drain on the national budget.
- ◆ Day-care centers are beginning to close. Budgetary considerations have led some local governments to close day-care centers; in addition, as Hungary's birth rate declines, demand for day-care has fallen and the number of vacancies in day-care centers has increased.

5. *POLITICAL PARTICIPATION*

- ◆ Women's representation in all of the newly elected parliaments of Eastern Europe dropped after free elections. Hungary was no exception. Under Communism, women comprised 21 percent of the representatives in parliament; now, they hold 7 percent of the seats.
- ◆ Despite the drop in representation, there is little indication that women's voice in government has changed. Prior to the March 1990 elections, women in parliament were essentially figure-heads, chosen for their party loyalty and the fact that they were women. They did not necessarily represent women's views. Even now, few of the women in parliament raise gender-specific issues, reflecting a wide-spread resistance to discuss what many Hungarians still refer to as the "woman question."

6. *CONSIDERATIONS FOR U.S. DEVELOPMENT ASSISTANCE*

- ◆ Training is the most important area for programming from a gender perspective. Women have experience and skills in banking, insurance, accounting, financial management, and a number of service-oriented industries. However, the skills they acquired under socialism will be of little value in a market economy. Training is critical to ensure that (i) employees in these sectors adapt to the demands of a market economy, and (ii) that women remain competitive in Hungary's changing economy.

- ◆ In Hungary, there is little understanding of the value of gender-disaggregated data, with the exception of a small group of economists and sociologists that track labor issues. Only through the collection and analysis of gender-disaggregated data can policy-makers grasp the actual and potential impacts of their decisions on women and men, and most importantly, how their decisions might affect women and men differently. As a first step toward making the case for collecting gender-based information, we recommend that projects funded by the U.S. government include gender-disaggregated data as part of their regular monitoring and reporting.
- ◆ A clear area for policy dialogue is labor policy and law. At this time, new job announcements in Hungary frequently specify the gender of the desired candidates. Even job openings registered with the Office of Employment are often gender-specific. U.S. development assistance can play an important role in (i) sensitizing the Hungarian government to the fact that this is a form of discrimination, and (ii) encouraging the Hungarian government to reform its policies and practices.
- ◆ One of the factors that will impede the transition to a market economy is the rigidity of labor markets. Opportunities for increasing the flexibility of the workforce should be explored and pursued as a means of giving women greater choice in decisions regarding work and home.
- ◆ Several associations have begun to emerge that aim to promote women in business and management. Support from the U.S. development assistance program would strengthen these institutions, while also increasing the opportunities for women to have a voice in the process of change.

CHAPTER 1

INTRODUCTION

The change of system -- Hungarians' term for their country's gradual evolution from a socialist, centrally-planned system to a democratic, market-based economy -- has meant fundamental changes in all facets of society. The purpose of this study is to examine Hungary's transition to a market-based economy from a gender perspective, that is, from the perspective of how men and women might participate in and be affected by political and economic reform in different ways. The ultimate objective is to help A.I.D. integrate gender considerations into the development of its programs in Central and Eastern Europe.

Hungary has faced -- and will continue to face -- considerable challenges in the process of reforming its political and economic systems. Given these challenges, one might ask whether gender issues are really that important, and if so, why. There are three reasons why gender issues are important to consider in the context of Hungary.

- ◆ In no other region of the world do women play as active a role in the paid labor force as they do in Eastern Europe. In Hungary, as in Poland, women comprise more than 45 percent of the paid labor force.
- ◆ Structural adjustment is not gender-neutral. There is evidence that economic adjustment does have different impacts on men and women. The question is, as Hungary goes through fundamental political and economic change, will women -- or men -- pay particular costs in the adjustment process? And if so, what can be done to mitigate these costs?
- ◆ Hungary's well-educated population has proved to be an asset in its transition to a market economy. Women comprise a large portion of the country's educated population. In fact, among Hungarians under the age of 30, women's educational qualifications surpass those of men. Because of their strong educational backgrounds, women can be a valuable resource in the transition to a market economy. Their knowledge and skills are a resource that can and should be tapped to Hungary's advantage.
- ◆ Women have been the backbone of a number of professions that are key to private sector development, including banking, accounting, financial management, and a number of service-related professions. However, the skills they acquired under socialism will be of little value in a market economy. Training is critical to ensuring that women remain competitive in Hungary's changing job market.

Hungary: Gender Issues in the Transition to a Market Economy examines the differing roles of women and men in four areas: (i) labor force participation, (ii) unemployment; (iii) private sector development; and (iv) institutional change.

The organization of the report parallels these four areas. Chapter II examines Hungary's labor force from a gender perspective, and outlines the differences in men's and women's occupations, their involvement in management, and their incomes. Chapter III takes a detailed look at unemployment trends in Hungary and their implications for men and women. Chapter IV describes the role of women in Hungary's burgeoning business community, as well as their participation in the newly-created business support organizations. Chapter V looks at the key legal and policy issues affecting women, as well as women's ability to influence the policy-making process. And lastly, Chapter VI outlines the conclusions of the field work in Hungary and considerations for U.S. development assistance.

Coopers & Lybrand prepared this study at the request of the Office of Women in Development in the U.S. Agency for International Development. The study was funded by R&D/WID through a buy-in to the Private Enterprise Development Support Project (PEDS) of the Bureau for Private Enterprise. The report was prepared by Sydney Lewis, Managing Associate of Coopers & Lybrand, with assistance from Lynne Manrique, Associate of Coopers & Lybrand. Anna Velkay provided invaluable assistance in conducting the field work in Hungary.

Approach

This study is part of a two-phase effort to examine gender considerations in Central and Eastern Europe. The first phase involved conducting a review of the literature on the status of women in the region. All of the work was based in Washington, D.C. A report summarizing the findings of the literature review was prepared in May 1991.

Not surprisingly, there were a number of limitations to the literature review. The team found that much of the literature had been published in the mid to late 1980's, and as such, reflected gender patterns and roles prevalent under socialism. Because the information was dated, the team was also unable to gather information on key areas such as unemployment and private sector development. Moreover, the literature review focused on the region as a whole and did not reveal the many differences between countries in Central and Eastern Europe.

The literature review set the agenda for the second phase of the study: field work in Poland and Hungary. The purpose of the field work in these two countries was three-fold: (i) up-date and expand the information gathered through the literature review; (ii) gather information in areas in which there was little to no information available in the U.S.; and (iii) validate and/or modify the findings of the literature review based on first-hand field research.

A Coopers & Lybrand team spent three weeks in Poland in July. The results of the field work in Poland are presented in a companion piece to this study entitled Poland: Gender Issues in the Transition to a Market Economy.

Field work in Hungary was carried out over a three week period from September 15 through October 6, 1991. The team conducted interviews with at least fifty-five individuals, including Hungarian business-people, bankers, and representatives of institutions that provide credit, technical assistance or training to Hungarian businesses. The team also met with several women in the Hungarian parliament, as well as policy-makers within the Hungarian government. The team conducted research in three towns in Hungary: Budapest, Hodmezovasarhely and Mosonmogyorovar. These towns were selected because of their geographic diversity; more importantly, they face very different scenarios in the transition to a market economy. A complete list of the individuals interviewed by the team is included in Annex 1 to the report.

The Coopers & Lybrand team would like to extend its appreciation to A.I.D.'s Office of Women in Development and Bureau for Europe for its assistance in carrying out this study. We would also like to thank the A.I.D. staff in Hungary for their support and interest in the study. Lastly, we would especially like to thank all of the individuals we interviewed, who so willingly gave us their valuable time and perspectives on gender considerations in Hungary.

CHAPTER II

THE LABOR FORCE FROM A GENDER PERSPECTIVE

The transition from a centrally-planned economy to a market-based economy will imply fundamental changes in the structure of Hungary's labor force. Among the many changes that are likely to occur are changes in men's and women's employment patterns. This chapter examines recent trends in men's and women's participation in the Hungarian labor force, as well as differences in their occupations, their roles in management, and their incomes.

A. TRENDS IN LABOR FORCE PARTICIPATION

Since the end of World War II, Hungary has experienced dramatic increases in women's labor force participation. Between 1949 and 1990, the percentage of employed women in the 15-54 age group more than doubled, increasing from 35 percent to 72 percent (Szalai, April 1991, p. 11). By 1988, women accounted for 45.8 percent of the labor force (Lado, April 1991, p. 25).

Several factors account for this phenomenon. World War II wrought such devastation upon Hungary that it required a greatly expanded workforce in order to begin the task of reconstruction. It was believed that everybody should participate in "building socialism". In addition, socialist philosophy espoused the concept of full employment, which was considered the key to combatting the poverty and uncertainties of unemployment that were seen as characteristic of capitalism.

From the perspective of Hungarian labor policy, women were a secondary, reserve work force whose function was to meet the ups and downs of labor demand. As noted above, women were actively solicited in the post-war period to meet the economy's demand for labor. In contrast, as a result of the reforms of 1968 which encouraged more efficient resource usage, labor demand decreased, and women were offered incentives, such as the three-year childcare leave, to exit the labor force. The official view -- that women, as a secondary workforce, could enter and exit the labor force as economic conditions required -- was not, however, reflected in families' views of the necessity of female work outside the home. Since the 1950's, the two-earner family has become an economic imperative. This point is important in light of the decreased labor demand expected as Hungary embarks upon the transition to a market economy.

In looking at changes in the labor force over the past decade, the data indicate that the percentage of active female wage earners increased only 2 percent from 1981 to 1988 (Central Statistical Office, 1989, p. 43). However, women's participation differed significantly depending on age. As shown in the table below, for the age cohorts 15-29 and 30-39, labor force participation decreased between 1980 and 1988, whereas it increased for women aged 40-54. The decreased participation for women aged 15-29 and 30-39 can probably be attributed to increased educational enrollment in the younger ages and maternity leave during primary child-

bearing years. Interestingly, during this period, men's participation in the labor force declined for all age groups, with especially notable decreases occurring in the 30-39 age cohort.

TABLE 1
LABOR FORCE PARTICIPATION RATE BY AGE
(Percentage)

	<u>Women</u>			
	<u>15-29</u>	<u>30-39</u>	<u>40-54</u>	<u>55+</u>
1980	56.3	83.8	72.9	8.8
1985	56.9	82.5	78.7	5.5
1988	53.8	79.6	79.9	4.6
	<u>Men</u>			
	<u>15-29</u>	<u>30-39</u>	<u>40-59</u>	<u>60+</u>
1980	71.5	93.3	82.6	4.7
1985	69.4	87.1	80.3	2.6
1988	66.0	83.6	79.3	2.6

Source: Maria Lado, "Women in the Transition to a Market Economy: The Case of Hungary." Paper presented at the Regional Seminar on the Impact of Economic and Political Reform on the Status of Women in Eastern Europe and the USSR: The Role of National Machinery, Vienna, April 8-12, 1991, p. 26.

Women are active in the Hungarian labor force, in large part, due to the legacy of socialism which encouraged and obligated women to work. But contrary to theory, socialism did not engender equality in the workforce. As described in the next section, there are significant differences in men's and women's educational background, which in turn affect their access to various occupations.

B. GENDER-BASED DIFFERENCES IN EDUCATION

One of socialism's accomplishments was greater inclusion of girls and women in the educational system. Table 2 illustrates that younger women's educational qualifications far exceed those of older women for all levels of education. In fact, in the younger age groups, women's school qualifications surpass men's; in contrast, in the older age groups (such as those over 60), men's education levels are much higher than women's (Central Statistical Office, 1989, p. 28).

TABLE 2

EDUCATIONAL LEVELS BY AGE - 1984
(Percentage That Has Completed Each Level)

	<u>Elementary</u>		<u>Secondary</u>		<u>Higher</u>	
	<u>Women/Men</u>		<u>Women/Men</u>		<u>Women/Men</u>	
15-29 years	96.4	96.0	46.1	32.4	13.4	10.0
30-59 years	77.6	84.0	30.1	29.9	7.1	11.5
60+ years	24.4	34.8	6.5	15.6	1.2	6.4

Source: Central Statistical Office, Women's Position in Socialist Hungary, 1989, pp. 28-29.

These are impressive gains. However, they reveal neither the nature of girls' education nor the differences between boys' and girls' schooling. In fact, girls generally choose an educational course that differs greatly from boys, with results that are reflected later in women's occupations and incomes.

The Hungarian educational system offers students three options after completing primary and secondary school. Namely, they can enroll in a gymnasium (general high school), a vocational training school, or a skills training or trade school. Gymnasiums provide a general academic education intended for university-bound students. Vocational training schools offer somewhat more specialized education designed to prepare students for employment in a particular industry. The skills training or trade schools teach skills applicable to a specific job. Girls' and boys' choices of post-secondary education are described in Table 3 on the following page.

TABLE 3
CHOICE OF FURTHER EDUCATION AT THE AGE OF 14 - 1987
(In Percentages)

	<u>Male</u>	<u>Female</u>
Skill or Trade School	57.2	31.2
Vocational School	25.9	33.1
Gymnasium	14.1	28.1

Source: Central Statistical Office, Women's Position in Socialist Hungary, 1989, p. 31.

A much higher percentage of girls than boys chooses to attend gymnasium. In fact, girls constitute two-thirds of all gymnasium students (Commission of the European Communities, 1991, p. 11). Table 3 also shows that, in 1987, proportionately fewer girls than boys enrolled in the trade schools, which prepare students for particular jobs. As a result, upon completing their studies, female students may have had more general knowledge but fewer marketable skills ... or at least "marketable" in the socialist context. Under socialism, skilled manual labor was highly valued and well-paid. As the importance of heavy industry declines during Hungary's transition to a market economy, so too will the demand for manual labor. In a market economy, greater demand can be expected for professional and advanced technical skills. As Hungary's economy changes, girls may well be at an advantage since gymnasium's general education, the necessary pre-requisite to university education, is the first step toward acquiring these skills.

As indicated in Table 3, girls' enrollment in vocational schools is proportionately higher than boys'. However, girls and boys tend to choose vocational schools with different concentrations. In a pattern that has experienced little change in the past decade, girls generally focus on industries dominated by women. In 1987, the proportion of girls in vocational training for the garment industry was 98.2 percent; for the textile sector, it was 98.1 percent; and for the leather industries, it was 79.6 percent. However, girls also comprised a high percentage of students in a few non-traditional areas. For example, the proportion of girls in vocational training for the chemical industry was 85 percent and for the construction materials industry, 70 percent (Central Statistical Office, 1989, p. 32).

When women pursue higher education, they also tend to concentrate in female-dominated fields, such as medicine and health care, teaching, economics, and law and public administration. As was the case with girls' choice of type of vocational training, women's concentrations within higher education have also changed little during the 1980's.

TABLE 4
WOMEN'S ENROLLMENT AT INSTITUTES OF HIGHER EDUCATION
(Percentage of All Students)

	<u>1981</u>	<u>1987</u>
Health Work	92.0	96.3
Teacher Training	73.4	73.4
Economics	61.5	64.6
Law and Public Administration	50.8	57.3
Medicine	56.8	54.4
Agriculture	28.3	31.2
Veterinary Medicine	15.8	19.5
Engineering	17.6	15.3

Source: Central Statistical Office, Women's Position in Socialist Hungary, 1989, p. 36.

C. GENDER-BASED DIFFERENCES IN OCCUPATIONS

Like the educational system, the Hungarian labor force is characterized by a high degree of gender-based segmentation. In fact, as the Central Statistical Office states, "education does not guarantee women equal opportunities with men in the social division of labor," (Central Statistical Office, 1989, p. 30). For example, four-fifths of working women are employed in industries where women comprise the majority of workers (Lado, April 1991, p. 3). Some of these industries include commerce, trade, services, and light industry. The percentage of female employees in various sectors is detailed below in Table 5.

TABLE 5**FEMALE WAGE EARNERS BY SECTOR**

	Percentage of Working Women In Each Sector		Female Workers as a Percentage of All Workers in Sector
	<u>1981</u>	<u>1988</u>	<u>1988</u>
Commerce/Trade	14.0	15.3	65.4
Services	25.0	29.4	62.7
Industry	32.6	29.1	43.2
Agriculture and Forestry	18.8	16.4	39.9
Transport, Postal Services and Telecommunications	4.5	5.1	28.2
Construction	3.1	3.0	19.0

Source: Central Statistical Office, Women's Position in Socialist Hungary, 1989, p. 44.

The team was particularly interested in looking at the role of gender in sectors which are likely to undergo major change in the transition to a market economy. Three of these sectors are industry, finance, and agriculture. Men's and women's roles in these sectors are examined briefly below.

Industry: Women comprise at least 66 percent of the work force in the following industries: weaving, spinning, sewing, garments, shoe-making, leather, and some food-related industries (Hubner, Maier, Rudolph, 1991, p. 44). All of these sectors have been shaken in the transition to a market economy. Their traditional markets in the Soviet Union and other Eastern European countries are no longer viable, and they are desperately seeking new markets ... with little success in most cases. The loss of the Soviet market has just begun to translate into major cut-backs and closure of female-dominated industries. As there are few programs to train or retrain the unskilled or semi-skilled work force, such cut-backs will result in long-term unemployment for women. Their future occupations? No one knows.

Heavy industry is also experiencing major change. Closures and cutbacks have hit male workers particularly hard -- but not exclusively. Women were also employed in heavy industry in over-staffed administrative departments. Cuts in industrial production will affect their employment as well. The issues surrounding industrial restructuring and unemployment are examined in greater detail in Chapter III of this report.

Finance: The financial sector in Hungary is also experiencing major change. Reform began in 1987, when Hungary created a two-tier banking system. The National Bank of Hungary shed its commercial lending operations and divided them among three newly-created commercial banks: Budapest Bank, Commercial and Creditbank, and Hungarian Credit Bank. Since then, more than forty banks have been established in Hungary. Major reforms in the banking sector have created a vast number of new opportunities -- for both men and women.

Traditionally, women have comprised the majority of employees in the banking sector. Unlike Western economies, banking was neither lucrative nor prestigious in socialist Eastern Europe. Indeed, because banking was highly centralized and bureaucratic, the majority of positions were basically administrative. Women often rose to mid-level management positions in banking -- more than in other sectors of the economy -- however, rarely did they attain senior-level management positions.

The "new generation" of banks are looking for a different profile. They need individuals with knowledge of credit risk management, banking products and services, foreign exchange transactions, and other financial skills. In the transition phase, some Hungarian women have gained opportunities to move up the ladder because the demand is so great for banking experience. Indeed, a number of women are playing a key role in financial sector reform. To name a few, Katalin Botos is a minister in charge of banking reform in Hungary. Ilona Hardy is the director of the stock exchange. Elizabeth Birman is the Vice-Chairman and Managing Director of INNOFINANCE, Ltd., one of Hungary's new banks.

But many in the banking community believe that the gender composition of the banking sector will shift in the future. As new and more lucrative jobs emerge, men are increasingly attracted to the banking sector. One senior level banker interviewed by the team noted that her bank had no stated preference for men, but recruiting and placement practices seemed to indicate a clear preference for men in certain units of the bank, such as the international division and the broker division.

Agriculture: While there is relatively little information on rural women's occupations, it is clear that women play an important role in the agricultural sector. In 1988, women comprised nearly 40 percent of all wage-earners in the agricultural and forestry sectors (Lado, 1991, p. 29), and more than 16 percent of all women in the workforce were employed in agriculture and forestry. In fact, agriculture is the third most important sector for women's employment in Hungary, following industry and services. Hungarian women tend to be most heavily employed in plant cultivation and horticulture, as opposed to stock-breeding (Lado, undated, p. 5).

Currently, the agricultural sector is experiencing major turmoil. Karoly Rongits, the director of a major agricultural cooperative in western Hungary, noted, "Our problems began with the collapse of the Soviet market. Now, we have no markets." The former communist countries are too poor to pay for Hungary's produce, and the quality of its produce is too poor for the West. As subsidies on basic foods are slashed and prices escalate, demand within Hungary has also begun to shrink. The result: agricultural and financial crisis.

Under socialism, most farmers were forced to join "cooperatives." The team was unable to obtain much gender-disaggregated information on Hungary's cooperatives, but in one cooperative interviewed by the team, women comprised 25 percent of all members. Most of these women worked in the cooperative's hemp factory and were among the lowest paid employees of the cooperative. The most lucrative jobs in the cooperative involved taking care of the pigs or cows, or driving a tractor (positions which are nearly always held by men). The future of Hungary's agricultural cooperatives is unclear. The short-term scenario looks bleak, as cooperatives face increasingly difficult political, economic, and financial prospects.

D. GENDER-BASED DIFFERENCES IN MANAGEMENT POSITIONS

"The female employment structure of the 1980's was a pyramid-like one: the proportion of women was high at the lower levels, while only a few women could reach the top." (Lado, undated document, p. 8). In fact, this "pyramid-like" structure has traditionally characterized the Hungarian labor force, despite official proclamations that increased female employment would ensure equality between men and women. Table 6 details available statistics on women managers.

TABLE 6

PROPORTION OF WOMEN IN LEADING POSITIONS IN HUNGARY
(Percentage)

	<u>1960</u>	<u>1970</u>	<u>1980</u>
Financial Managers and Business Executives	21.0	33.8	40.9
Leaders in Municipal Administration	12.5	15.3	29.1
Managers of Enterprises and Directors of Institutions	7.4	6.4	12.1
Leaders in Public Administration	8.1	11.8	19.6
Directors of Cooperatives	2.4	2.9	5.6
Technical Managers, Chief Engineers, and Works Managers	1.7	4.2	3.1

Source: Swasti Mitter, "A Comparative Analysis of Women's Industrial Participation During the Transition from Centrally-Planned to Market Economies in East Central Europe." Paper presented at the Regional Seminar on the Impact of Economic and Political Reform on the Status of Women in Eastern Europe and the USSR: The Role of National Machinery, Vienna, April 8-12, 1991, p. 13.

The table above illustrates an important trend. Men held the majority of leading positions; however, the share of leading positions held by women increased significantly over time, particularly in the areas of financial management and business. There are indications that these trends have continued since 1980. In the banking sector alone, three of the four women we interviewed noted that they had been offered higher and more lucrative positions, as new opportunities opened up in the private sector. However, they also stated that the opportunity to move into management positions poses a difficult dilemma: the dilemma between family and work. A Hungarian woman who specializes in corporate finance said, "I'm willing to give 100% effort, but not 150%." For this reason, during the past year, she has turned down several job offers that would have entailed significantly more responsibility. An instructor at the International Training Center for Bankers told a similar story. She has been offered a position in top management of two private companies. However, for now, time with her children is her top priority. She will continue to work, but her schedule at the training center enables her to balance home and work responsibilities. The following case profile of a Hungarian woman in senior management presents another perspective on the issue.

WOMEN IN MANAGEMENT: FINANCIAL DIRECTOR

Judit is the financial director of one of Hungary's fastest growing computer hardware companies. She is part of the company's top management team and plays a key role in decisions on business strategy. She is the sole woman in a senior position in her industry; indeed, she says, most of the computer companies in Hungary have a "last-century attitude toward women in management."

After completing her degree at the University of Economics, Judit began her career at Hungary's Central Statistical Office. She spent 17 years in government, gradually moving up to positions of greater responsibility. As a result of the research she conducted for her doctoral thesis, she was appointed the manager of statistical data collection for a number of counties in Hungary -- perhaps the most senior position she could attain without being a member of the Communist party.

Judit joined the private sector nearly four years ago. Her position as chief financial officer of a young and dynamic company offers many advantages. She finally has the freedom to make decisions, to accept responsibility, and to make use of her capabilities in management and finance. The sole disadvantage, she says, is that she has little time to spend with her children. It would have been virtually impossible for her to take on this demanding job when her two children were young. Now that they are in school, she could not imagine giving up her job to stay at home.

E. GENDER-BASED DIFFERENCES IN INCOME

In general, women are paid 70 to 80 percent of men's wages (Lado, April 1991, p. 7). According to the Central Statistical Office, earnings are determined primarily by workers' qualifications, the complexity of the job, working conditions, years employed, and sector of employment. Another factor that affects women's wages, however, is responsibility for childcare, which can cause women to be away from work more frequently or for longer periods.

The wage gap varies according to the type of position and the sector of employment. Moreover, the wage gap varies over time. As illustrated in Table 7 on the following page, the wage gap between men and women in manual jobs declined in some sectors between 1982 and 1989. In addition, wage differentials between male and female manual laborers in industry were wider for skilled workers than for unskilled workers. For instance, in 1987 a skilled female manual laborer in industry earned 75.8 percent of the male average wage, while her unskilled counterpart earned 84.3 percent of the male average wage (Central Statistical Office, 1989, p. 58). According to Eva Eberhardt, who recently conducted a study of women in Hungary for the Commission of the European Communities, this is because the officially created women's committees of trade unions and the Women's Council first began to monitor women's pay in the 1970's. Young and unskilled manual workers entering the work force for the first time began to demand equal pay with men. As a result, unskilled workers' salaries were higher relative to men's salaries than were skilled workers' salaries, who were older and had been employed prior to these lobbying efforts for equal pay. Tables 7 and 8 provide greater detail on women's wages as a percentage of men's for manual jobs and professional positions, respectively.

TABLE 7

**AVERAGE MONTHLY WAGE OF WOMEN IN MANUAL JOBS
AS A PERCENTAGE OF MEN'S AVERAGE WAGES**

	<u>1982</u>	<u>1987</u>
Industry	70	73
Agriculture, forestry	69	70
Commerce	77	80
Transport	74	71
Construction Industry	65	69

Source: Commission of the European Communities, Women of Hungary, No. 32, January 1991, p. 38.

TABLE 8

PROFESSIONAL WOMEN'S AVERAGE SALARIES -- 1986

	<u>As Percentage of Men's Average Salary</u>
Directors	79.0
Deputy Directors	83.0
Other Leaders	86.0
Production Managers	78.0
Company Executives	83.0
Office Workers	90.0
Other Non-manual Workers	66.0

Source: Central Statistical Office, Women's Position in Socialist Hungary, 1989, p. 61.

In conclusion, much of the data presented in this chapter reflects the legacy of socialism. It will take some time before Hungary's statistical data is able to capture the effects of the transition to a market economy. However, there is little doubt that gender-based employment patterns will shift as Hungary's economy changes. For those women with marketable skills, the transition will offer new opportunities for moving into management, as has already occurred in the banking sector. However, many women -- and men -- are likely to face grim prospects for future employment. Unemployment from a gender perspective is explored in the following chapter.

CHAPTER III

UNEMPLOYMENT FROM A GENDER PERSPECTIVE

As elsewhere in Eastern Europe, unemployment is a new, or at least newly-recognized, development in Hungary. The socialist government of Prime Minister Miklos Nemeth formally and legally admitted that unemployment existed by introducing unemployment benefits for the first time on January 1, 1989. At the time, most unemployment resulted from the belt-tightening policies of state enterprises. Official figures reflected about 1 percent unemployment; labor specialists estimated "hidden unemployment" of anywhere from 30,000 to 200,000 of Hungary's 4.5 million person work force.

During the change of system, new causes of unemployment emerged, and the numbers of the jobless climbed at a quickening tempo. In May 1990, for the first time in half a century, official statistics reflected that there were more workers than jobs. The gap has grown steadily. Structural unemployment, centered in a few industries hard-hit by the country's economic downturn and by new emphasis on the rationalization of production, has now been joined by unemployment spread across many sectors of the economy. And unemployment caused by economic restructuring, which in most cases required layoffs of superfluous employees, has been dwarfed by the disappearance of vast markets as the leading cause of unemployment in 1991.

Comecon, the Soviet-led trade organization that had dictated the East European countries' economic development for the past four decades, collapsed. While the organization was laid to rest officially only in June 1991, farms and factories accustomed to producing for the Comecon market had already seen their livelihood affected due to the introduction of hard-currency accounting at the beginning of the year. After January 1991, the countries could no longer customarily trade goods for rubles or barter. As unpaid Soviet bills piled up, goods accumulated in Hungarian warehouses. The producers could not bring their work up to Western standards overnight, nor could they quickly find new markets. Orders for their products fell by 60 percent on average. The economic crisis Hungary was experiencing was repeated all over Eastern Europe. Workers were idled, and then laid off.

As of the end of September, the number of registered unemployed had risen to 292,756, or 6.1 percent of the workforce. This number is nearly 17 percent over the August number and five times the number of unemployed at the beginning of 1991 (HVG, October 26, 1991, p. 15). A study by the Hungarian Economic Research Institute predicts that the drop in demand from the Soviet Union could result in layoffs of another 120,000 to 130,000 industrial workers by year end (Frey, October 1991, p. 5). Official estimates of unemployment have risen to half a million by the end of 1991.

A. GENDER ANALYSIS OF UNEMPLOYMENT TRENDS

For the time being, there is no sign that unemployment endangers women to a greater extent than men. To the contrary, unemployment affects more men than women in Hungary. In August 1991, approximately 59 percent of the unemployed were men, whereas men represent about 54 percent of the workforce. The ratio of men to women among the unemployed has been roughly 60:40 for some time. Moreover, there is no indication that this ratio is likely to change significantly in the future. The primary factor explaining the differences in men's and women's unemployment is that, thus far, the hardest-hit industries have been mining, metallurgy and the machine industry. These heavy industrial sectors employ primarily men.

The cutbacks in heavy industry have also affected large numbers of women in two ways. First, women predominate in the non-production divisions such as accounting and other administrative offices. For example, women comprised 17 percent of employees in coal-mining, 30 percent in metallurgy, and 37 percent in the machine industry (Frey, October 1991, p. 5). These offices tend to be heavily overstaffed, so economic restructuring has often started with them. Second, the families of men working in heavy industry constituted the main exception to the almost universal Hungarian two-earner family model. The men received among the highest wages in state industry, allowing their wives not to work. But as the men have been laid off, more wives have been forced to join the competition for jobs (Lado, June 1990, p. 4). These women are doubly handicapped: many not only have been outside the workforce for years, but also are living in economically depressed areas which are less likely to be the site of the sorts of new businesses and services which have absorbed unemployment in other areas, such as Budapest.

Today light industry, too, is in decline, with layoffs in progress and further labor cutbacks expected in the textile and food-processing sectors. As outlined in Chapter II, these sectors employ mostly women. In addition to the drop-off in markets, the decline in these areas is also due to reductions in subsidies from the state budget. The Economic Research Institute study mentioned above projects another 8 percent cutback this year in employment in light industry, where women make up 66 percent of workers, and a 6 percent reduction by year end in the food industry, where women make up a significant percentage of the workforce. In agriculture, where women comprise 40 percent of all workers, the study forecasts layoffs of 150,000 to 300,000 (Frey, October 1991, p. 5).

A new dimension of Hungarian economic life will further affect women, although at this point it is difficult to predict what the results will be. The introduction of private enterprise will entail new labor policies which could differ very significantly from the labor policies practiced in state industry. Hiring and firing patterns, and the provision of different social benefits packages, could construct a very different workplace from the one where Hungarian women have worked for four decades. There will, no doubt, be costs and benefits.

While there are gender-based differences in unemployment, the biggest statistical discrepancies stem from geography, age and skills level. In fall 1991, unemployment in Budapest stood at about 1.8 percent, while in some counties in the northeast and southwest of the country, it

surpassed 10 percent; Table 9 below provides additional details. Labor specialists estimate that the rate of unemployment for unskilled workers in the hardest-hit regions hovers around 20 percent. In March 1991, 40 percent more women from 17 to 20 years of age were unemployed than women in general. Men in the same age group were similarly affected (Frey, July 1991, p. III).

TABLE 9
UNEMPLOYMENT IN SELECTED COUNTIES
September 1991

<u>County</u>	<u>Announced Job Openings</u>	<u>Registered Unemployed</u>	<u>Percentage Unemployed</u>
Budapest	2,254	19,503	1.8
Békés	351	17,441	9.6
Borsod-Abauj-Zemplén	441	36,115	10.1
Nógrád	472	7,940	11.7
Szabolcs-Szatmar	2,051	29,117	12.6
All Counties	15,351	292,756	6.1

Source: Ministry of Labor, Budapest, September 1991.

Labor specialists like Maria Lado contend that women are often the first to be laid off, because of the marginal jobs they hold, the low likelihood that they will protest, and the tacit traditional argument that men are the chief breadwinners in Hungarian families. Weighing in earning capabilities, household duties, responsibility for families and psychological considerations, however, it is uncertain whether unemployment will have a more debilitating effect on men or women. One could also easily argue that, on balance, it is children and those just entering the labor market who will pay the heaviest price.

B. TRENDS IN RE-EMPLOYMENT

Labor researcher Maria Frey notes, "next to the drastic rise in the number of unemployed in the period under examination, the second striking trait is the significant lengthening of the time spent without work. If unemployment has not struck women harder than men, the unemployment period has. Consequently, if a woman becomes unemployed, it is harder for her to return to the labor market than for a man." (Frey, July 1991, pp. II-III). In March 1991, 42.1 percent of unemployed women had been unemployed for over half a year, compared with 39.2 percent of unemployed men (Frey, July 1991, p. 14).

Several reasons account for the greater difficulties women face in re-entering the job market. The employment patterns outlined earlier in this report explain part of the problem; the concentration of women in superfluous office and administrative jobs, as well as lower-skilled jobs, (in spite of their educational level) negatively affects women, since these jobs are the first to be eliminated during restructuring. In addition, in Hungary, it is very common for job announcements to specify the gender of the desired candidate. Even job openings registered with the Office of Employment are gender-specific. Women are ineligible even to apply for 20 to 30 percent of the officially registered openings for non-manual jobs, and 65 to 70 percent of manual jobs. Moreover, as Maria Lado points out, "in their ads [vacancy announcements], joint ventures openly prefer men to women, and so do many other companies concerning their higher managerial positions." (Lado, April 1991, p. 14).

C. THE SOCIAL SAFETY NET

Unemployment has emerged in Hungary at a time when the social security system, labor code, and other pillars of the work environment are in great flux. While responsibility for running employment offices has devolved from the local level to a centralized network under the aegis of the Ministry of Labor, provision of most social services now comes from local governments. A visit to any employment office demonstrates that, at this point, it is equipped to do little more than register the unemployed. It has few new jobs to recommend. In some locales, family aid center employees try to fill in the gaps by helping clients to meet their monthly payments and to find at least occasional work. In addition to the dearth of newly-created jobs, Hungary also lacks a cohesive institutional network to deal with the causes and multiple effects of unemployment.

The bleak background to Hungary's growing unemployment is the falling standard of living and the impoverishment of some strata of the population. Hungarian researchers depend on two monthly measures of the standard of living and poverty level: the official data compiled four times yearly by the Central Statistical Office, and the unofficial data pulled together monthly by the Ujpest family aid center, a social work office in a district on the fringes of the Hungarian capital. According to the Ujpest figures for September 1991, a four-member, two-wage earning family needed 8339 forints (\$115.80) per month per head to maintain the minimum standard of living. This level marked a 38.9 percent rise over the same time last year, brought up in part

by the over 50 percent increase in the price of school-related materials for children. The center noted that the family benefit that families with children receive covered only 30.8 percent of the minimum standard, and that 63.4 percent of Budapest pensioners were living under that standard (Nepszabadsag, October 10, 1991, p. 1).

The second quarterly figures compiled by the Central Statistical Office showed that the same four-member, two-wage earning family needed 7051 forints per head in the city and 6852 forints in the countryside monthly to meet the minimum standard of living. The minimum wage in Hungary currently stands at 7000 forints a month.

1. Unemployment: New Legislation and Administrative Structures

In March 1991, the Hungarian Parliament passed the Act on Employment Promotion and Provision for Unemployed Persons. The Act systematized layoff procedures, and set out the structure of unemployment centers to be opened in every county. It is in the process of being modified to reflect the new pressures of quickening unemployment increases and shrinking budgetary resources.

The centers, with a 1,460 nationwide staff that is anticipated to rise to about 2,100 by year-end, are local outposts of the Ministry of Labor, responsible for disbursing benefits, advertising vacancies, and assessing potential sites and scope of future unemployment in every locality. They are also collection centers for information on the unemployed, and thus play a vital role in forming an accurate picture of unemployment in Hungary. In order to compile this picture, the Employment Act requires employers to inform the government within at least three months of an anticipated layoff of over one-quarter of their staff, if it includes more than 30 people, and to inform the affected employees at least one month in advance.

The Employment Act established the Solidarity Fund for the Unemployed, which is collected through contributions from employers and employees. Employees contribute 1 percent, and employers 2 percent, of employees' salaries to the fund, which pays out unemployment benefits and finances the operation of the employment office network. In October 1991, the government proposed that the employers' contributions be increased to 5 percent of employees' salaries, and that employees' contributions be increased to 1.5 percent. The Parliament has yet to rule on this proposal.

The Act also established the Employment Fund, which finances training and other employment-related programs. A central board composed of those representing the government, employers and employees decides on how to divide the funds between counties, and county-level boards in turn decide how to disburse the funds between various employment-promotion projects. According to Labor Ministry officials, 70 percent of the money in the Employment Fund was used to finance retraining programs until June 1991. In July, 50 percent went to these programs, while 33 percent went to finance locally-created public works jobs, 10 percent went toward creating new jobs and the rest went to fund early retirement programs and programs to encourage private business, part-time employment and stop-gap measures to help companies

avoid layoffs, even temporarily. The Employment Fund is also used to finance mortgages for National Savings Bank-built apartments if the unemployed inhabiting them cannot afford the payments.

Another fund of 1.5 billion forints has been established to respond to the needs of the two counties hardest hit by unemployment: Szabolcs-Szatmar and Borsod. This fund, which is under the aegis of the Environment and Regional Development Ministry, releases money to private and state businesses that compete for funding for their employment programs.

The Ministry of Labor has also created job-creation programs for the handicapped, internees in state-run juvenile homes, and incubator houses in the heavy industrial cities of Ozd, Miskolc, and Szekesfehervar (the home of the doomed Videoton plant which has employed over 10,000 people in its electronics, arms manufacturing and other divisions now on the verge of liquidation). In the future, the Ministry of Labor theoretically will have 15 percent of the proceeds of privatization at its disposal for job-creation programs.

The employment offices' work is supplemented informally by local family aid centers, which often operate as proxies for the understaffed and overwhelmed employment centers. The family aid centers, which are at work only in some places, offer financial aid and psychological counseling, and can help job-searchers find work in the community. They also can help the unemployed negotiate bureaucratic mazes, procuring affidavits of good character and intervening with district welfare authorities. The funding for these centers comes from local governments.

In addition to these changes in the ways prospective employees look for jobs, changes have occurred in the ways employers look for workers. Since March 1991, the labor market has been liberalized. Employers are no longer required to announce vacancies through government offices; they can now recruit through privately-run employment agencies, newspapers and other services.

2. Unemployment Benefits

The March 1991 Act sets out a schedule for providing benefits to the unemployed. The amount of benefits is calculated on the basis of the former employees' monthly average earnings: 70 percent of the average monthly earnings for the first phase of benefits, and 50 percent of those average earnings for the second phase. Each phase can last from 90 to 360 days, depending on how long the employee has worked. Any person who within a four-year period has worked at least 365 days is eligible for the benefits. If a person has resigned, s/he is not be eligible for unemployment benefits for the first 90 days without work. Table 10 describes some characteristics of those who have utilized the unemployment benefits.

The basis for determining the lower limit of the unemployment benefit is the minimum wage; the upper limit is three times the minimum wage. In early October, the Government proposed to lower the maximum amount of benefits to equal two times the minimum wage; the Parliament has yet to approve this proposal. Persons who have graduated from school and have not been

able to find a job are now eligible for up to six months for unemployment benefits equal to 75 percent of the minimum wage. Employment office officials say increasing numbers of these "baby-boomers" are unable to find employment after finishing school.

Researchers point out that as a function of their lower average wages, women receive less in unemployment benefits than men who have been laid off from similar jobs. Maria Lado points out that many women receive less in benefits than the official minimum standard of living (Lado, 1990, p. 2). Maria Frey has found that 1.3 percent of unemployed women receive aid equal to more than two times the minimum wage, while 4.7 percent of unemployed men receive benefits of this magnitude (Frey, 1991, p. VI). The differences between the amounts men and women receive in unemployment benefits is further illustrated in Table 10.

TABLE 10

UNEMPLOYED RECEIVING UNEMPLOYMENT BENEFITS

	<u>Number of Unemployed Receiving Unemployment Benefits</u>		<u>Average Monthly Unemployment Benefits (Ft)</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
<u>Less Than 180 Days</u>				
1989	7256	4808	4889	3533
1990	51131	34377	6542	4959
<u>180-360 Days</u>				
1989	1429	996	4554	3317
1990	2245	1524	4367	3845

Source: Maria Lado, "Situation and Perspectives of Women in the Labour Market: the Case of Hungary," Table 20.

The government is searching for ways of increasing funds to cover unemployment benefit disbursements. By mid-October 1991, the Ministry of Finance announced, 11.8 billion forints of the 12.1 billion forint Solidarity Fund, or 97.5 percent of the Fund, for 1991 had already been spent. The government's first estimate of unemployment by the end of 1991 had already been reached by mid-year.

3. Restart Loans

In 1988, the Hungarian Government piloted a program of loans to help unemployed individuals start up their own businesses. The program was administered on the national level from 1989 until July 1990. The loans were interest-free for the first four years, and then carried the market rate of interest for the next 10 years. "This wasn't a bad idea," says Labor Ministry sociologist Jozsef Bago; however, it recently ended disastrously, leaving many would-be entrepreneurs on the brink of bankruptcy, and the government with an annual 3.5 million forint interest bill for the next four years -- money that cannot be spent on other employment-related programs. "There was confusion between a market scheme and a support scheme, and these needed to be harmonized," Bago explains.

When the interest-free loan was introduced, it became apparent that it actually encouraged some people to leave their jobs rather than merely helping those who were already unemployed to pull themselves up. No other preferential loan was available to entrepreneurs. Forty-thousand people took advantage of the loan, which could first be drawn for 300,000 forints and then, beginning in March 1990, for 400,000 forints. Banks made 22 billion forints worth of loans, and the government was and is responsible for repaying the interest. "Now," says Bago, "we get letters from people who took out the loans. One starts, 'Should I hang myself? I have two children and no money, and the business is bankrupt.'"

D. PROFILES OF ECONOMIES IN FLUX: HODMEZOVASARHELY AND MOSONMOGYOROVAR

Budapest presents only one side of the picture of unemployment in Hungary. The team visited two towns, Hodmezovasarhely and Mosonmogyorovar, in order to gain a broader perspective on the gender considerations underlying unemployment. These two towns were selected because of their differences in location and economic outlook. Hodmezovasarhely is located in eastern Hungary, an area which has been severely affected by the loss of Soviet markets. Mosonmogyorovar is located in western Hungary, where prospects are somewhat better due to the proximity to Western markets. Both towns have large state-owned enterprises in which women comprise a large percentage of the workforce.

1. Hodmezovasarhely

Hodmezovasarhely developed as an agricultural town near Szeged in southeast Hungary. With industrialization, however, it became home to five major state enterprises: the Alfoldi Porcelain Factory, Hodikot Knitwear Factory, Hodgep Agricultural Machinery Company, Metripont Scales Manufacturing, and an aluminum factory. Following World War II, all of these enterprises were heavily dependent on the Soviet and East European market.

Local citizens say that, as elsewhere in Hungary, the gap between the poor and the rich in Hodmezovasarhely is growing. With the decline of the Comecon market and attendant restructuring of local enterprises, this town of 50,000 has experienced repeated layoffs over the past year. The biggest cutbacks so far took place in early spring 1991, but more are expected everyday. As of August 20, 1991, about 6 percent of the labor force, or 1,791 people, were collecting unemployment benefits; 44 percent were women. In seven months, unemployment in Hodmezovasarhely had grown by almost one and a half times. The statistics on those collecting benefits include not only those being laid off locally, but also those laid off elsewhere, who are required to collect benefits at their home address. (This requirement helps to explain why Budapest's unemployment figure is so much lower than that of the rest of the country; many workers have followed jobs to Budapest, but kept their homes elsewhere.)

Re-employment and retraining opportunities are few, according to Employment Office director Magdolna Zubanics. In mid-September, there were only 127 officially-posted vacancies in Hodmezovasarhely for 31 different kinds of work. Of these, 36 were intended for women, and 91 for men. Zubanics says that for jobs which could technically be filled by members of either sex, employers tend to prefer men, because they think that women will have to stay home when their children are sick. Another barrier to women's reemployment, she points out, is the fact that many of the vacancies are in three shift work, which women rarely take on.

Zubanics has heard from some clients that their children are not accepted at daycare centers, "because the mother is at home with them anyway." "It's very hard to get yourself a job if you're dragging children around to interviews," she says. Zubanics sees a further danger for women in the new economic atmosphere: they could see their positions simply disappear during their legally mandated maternity and child-care leave. While enterprises are required to keep jobs at a similar level open to women for up to three years after they bear a child, no one knows what happens in case the enterprise itself, or one of its divisions, is eliminated.

Zubanics said that local employers were concentrating on shoring up their employees' finance and computer skills. Most of the retraining that does take place is in-house. Otherwise, few employers can afford any outreach in their retraining programs. "At the moment, no one is willing to invest in any development project," said Zubanics. "Everybody has severe liquidity problems." Fortunately, the town can take advantage of the regional retraining center in Szeged, and a summer computer course was offered in Hodmezovasarhely. The local agricultural high school has also introduced a new two-year program to train farmers. The local government is competing for centrally-disbursed training funds for this purpose.

a. The Hodikot Knitwear Factory: Saving a Plant Piece by Piece

Two years ago, the Hodikot Knitwear Factory published an illustrated, 200-page book celebrating its centennial. The author pointed out, "The role of Hodikot in the city's life is important, because the factory supports through material and moral means Hodmezovasarhely's social, cultural, sport and intellectual life." Besides the men's and women's soccer and fencing teams and chess club, the factory ran two vacation homes for its workers, a day-care center and nursery school for their children, and a 117,000-volume library, and it employed a gynecologist in addition to the general practitioner on duty. These institutions were among the first sacrifices to the plant's economic restructuring.

Even as the book went to print, Hodikot's management and workers knew the factory was already on a downward slide. Eight years ago, Hodikot had employed 5,400 people, 55 percent of whom were non-line workers: clerical staff, health staff, management, Communist party secretaries, etc. Throughout the 1980s the plant's economic health had declined, along with that of Hungary. A few production lines were shut down, some outlying divisions closed, and pensioners not replaced. The plant was among the first 43 listed for sale already by the last socialist government in 1989. By that time, the workers had come to number 2,700, with 35 percent non-line workers. Women have maintained a steady 80 percent of the workforce.

Today, having shorn itself of excess personnel and the employee services it used to offer, the factory is still fighting for its life -- with some success. Operating as a state enterprise since the 1948 nationalization of Hungarian plants with over 100 employees, it is now returning piece by piece to private ownership through a buyout of one site by a Hungarian limited company and through joint ventures with German and British textile manufacturers. The foreign partners have brought equipment and, most importantly, markets to replace the Soviet customers who used to take every second garment turned out by the factory. In 1991, not a single Hodikot sweater was sold directly to the Soviet Union.

By autumn 1991, three-quarters of the company had been sold off. Each sale represented a reprieve for the plant; but each deal also involved layoffs of up to half the workers employed in the division being purchased. The workers who were kept on in the foreign joint ventures immediately received wage increases ranging from 20 to 100 percent of their average \$1,700 to \$2,100 annual salaries. The new companies have also introduced incentive systems, including sliding-scale wages according to job performance, and quarterly bonuses.

"We've been lucky with these ventures," says Hodikot director Laszlo Villanyi. "They were interested in investing, not just taking away revenues." As a consequence, they have launched retraining programs to accustom the workers to new machinery and methods. But Villanyi admits that the costs of retraining the workers for other fields would have been prohibitively high for most foreign partners. "These people know how to do one thing: make sweaters," he says. "If they can't do this, they'll be unemployed."

The state has been left with the one-quarter of Hodikot that is both least productive and most saddled with debts. "Each new company formed from Hodikot has had a clean start," says Villanyi. "They have no debts, because all the burdens have stayed with us." Those burdens include the money owed to suppliers, and an 880-person staff, of whom fully half are away from their jobs on three-year family leave. The company is obligated to keep their jobs for them. Of the other 440, 86 are single mothers.

Villanyi says that he is still looking for a way to avoid shutting down the factory -- but that chances are it will be shut down within one and one-half months to a year. The equipment is dated, the production line is uneconomically designed (with different operations being performed on the same garment in three separate buildings, instead of the smooth, one-room yarn-to-sweater manufacturing in the new German joint ventures on the same premises as Hodikot), and the firm is too short of reserves to adapt from an eight-day reimbursement turnaround from the government for goods shipped to the Comecon market to the over 90 days required for trading with the West. The plant has divested itself of as many surplus workers as possible--first the handicapped were laid off, then pensioners. The one hopeful prospect now seems to be a thread factory, which would entail a layoff of at least 150 more workers.

2. Mosonmogyorovar

At the opposite end of the country, the northwest town of Mosonmogyorovar would appear to be in a much more favorable position than Hodmezovasarhely. The German-language signs advertising everything from spa facilities to dental work testify to the market this town serves. It used to specialize as a rendezvous spot for German families and friends separated by the Berlin Wall: both West and East Germans could easily travel to Hungary, and local hoteliers only had to pretend to look the other way when their guests broke the regulation requiring them to stay in separate rooms.

Located about eight miles from Hungary's western border, the town is well situated to receive Austrian visitors taking advantage of local hotel, catering and medical services, and to send surplus workers to jobs in Austria. Yet here, too, unemployment is on the rise and prospects for an economic upturn are gloomy. This town of 30,000 inhabitants is similar to Hodmezovasarhely in that it is a center of light industry: a textile factory, vegetable processing plant and other industries heavily dependent on the Comecon market have pulled in unskilled and semi-skilled workers from the town, the local agricultural cooperative, and surrounding villages.

Officials cannot even estimate the number of Hungarians who commute to work in Austria. In general, they are working illegally, without papers and without paying taxes to either the Austrian or Hungarian states, and their jobs are temporary, seasonal, and vulnerable to official crackdowns. Most of these trans-border commuters are men, leaving their homes and families for days, weeks or months at a time. With their day-to-day responsibilities at home, Hungarian women are rarely in a position to follow work across the border in this way.

a. Ovari: A Vegetable Processing Factory

Women are more likely to have jobs in factories like the Ovari vegetable processing factory. Women have consistently made up about 60 percent of its workforce, but as layoffs eat away at the labor force, their proportion can be expected to fall. Women predominate in the over-staffed administration, the most expendable area of operations, while men hold the maintenance jobs that cannot be cut until the bitter end, if the factory is shut for good. This is the most likely scenario for this plant.¹ It produces only about 2 percent of Hungary's canned vegetables, and is among the least productive processing factories in the country.

In autumn 1991, at the height of harvest season, the complex is eerily quiet. The asphalt surrounding the buildings is littered with broken glass. A few machines are grinding away in the high-ceilinged, drafty main building, and workers are chopping, loading, draining and bottling squash. Morale is low among the approximately 250 workers left after 200 were laid off last year. Located in an old weapons manufacturing facility that cannot be operated efficiently (the heating bills alone are very high), the factory is teetering on the brink of collapse, and the workers know it well.

Yet few of the potentially unemployed seem to be planning ahead. "I haven't thought of what I would do if they closed the factory," says one woman, a 38-year old skilled worker who, like most of the women at the Ovari plant, has spent her entire working life at the factory. "I'll leave that to the last minute." The mother of two children, aged 16 and 8, at present she is the only wage-earner in the family. Her husband is home on sick-leave. Yet the family is in a comparatively favorable position, for now: they belong to the local cooperative, which entitles them to revenues from cash crops and to work a small plot of land for themselves. The husband can cook, freeing her to work later shifts with higher pay, which increases her monthly intake to 12,000 to 13,000 forints.

The collective contract between workers and the management states that if the factory cannot give its employees work -- if it has no money to pay for heating, or vegetables, or bottles -- yet continues to exist, it is obliged to let employees stay home and draw 80 percent of their wages. Earlier in 1991, before a new manager, Jozsef Schiller was brought in to try to save the plant, the workers did stay home under this arrangement.

Like the textile factory in Hodmezovasarhely, this factory used to support social services for its workers. Until two years ago, it financed a day-care center in town. It also paid for nurses who could examine the workers and their children at the factory. "Now we have to drag our children all over the city when they're sick," says one 26 year-old unskilled worker who has been at the factory for 10 years. A factory doctor still visits the plant twice a week to deal with the workers' most typical complaints: cuts from broken glass, steam burns, backaches from heavy-lifting. The plant has tried to compensate for closing the employees' cafeteria by giving workers 800 forints per month to help buy food. But the plant management can do little other than try to sell off the plant to a foreign investor. Holding a stack of telexes, Manager Schiller says, "Out of 30 inquiries, if we could hope to have even one serious offer, we'd be lucky."

Unemployment has come as a shock to many Hungarians. Because the process of restructuring and privatizing state-owned enterprises has been gradual, many workers retain some shred of hope that they may not lose their job until the very last moment. There will be no quick fixes to re-integrating Hungary's unemployed in a market economy. However, the rapid emergence of a private sector does offer some hope. The next chapter explores gender considerations in the development of Hungary's private sector.

Note: The Ovari processing factory ceased operations in late 1991, roughly two months after the team's visit to the factory.

CHAPTER IV

PRIVATE SECTOR DEVELOPMENT FROM A GENDER PERSPECTIVE

Market reforms and private sector development were not totally new to Hungary in 1989, as they were in many of the former East Bloc countries. Indeed, Hungary started down the road toward creating a market economy long before its East European neighbors. As early as 1968, Janos Kadar launched the "new economic mechanism," a move designed to delegate economic power from the central government to individual enterprises. Central production directives were eliminated, giving local managers opportunities to make decisions regarding business strategies, investment, production, and prices.

Economic reform progressed by fits and starts. In the 1970's, Kadar's reform program came under attack from Communist hard-liners, and direct controls over enterprises were tightened once again. But, in the early 1980's, the pace of reform was restored with renewed vigor. Increases in consumer prices became a regular feature of daily life in Hungary. For the first time, the Hungarian government encouraged small business development. New regulations allowed private individuals to lease state-owned restaurants and other service-oriented businesses.

Hungary's head-start in private sector development has paid off. Hungary has attracted far more foreign investment than its East European neighbors. The number of small private enterprises has increased dramatically, as Hungary's vibrant pre-1989 'second economy' gains a formal share in the economy. Hungary has been able to take a gradual approach toward restructuring and privatizing state-owned enterprises, having launched the process as early as 1985. In short, because Hungary began to move toward a market economy much earlier, the transition has been far less traumatic and wrenching than in other East European countries ... although clearly not without its own challenges and difficulties.

This chapter examines private sector development from a gender perspective, that is, how the opportunities and constraints for men and women may differ in the creation of new businesses. From the onset, it is important to note that there is very little concrete data on the private sector in Hungary. As far as the team could ascertain, Hungary's Central Statistical Office does not disaggregate data by the public vs. the private sector; nor does it collect data at the level of private businesses. No doubt, the Hungarian economy is changing far more rapidly than its systems for data collection.

With respect to gender and private sector development, there is -- not surprisingly -- far less data. As far as the team could determine, none of the institutions which support private sector development in Hungary collect gender-disaggregated information. This may be, in part, intentional. Prior to 1989, institutions were required to disaggregate data by sex in order to prove that men and women were "equal." Now, there is a real desire to do away with many of the requirements of the past ... including making the distinction between men and women. Indeed, many Hungarians feel that there really are no differences between men and women in

the business community; they are quick to note that there is no discrimination in Hungary, and that men and women face the same opportunities and constraints in developing new enterprises.

These findings are supported, in part, by a survey conducted for the Central European Small Business Enterprise Development Commission, an independent commission established by Congress. The primary goal of the survey was to assess the managerial and technical capabilities of small businesses in Poland and Hungary, as well as their technical assistance and training needs. The survey was conducted using a random sample of the members of the National Association of Entrepreneurs in Hungary (VOSZ). The questionnaire was also issued at a conference for women entrepreneurs held in July 1991.

The preliminary results of the survey indicated that the entrepreneurs were remarkably similar as a group, regardless of age or sex; however, they were also notably different from the population as a whole. According to the survey, the three most important problems facing Hungarian entrepreneurs are (i) marketing; (ii) contacts with foreign buyers; and (iii) accounting. Access to affordable credit is also a major problem for Hungarian entrepreneurs. With respect to gender, the survey found no major differences between the training and technical assistance needs of men and women entrepreneurs -- but it did highlight some of the differences in the types of businesses owned by men and women, which are explored in further detail in this chapter.

In order to explore the question of gender and private sector development in greater depth, the team conducted interviews with twelve women in business in a variety of sectors: business services, hotel and restaurant management, retail sales, construction, and trade. The profile of these women and their businesses is included in this chapter and Annex 3 of the report. (Their names have been changed in the business profiles to respect confidentiality). The team also interviewed representatives from ten associations that support business development and three banks. Based on the information gathered in these interviews, the team would agree that there are no major legal or structural impediments to women in business in Hungary. There are major hurdles for all entrepreneurs in Hungary, be they men or women. Often these hurdles are so significant, that gender-related constraints seem small in comparison.

However, this is not to say that gender is not an issue. Based on the best estimates of the leaders of Hungary's business associations and banks, women-owned firms comprise a relatively small percentage of the newly-created businesses. There are also significant differences between the types of enterprise owned by men and women, as well as their participation in credit programs, business training programs and business associations. Most importantly, family considerations and socio-cultural factors weigh heavily in women's decisions regarding new business start-ups. These are some of the key issues to be examined in this chapter.

A. THE PROFILE OF WOMEN ENTREPRENEURS

The recent survey of Hungarian entrepreneurs funded by the Central European Small Business Enterprise Development Commission (CESBEDC) found that men and women entrepreneurs share many attributes. We would agree. However, in the course of our interviews, three key differences emerged between Hungarian men and women in business: (i) age and family status; (ii) size of the business; and (iii) the sectors in which men and women create new businesses.

1. Age and Family Status

The CESBEDC-funded study found that age is a critical variable in the profile of Hungarian entrepreneurs. Not surprisingly, entrepreneurs under the age of 35 tend to have more of a "Western" orientation toward new business development; they accept and welcome the changes in Hungary. Business-people over the age of 35 tend to be cautious in their new business ventures. However, we found that age is a particularly important variable for women because few women have the opportunity to start new businesses before they reach the age of 35. Before then, responsibilities at the home usually preclude them from devoting the time or money needed to start a new business. In fact, several of the business leaders interviewed by this team estimate that as many as 70 percent of women in business in Hungary are single. They attribute this in large part to the Hungarian family structure, in which the responsibility for raising children and taking care of the family fall on the mother.

2. Size of Business

Another perception of the differences between men and women-owned firms is their size. This is corroborated by the study commissioned by the CESBEDC. Preliminary results of the survey found that women-owned businesses tend to be smaller, having roughly two to ten employees. This may well be linked to the differences in the sectors in which men and women start new businesses.

3. Business Sectors

According to all of the banks and associations which support private sector development, there is a difference between the sectors in which men and women create new businesses. Women-owned businesses are most often found in the commerce or service-oriented sectors: restaurants, hotels, tourism and retail stores. Women have also parlayed their traditional office management skills into new business opportunities, creating firms to provide a wide variety of services to new businesses. In contrast, it is rare for women to start new businesses in manufacturing or construction. Two of the sub-sectors in which women are particularly active are examined in greater detail below:

Business services: Among the twelve women in business interviewed by the team, five have recently created firms to provide services to Hungary's burgeoning business community. Two of these women started firms to provide accounting and tax consulting services, thereby adapting the skills they gained through their work in state-owned enterprises to small privately-owned businesses. Another woman created an import and export trading firm in south-eastern Hungary; firms outside of the Budapest hub seek her firm's assistance in marketing their goods to new regions. Moreover, now that laws are beginning to loosen up on the practice of private law, a number of women are planning to create their own law firms -- once again, to meet the needs of Hungary's business community. Lastly, translation services are also in great demand, and has proven to be another area where women entrepreneurs have developed a niche. Ilona, the woman described in the case profile below, is a case in point.

WOMEN IN BUSINESS: TRANSLATION SERVICES

Ilona is the first to admit that she launched her own business with little knowledge of what business is all about. However, single-handedly, she created and began to run her own small business. Initially, she carried out all functions of the business, from answering the phone to delivering the translations. She worked out of an office on the outskirts of town, where all she had were two phone lines. Over the past year, the business has grown quickly, and Ilona has since established a new office in downtown Budapest which is fully equipped with word-processors, telephones and a fax machine. She employs four full-time employees to handle various functions of the business, including customer relations, word-processing and the delivery of translations. Moreover, she has developed a data-bank of over 1,200 translators, which she draws upon to meet the various translation needs of her clients.

Ilona's experience in business over the past year has taught her a lot about how to and how not to create an enterprise. She now realizes the importance of market research -- before starting a new business -- and assessing demand and competition. She also recognizes the importance of obtaining legal, tax and accounting advice -- before starting an enterprise. While she may have had to "learn by doing," fortunately she can pass on the lessons of her experience to other entrepreneurs via the Hungarian Association of Women Entrepreneurs, in which she plays a leading role.

Hotel and Restaurant Services: Hotel and restaurant services was one of the first areas in which the Hungarian government allowed the private sector play an active role. In part, by leasing or purchasing what were state-owned establishments, women developed a niche for themselves in this segment of the private sector. Of the twelve business-women interviewed by the team, four manage hotels or restaurants. The common theme of our interviews with these four women was the impact of economic recession. As unemployment and prices grow ever higher, particularly outside of Budapest, fewer Hungarians can afford to travel or eat in restaurants. Moreover, another factor which has recently emerged is competition, and this too is beginning to hurt their businesses for the first time.

WOMEN IN BUSINESS: A BUDAPEST CAFE

Maria's story is unique. She began her career in the public relations department of Hungar Hotels, a large company which manages most of Hungary's finest hotels and restaurants. Through her work, she met the vice-president of a major chain of hotels in the United States. At the invitation of the vice-president, Maria and her husband spent a year in the U.S. working and studying all facets of hotel and restaurant management. It is, in part, because of this experience that Maria claims her management style "never was Hungarian."

Upon her return to Hungary, Maria became the director of public relations and advertising for all of the 44 hotels and 100 restaurants in the Hungar Hotel chain. Her job was demanding and entailed long hours of work. And while she enjoyed the responsibility and the international travel associated with her work, she yearned to put those long hours into something of her own. The first opportunity for her to start her own business was the early 1980's, when the Hungarian government began to give encouraging signals to would-be business owners. The will and the interest on the part of government officials was there; however, Maria found that few officials knew how what regulations needed to followed to start a new business. Should businesses be registered, and if so, how? What permits do they need? These were all unknown and unexplored questions in the early 1980's.

Maria continued to spend long days at Hungar Hotels, while working in the evenings to establish a cafe. She studied Hungarian law to find out her legal rights and obligations; she desperately searched for a space for her new business; and then spent months transforming what was an open vegetable stand and a dark wine cellar into a posh cafe in the affluent castle district of Budapest. Most people thought she was crazy for giving up her position at Hungar Hotels for what seemed to be a very risky proposition, and wondered if she would succeed. She did. For the past nine years, Maria's cafe has offered a warm and comfortable ambiance, that is virtually unique in Budapest.

Ironically, the past two years have been the most difficult years for Maria's business. At a time when Hungary has embraced private sector development, Maria doubts whether she could have started her business today. Constantly changing policies, particularly regarding taxes, make it difficult to plan. Her clients tend to be well-to-do Hungarians and foreigners, few of whom are affected by the recent downturn in Hungary's economy. However, they too have adopted a new work ethic the past two years, and now they don't have the time to while away the evening in Maria's cafe as they used to. As a postscript, Maria notes that she recently bought a delicatessen that was privatized in June 1991. For the first time in her business career, she took out a loan; however, without the proceeds from the cafe, Maria would be unable to pay the high interest charges on her loan. For now, Maria must keep the business a deli as stipulated in the privatization agreement -- even though the location is poorly suited for a deli. Eventually, she hopes to establish a restaurant in lieu of the deli, which she is confident will be successful.

It was noted previously that women rarely own businesses in the manufacturing or construction sectors. While this may be true, one must also recognize that family-owned businesses are often registered in the name of the husband ... even though women are often equal partners. This was the case in two of the twelve businesses interviewed by the team. One woman and her husband created a construction business three years ago, and since then, have worked literally hand-in-hand to manage the business. As an electrical engineer, the husband handles the technical end of the business. She is responsible for overall management and administration of the firm, including accounting, employee issues, and public relations. From a two-person shop, they have expanded into two companies with a total of 42 employees. Why two businesses? Business is too risky these days to put all your eggs in one basket, she noted; two businesses is good business.

The business described below is another example of a family-owned firm. The company is registered in the husband's name, yet the wife plays a major role in its daily operations.

WOMEN IN BUSINESS: TOY PRODUCTION

Jozsef and Anna first began to produce and sell toys ten years ago. Indeed, making toys was initially just a hobby for the husband-wife team. Jozsef was employed as an engineer in a mill in Hodmezovasarhely, a small town in south-eastern Hungary. Anna worked in the town's porcelain factory, one of four large state-owned enterprises that were the mainstay of the local economy under socialism. While their jobs were secure, their wages remained low, and they soon realized they could make more money producing toys than they could in their full-time jobs. Jozsef left his job to set up the business, and Anna joined him a year later.

For the first five years, Jozsef and Anna made high-quality, one-of-a-kind toys in their home-based workshop. All of the toys were individually-made of wood or natural materials. Their toys were in high demand at local folk festivals and fairs. Jozsef managed the purchase of raw materials and sales, while Anna handled the design and production side of the business. Their business thrived in the early and mid-eighties. Recent years have been more difficult. Increased competition and decreased purchasing power have cut deeply into sales. The primary source of competition was inexpensive plastic toys from Asia. In an effort to adapt to the changes in market conditions, Jozsef and Anna gradually shifted their business toward low-quality, serial production. They also hired six people, all of whom worked in a small workshop attached to their house. However, shortly thereafter, the business was hit with yet another blow. Social security taxes on employees were increased to 53 percent of wages -- a major increase to their cost of production just as they were making every effort to lower costs.

Jozsef and Anna have all but given up on the Hungarian market now. In the spring of 1990, they began to work with a German partner to produce hand-painted dolls; they have also begun to explore markets in the Netherlands and Spain. But any effort to penetrate the European market will require capital. Where might they obtain the capital they need? They have no idea.

B. OPPORTUNITIES AND CONSTRAINTS TO ENTREPRENEURS

Hungary has made tremendous strides in creating an environment conducive to business development. The number of institutions which have emerged to facilitate new businesses is equally impressive. However, from the entrepreneur's perspective, there are still major hurdles to cross. While this is no doubt true for both men and women entrepreneurs, the team identified five aspects of business development which are important to examine from a gender perspective. These are: access to credit, access to technical assistance and business training, participation in business associations, proximity to Budapest, and the socio-cultural environment. Each of these factors is examined below:

1. Access to Credit

There is a genuine sense of frustration regarding credit in Hungary, particularly among small-scale business owners. On the one hand, a number of new credit programs have emerged during the past year. However, the amount of funds is often so limited and the need so great, that funds are quickly exhausted. The problem is particularly acute for entrepreneurs outside of Budapest. They hear bits and pieces of information about the newly-created credit programs, but by the time the information filters out to the regions, the programs have already been inundated with applications.

There are four major issues associated with credit. Not surprisingly, one of the most critical constraints is the interest rate on loans. Currently, the interest rate on most bank loans is in the range of 35 to 40 percent. While this reflects the high rate of inflation in Hungary, most small-scale entrepreneurs feel that they would be unable to service a loan at these rates. A second problem is that most banks require collateral equivalent to at least 150 percent of the value of the loan. While this may seem excessive, most Hungarian banks already have non-performing loans on their book; hence, in order to reduce their overall risk, they require high levels of collateral on all new loans. A third consideration is the amount of time required to receive approval on loan requests. One of the women entrepreneurs we interviewed noted that she had waited over a year to receive a response on her request for a small loan. In the interim, she managed to successfully start her business on a shoe-string budget. She has yet to receive any source of external financing. Lastly, most entrepreneurs openly admit that they need assistance in developing business plans in order to submit bankable projects; indeed, this is an area where training is urgently needed. There are Hungarian firms which can assist in the development of new business plans; however the cost ranges between 15,000 and 20,000 forint (roughly \$200 to \$270). Again, for most small businesses, this kind of expense is beyond their reach.

Access to credit is a concern for nearly all entrepreneurs in Hungary, regardless of gender. Based on its interviews with women in business, as well as representatives of the banking community, the team could identify no constraints specific to women in business. However, it was clear from the interviews that business-women comprise a small percentage of the applicants and recipients of loans -- a percentage lower than their overall representation in the business community. The experience of a few institutions is illustrated on the following page.

a. The Hungarian-American Enterprise Fund

The Hungarian-American Enterprise Fund is a private not-for-profit corporation established pursuant to the Support for East European Democracy Act of 1989 in order to promote private enterprise development in Hungary. The U.S. Congress authorized the Fund to receive a total of \$60 million over a three-year period. The Fund may also raise additional capital from the private sector. The Board of Directors is to be composed of six Americans and five Hungarians; one of the members of the Board of Directors is a woman.

The Enterprise Fund provides two categories of loans. Large credit and investment loans are in the range of \$500,000 to \$2 million. Thus far, the fund has disbursed twelve of these loans, only one of which has been extended to a woman-owned firm; this loan was made to a clothing company. Another loan is in the pipeline, which would help a woman-owned firm obtain finance for a porcelain painting business.

The Enterprise Fund has also developed two programs to provide loans to small business in Hungary. Five of the \$60 million authorized by Congress is dedicated to small business lending. One program is with the Szechenyi Bank, a division of the Hungarian Credit Bank that specializes in services to small businesses, while the other program is with MEZOBANK, a small bank which specializes in agribusiness services. Thus far, roughly 150 small business loans ranging in size from \$10,000 to \$100,000 have been disbursed. Only six have been extended to women-owned businesses. These loans have financed the following types of projects: the purchase of medical equipment for a diagnostic company, construction of a hotel, two turkey breeding projects, a pharmacy, and a commercial food outlet.

It is important to note that the Hungarian-American Enterprise Fund does not regularly maintain data on its loans on a gender-disaggregated basis. However, sufficient information is kept on each of the borrowers to determine how many loans have been extended to men and to women. The relatively low rates of lending to women-owned firms is surprising; a representative of the Fund attributes this to the fact that women are often not the registered owners of firms, but are more often found in "deputy positions."

b. The Hungarian Foundation for Enterprise Promotion

The Hungarian Foundation for Enterprise Promotion is an independent body established under the direction of the Hungarian government. Its objective is to promote the development of small and medium sized enterprises by providing a framework of support services and helping to create an environment conducive to enterprise development. The Foundation receives its funding from a variety of sources, including the Hungarian government, the European Commission, Hungarian business associations, banks and other financial institutions. However, the most significant source of assistance has been from the European Commission's PHARE program or "Poland and Hungary: Assistance for Reconstructing the Economy." Some of the key activities of the Foundation include the following:

- **Local Enterprise Agency Network:** The Foundation has begun to create of a network of "local enterprise agencies" in six pilot areas outside of Budapest. The aim of the local enterprise agencies is to provide technical assistance and training to newly formed and expanding businesses. Each agency will be an autonomous body, operating under the control of a board drawn from representatives of local government, business and the community.
- **Loans and Guarantees for Small Business Lending:** The Foundation has also established small and medium enterprise (SME) service branches within existing financial institutions in these same six areas. Given the difficulties SMEs have in meeting the banks' collateral requirements, the Foundation provides extra security for loans to SMEs through its Credit Guarantee Scheme. Loans to small enterprises are extended at a subsidized interest rate of 21 percent, roughly 14 percent below commercial rates. Loans are generally repayable over a four year period, including a one year grace period. All clients must have less than 150 employees to be eligible for small business credits.

With respect to gender considerations, the Foundation for Enterprise Promotion maintains no gender-disaggregated data. Nonetheless, its director -- a woman -- estimates that less than ten percent of the businesses assisted by the Foundation are women-owned. She readily admits that this is considerably less than the percentage of women in the Hungarian business community. While there is no definitive data on the number of women-owned firms, based on her experience in working with the Hungarian business community, she estimates that at least 20 percent of all Hungarian businesses are owned or managed by women. According to the Foundation's director, two factors may account for the low level of assistance provided to women in business. She believes that, because women are more risk-averse, they are less likely to take out a loan for a business venture. Moreover, in the case of family-owned businesses, the husband is more apt to take out the loan -- even though the wife is usually responsible for the accounting and financial management of the firm.

c. INNOFINANCE, Ltd.

The Vice-Chairman and Managing Director of INNOFINANCE, Ltd. -- a woman -- notes that no more than ten percent of the applicants for finance from INNOFINANCE are women. Their businesses are primarily in the services sector, and include hotels, restaurants and cafes, clothing stores, and other consumer-oriented businesses. She attributes the lack of women applicants to three factors. First and foremost, family obligations are a major constraint to women in business. Few women, unless they are single or have grown children, can afford the time to start a new business because of their many responsibilities in the traditional Hungarian home. Secondly, collateral requirements are a major constraint for all entrepreneurs, and, perhaps, more so for women entrepreneurs who often lack accumulated assets for collateral. Thirdly, the director of the bank believes that many Hungarian women are cautious and less willing to take out a loan to finance the start-up of a new business.

The team's interviews with Hungarian businesswomen bear out these findings. Two of the twelve women sought out external financing as they launched their new businesses, and only one successfully obtained credit. Because their businesses are largely service-oriented, often what they are trying to sell are their own professional services; the need for start-up credit in these types of businesses is much lower than in production-oriented businesses. Those who felt they needed credit were leery of taking on debt at such high interest rates.

2. Access to Business Assistance and Training Programs

An impressive number of business assistance and training programs have emerged in Hungary over the past three years. The need is great. According to a training needs assessment conducted for A.I.D., small business owners need information support, and assistance with contacts and networking. Their primary interests are how to find capital, partners, and markets for their products and how to keep up with the changing regulatory environment. The financial sector also requires management training and technical assistance to cope with the rapidly changing environment in financial and capital markets (Development Alternatives, 1990, p. vii). Opportunities for financial training are of particular importance because of the high percentage of women employed in Hungary's banks.

The team conducted interviews at six institutions that provide technical assistance or training to the business community. The purpose of these interviews was to assess the degree to which women are participating in business assistance programs. We were also interested in finding whether the institutions had specifically targeted women for assistance or training. Lastly, we also wanted to know to what extent women are involved in the management of these institutions.

a. The Foundation for Small Enterprise Economic Development (SEED)

SEED was established in early 1990 by a consortium of several government ministries, the Budapest University of Economics, the International Management Center, and representatives of the private sector. The purpose of SEED is provide advice and support to newly-created and expanding small businesses. It does not provide credit, but assists small businesses develop the necessary tools to obtain finance. SEED has five full-time employees and a number of consultant staff. The Managing Director of SEED, Agnes Tibor, is a Hungarian woman.

With respect to gender considerations, SEED has been a co-sponsor of two conferences on women in business, which are described in great detail later in this chapter. SEED is currently planning to develop a new project for women entrepreneurs based on a similar program in Barcelona, Spain (Centre Tecnic de la Dona). The project will provide support to selected women-owned businesses in marketing, legal issues, finance and other business needs. Businesses will be selected on a competitive basis. SEED intends to seek financing from the European Commission for the new project.

Note: SEED is not associated with the Support for Eastern European Democracy Act, which shares the same acronym.

b. International Executive Service Corps (IESC)

The Country Director for the International Executive Service Corps, Agnes Budai, is a dynamic Hungarian business-woman. To date, the IESC has not worked extensively with women entrepreneurs, in large part, because the program is oriented toward assisting Hungary to restructure and privatize state-owned enterprises. However, the IESC is currently organizing a one week course in business management in collaboration with the Association of Women Entrepreneurs. The course will be followed by a day of one-on-one assistance with each of the participant's firms.

c. The Center for Private Enterprise Development

State University of New York (SUNY) created the Center for Private Enterprise Development in Budapest in June 1990. The Center provides training and consulting services in support of the Hungarian private sector. Key areas of training and assistance include the following: small business development, executive training, business curriculum development, privatization, export expansion, and legislative development. The Center currently receives funding from the Mellon Foundation, the Pew Foundation, A.I.D. and USIA; however, by 1993, the Center intends to be self-financing and fully staffed by Hungarians.

The Center does not collect gender-disaggregated information on its various training programs. Only by looking at the list of participants for each of the training programs would one be able to determine the extent to which men and women participate in the Center's programs. For example, in a recent course sponsored by the Center on how to write a business plan, seven of the forty-five participants were women, or 15 percent. The Director of the Center believes this percentage is typical of most of their training programs, with a few exceptions. Courses that focus on accounting and financial management have a significantly higher percentage of women participants. Courses that target management or production issues, such as the Center's programs on quality control, have a lower percentage of female participation.

Even though the Center is a grant-recipient of A.I.D., it is unaware that the Agency might be interested in gender-disaggregated data for reporting purposes. Indeed, the Center was surprised to hear that A.I.D. collects such information in its projects. It is clear that A.I.D. should not assume that its grant recipients collect gender-disaggregated data for monitoring or evaluation purposes, unless they are specifically required to do so. Moreover, as in the case of the Center, grantees may be reluctant to collect such information. According to the director, the Center's programs are gender-neutral, therefore "why make gender an issue?" However, without gender-disaggregate information, it is hard to make the case that any program might be gender-neutral.

d. The International Management Center

The International Management Center was the first private business school to be established in Central and Eastern Europe. Its programs are designed and taught jointly by Western and Hungarian experts. The International Management Center sponsors three types of activities:

- The Young Manager Program is a 12-month post-graduate program in business. Students take part in a 6 to 12 week internship at a Western company in the final state of the program and are awarded a certificate. They can then complete their studies toward an MBA at the University of Pittsburgh or another institution.
- Executive Education Programs are offered for middle and senior-level managers in a wide variety of areas including: starting a new business, valuing a business, project management, marketing strategies, human resource management, and others.
- Company-Specific Training Programs, as well as consulting services, are provided for firms that are undergoing major changes in policy or strategy.

The Dean of the International Management Center, Julie Rowney, does track the number of men and women participants, primarily because she is personally interested in gender considerations. She notes that the courses aimed at senior executives, such as strategic planning, business strategies and corporate finance, have fewer women because relatively few women have attained senior management positions. In courses aimed at mid-level managers, the typical breakdown would be 60 percent men and 40 percent women. With respect to the Young Manager Program, 29 percent of the participants were women in the first year of the program; in the second year of the program, the percentage of women participants declined to 10 percent. While it is difficult to assess why this decline has occurred, Rowney speculates that it may be due to a gain in the center's prestige over the past two years, which has in turn generated many more applications from men. Moreover, most of the women students have been married with children; adding post-graduate studies to their already demanding schedules has not been easy.

e. The International Training Center for Bankers

The International Training Center for Bankers was established at the end of 1988 by 28 Hungarian banks, financial institutions and educational organizations, with the Paris-based *Centre International de Formation de la Profession Bancaire*. The Center provides post-graduate training of middle-management staff of banks and financial institutions. Over 2,200 students participated in the various courses of the training center. The Center's Managing Director, Erzsébet Könczöl, is a Hungarian woman. While the Center does not keep gender-disaggregated data of its participants, a representative of the Center estimates that at least 60 percent of all their students are women. This reflects the high percentage of women in the banking and financial sector in Hungary.

f. Aid to Artisans

With the assistance of A.I.D., Aid to Artisans is assisting Hungarian artisans design and market products for export to the United States. Nearly all of the craftspeople with whom Aid to Artisans works are women. In the early stages of its work, Aid to Artisans has found that the skills of Hungarian craftswomen are very advanced. Most of the assistance Aid to Artisans will provide will therefore focus on product design and marketing, as opposed to skills development.

In summary, women are very active in managing business assistance and training programs. Of the six programs interviewed by the team and described above, five are directed by women. Women's participation in many of the training programs tends to be relatively low, with the exception of training in banking and finance. Nonetheless, a number of the service-oriented institutions have been reaching out to women in recognition of the fact that women are an important niche of the business community.

3. Participation in Business Associations

The two major associations of businesses are the Hungarian Chamber of Commerce and the National Association of Entrepreneurs (VOSZ). The membership of VOSZ consists of more than 5,000 private companies, as well as a number of federations consisting of small enterprises. Its primary goals are to represent the interests of the private sector vis-a-vis the government; to represent the interest of employers in collective bargaining; and to provide information and advisory services to its members. VOSZ representatives were unable to provide an estimate of the percentage of women in its membership.

However, women in business in Hungary have begun to create their own associations to represent their interests -- a first in Eastern Europe. The most important group to emerge is the Hungarian Association of Entrepreneurial Women. It was founded in November 1990, following a conference on women and entrepreneurship in Budapest that was organized by the National Women's Economic Alliance Foundation, a non-profit organization based in Washington, D.C. Due in large part to the dynamism of the Foundation's director, Pat Harrison, more than 200 Hungarian women attended. The conference was a success, leading the path for a second conference of women in business held in July 1991, as well as the creation of the association.

The Hungarian Association of Entrepreneurial Women is fundamentally a grass-roots organization which aims to promote the participation of women in Hungary's business community. The association has approximately 165 members. Its primary function is to represent the interests of women entrepreneurs. It also serves as a channel of information to women that are already in business or who wish to start new businesses. Through a series of monthly meetings, the association disseminates information on recent changes in law and policy affecting the business community. These meetings are also an opportunity for women to create a network of business associates with whom they can exchange information and experience.

Because the association has been in operation for no more than six months now, it is still working toward establishing itself as an institution. Nonetheless, despite lack of offices and physical facilities, this fledgling association is attracting growing recognition and interest within Hungary and overseas. The association plans to work closely with the National Economic Women's Alliance to organize a "mentor program" for women in business. It also intends to organize a conference in collaboration with the Department of Labor in Germany in November 1991. A series of business issues will be explored in the conference, including marketing opportunities in Europe.

Other small associations of women entrepreneurs have also emerged during the past year. For example, a group of women in executive positions and in business meet in Szeged every Friday in the Club of Entrepreneurial Women in Szeged. The purpose of the club is to exchange business information. The club also brings nationally-recognized leaders in business to Szeged to discuss current issues and concerns. In Mosonmagyaróvár, a small town on Hungary's western border, a dynamic businesswoman hopes to establish a branch of the Association of Women Entrepreneurs. These regional initiatives are critical. Many businesspeople in the provinces are frustrated that all the action seems to be centered in Budapest. They feel ignored by many of the domestic and international initiatives to foster private sector development in Hungary, and hence, are taking the initiative to address their needs on their own.

4. Socio-Cultural Factors

The greatest constraint to women's participation in the Hungarian business community is not tied to business or economic factors, but rather, to socio-cultural factors. Hungarian women stated repeatedly that they face the same opportunities and constraints in the business community as their male counterparts. In the same breath, however, they would note how difficult it is for women to start new businesses in light of the traditional Hungarian family structure, which places responsibility for care of the children and home on the mother. There is no doubt that responsibilities at home limit the time women have for creating new businesses.

The Hungarian women we interviewed cited another key difference between men and women entrepreneurs: their level of confidence and willingness to take risk in new business ventures. Risk-aversion is not limited to women alone; indeed, business risk is a new and difficult hurdle for all Hungarians. Moreover, there are clearly a good number of Hungarian women that have taken considerable risks in starting new businesses. But the women in business we interviewed felt that there was a perceptible difference between men and women in this regard. Women that participated in the recent conferences on women and entrepreneurship noted that the primary benefit of the conferences was that it helped build their confidence as business-people.

In summary, women are seeking new opportunities for business development in Hungary's transition to a market economy. In doing so, they face many of the same constraints as their male counterparts: lack of affordable credit, difficulties in securing new markets, and increased competition, to name a few. On the other hand, it seems clear that women-owned businesses are less linked to the formal network of business-support institutions that have emerged in the past few years, including banks, business assistance and training institutions, and business associations -- even though they often play a leadership role in these institutions. Women in business are beginning to create their own associations, both in Budapest and the out-lying regions, to create the support and networks business-people need. These are encouraging signs.

A number of institutional considerations will also affect women's participation in the labor force and the business community. These considerations are examined in the following chapter.

CHAPTER V

INSTITUTIONAL CHANGE FROM A GENDER PERSPECTIVE

The development of a new institutional framework will be a critical dimension of the transition to democracy and a market-based economy. New laws, policies, administrative structures, and new organizations will necessarily emerge as part of the process. The first part of this chapter explores key legal and policy issues which have an impact on women, particularly with respect to their participation in the workforce or the business community. The second part of the chapter looks at women's ability to influence institutional change.

A. KEY LEGAL AND POLICY ISSUES

1. Equal Rights for Men and Women?

Anna Halustyik, a successful lawyer working for the Budapest office of Shearson and Sterling, recalls that she had a tough time advancing early in her career. One interview in particular stands out in her mind. She had applied for a job in the Foreign Trade Ministry, and was being given a battery of reasons why she was not considered the best candidate. The office was looking for someone with knowledge of international commercial law, she was told. "I replied, 'I wrote my dissertation on just that topic,'" she said. Then she was told that everyone in the department was expected to speak three foreign languages. She spoke four. Finally, her interviewer said that she might have children someday. "I had to agree," Halustyik said. "And there was no legal possibility for me to do anything against this."

Hungary has no operational anti-discrimination legislation; discrimination is ruled unconstitutional, but that is as far as the legislation goes. It has no official body to handle discrimination complaints. Society as a whole accepts that many personnel-related decisions are gender-dictated, just as gender roles in most aspects of Hungarian life are strictly, if unofficially, defined.

A January 1991 study commissioned by the European Communities explores Hungarian women's situation in principle and practice in the areas of pay, treatment, social security, and part-time work (all targets of EC programs). As mentioned in Chapter II, the study found that in spite of the constitutional requirement of equal pay, Hungarian women receive 20 to 25% less on average than their male counterparts for the same work. In addition to being paid less, women are less mobile in the labor market than men, and they tend to be trapped in lower-paying jobs.

Hungarian law prohibits women from being hired for jobs considered dangerous to their health, including mining, work in high-air-pressure environments like tunnels, flying airplanes, and driving trains and tractors. The EC Study notes that, "until the early 1980s the above list contained driving buses, as well, but then, because of the acute shortage of male bus drivers (the

job is very badly paid), it suddenly became less physically dangerous for women." (Commission of the European Communities, 1991, p. 40).

The EC study reports that in the area of social security, women and men enjoy the same benefits proportional to their earnings. Because women tend to have lower-paying jobs, however, they receive lower pensions. The same principle is at work concerning unemployment benefits. In 1989, women received benefits equal to about 70 percent of men's.

2. Labor Law: Maternity and Child Care Benefits

The Hungarian government introduced generous maternity and child-care benefits. While Hungarian women value these benefits, they also note that they were initially a tool to draw women out of the work-force so that Hungary could meet its "full-employment" objectives. The key benefits women receive are maternity leave, child care allowances, and family allowances.

◆ Maternity Leave

Women can take up to 24 weeks of paid maternity leave, starting four weeks before the expected delivery date. In order to collect, women must have made their national insurance payments for the two previous years. New mothers receive a lump sum for each baby they deliver if they have had complied with the state regulations to have four pre-natal check-ups. (Commission of the European Communities, 1991, p. 25.)

◆ Child-Care Compensation

Two forms of child care leave compensation are available to women: the child-care grant (*gyes*), and the child-care allowance (*gyed*). The child-care grant was first instituted in 1967 as a flat-rate sum equivalent to about 40 percent of the average wage for women. The grant was available to mothers for two years after the birth of their child. During that time, the mother could stay home, and be guaranteed that she could return to her job or one at a similar level upon finishing her maternal leave. The child-care grant was most attractive to women earning low wages because the flat-rate sum was indexed to average wages.

Higher-paid women, however, found the grant caused too great a drop in their incomes. In 1985, a child-care allowance was introduced to induce more women of a higher income-bracket to stay home with their new babies. The allowance is calculated at 75 percent of the women's wages. Mothers are eligible to receive this for the two years, and then can remain at home for another year on the fixed-sum scheme, with their job still being held open for their return. Men can also take advantage of the child-care allowance program, but only after the first year (HVG, October 5, 1991, pp. 72-74, and Commission of the European Communities, 1991, pp. 25-26.) In December 1990, the monthly child-care grant was 3,303 forints (\$45.87) and the average monthly child-care allowance payment was 5,199 forints (\$72.20).

In order to take advantage of these benefits, women have to have paid social security contributions for at least 180 days (90 days in the case of agricultural cooperative members). In 1991, about 24 billion forints of the social security fund went to fund the child-care compensation payments.

Hungarians from all sections of society say that the generous provisions of the childcare leave compensation are a sacred cow: no one dares to take them away, even though they are a drain on the national budget. On the other hand, some have pointed out that these schemes do take some of the burden off unemployment funds. Labor Ministry officials and researchers currently are considering the option of extending the period of time women can receive child-care grants. There is yet another dimension to the issue of child-care leave that was raised by several of the young professional women we interviewed. They felt it would be very difficult to take off three years from their careers to raise children in light of the rapid changes that are taking place in their professions. As one young lawyer noted, commercial law will be going through such dramatic changes over the next three years that any extended leave would render her skills useless. A young banker and an accountant reiterated the same concerns. Table 11 details the most recent statistics available regarding women on childcare leave.

TABLE 11

WOMEN ON CHILDCARE LEAVE
(Percentage)

<u>Age (in years)</u>	<u>1980</u>	<u>1984</u>	<u>1990</u>
-20	11	7	8
20-29	28	26	31
30-39	7	7	10

Source: Gabriella Kapitany, "Woman's Roles and Working," HVG, October 5, 1991, p. 72.

♦ Family Allowances

The family allowance is a flat sum paid by the state to families. It is payable to families with one child, up to the age of 6, or to families with two or more children until the age of 16 or to the age of 19 if the child is still at school. The allowance is equal to about a third of the average Hungarian monthly salary. Single parents receive a slightly higher family allowance.

Until March 1990, the allowance was available only for families in which the parents were employed, and then it went to the father except in cases where the parents were separated and the children were living with the mother. After March 1990, it became available to all families

with children. (Commission of Economic Communities, 1991, p. 28.) In October 1991, the Ujpest Family Aid Center reported that this allowance now covers only 30.8% of the minimum standard of living (Nepszabadsag, October 10, 1991, p. 1.)

3. Day-Care Policies

As a consequence of the post-World War II policy of encouraging women to work in large numbers, the state invested considerable resources in a network of day-care centers. From 1950 to 1980, day-care centers for children 3 to 6 years old had multiplied by 2.6, and those for children 1 to 3 years old had multiplied almost seven times. (HVG, October 5, 1991, p. 72.) In addition, day-care facilities were often provided at the workplace, be it in a factory or bank. The table on the following page provides additional detail on various forms of child care.

As of 1991, day-care came under the aegis of local governments. Generally available from the early morning until 6:00 in the evening, day-care is free except for the fees which parents must pay for meals. In some communities, local governments have taken over the fees for those families unable to pay; in others, families have taken their children out of daycare facilities for this reason.

Very few private day-care centers for children have been established. Hungarian women complain that the ones that have been set up are prohibitively expensive for most families. Indeed, at this point, some state-run day care centers are beginning to close. The primary reason for this trend is the increasing number of vacancies. Most of the state-run day care centers were built to respond to the demographic boom in the 1950's. Now, that birth rates have declined considerably, many day-care centers have too many vacancies. Budgetary considerations have also led some communities to close day-care facilities, as well as other social services.

4. Pension Policies

Women are generally eligible for pensions at age 55, while men become eligible at age 60. But pensions are also awarded to the sick and disabled, and to widows and widowers of members of the armed forces or those who served the country in other capacities. Over one-fifth of the Hungarian population receives pensions. At the beginning of 1988, about 24 percent of women were pensioners, as opposed to 22 percent of men (Central Statistical Office, 1989, p. 7.) According to Gyula Czukender of the Central Statistical Office, 1,461,700 Hungarians received pensions based on age as of March 1990; of these, 827,200, or 56 percent, were women.

The Employment Act passed in March sets out procedures allowing workers to retire early. Eligible persons are those who have become unemployed, have received unemployment benefits for at least 6 months and are no further than 3 years from retirement age. The early retirement option is one tool some managers have tried to use to cut down on out-and-out layoffs. Exercise of this option takes some of the burden off the unemployment benefits budget and places it instead on the pensions budget.

TABLE 12
FORMS OF CHILDCARE

	Age of the Child			
	<u>0-3</u>	<u>4-6</u>	<u>7-10</u>	<u>11-14</u>
The carer is the mother, who:				
● is on maternity leave/childcare benefit	62.2	8.0	3.1	1.4
● works at home	1.7	2.9	4.6	4.5
● is a housewife	6.8	5.6	6.7	7.1
● works permanently on night shift	0.1	0.1	0.2	0.3
● is finding ways of combining employment with childcare	0.6	0.8	2.2	2.7
The carer is not the mother, but:				
● institutional service of creches, kindergartens, or day schools	24.9	77.9	65.7	38.1
● grandparents	2.9	3.5	6.8	7.4
● father	0.1	0.2	0.6	0.9
● brother, sister, or other relative	0.2	0.4	2.1	2.3
● paid help at home	0.4	0.2	0.2	0.2
● other forms	0.2	0.4	1.3	4.9
● no carer (child is alone while parent works)	0.0	0.0	6.5	30.2

Source: Maria Lado, "Situation and Perspectives of Women in the Labour Market: The Case of Hungary," Table 24. Prepared as a Country Report for the OECD-CCEET-ILO Conference, "Women's Employment in Central and Eastern Europe: Status and Prospects." Paris, September 11-13, 1991.

5. Laws and Policies on Contraception and Abortion

Condoms are displayed at every grocery store checkout, and birth control pills and intra-uterine devices are readily available in Hungary. Still, abortions are a prevalent form of birth control. Legal limits on abortion were eased considerably in 1956 -- in part because other forms of birth control were not widely available, and in part, others say, because the government wanted to draft the largest number of women possible into the work-force full-time. In 1989, 87.1 legal abortions per 1,000 women were reported to have taken place. The practice has declined markedly since 1970, when 192.3 legal abortions per 1,000 women were reported. (Commission of the European Communities, 1991, p. 29).

Many Hungarians are concerned about the country's declining birth rate, which at present is below the level necessary to ensure the nation's long-term survival: today, about 1.8 children are born per family, instead of the 2.2 required for replacement rate. The government has tried to limit abortions, but none too enthusiastically and not at all effectively. The Catholic Church has initiated a campaign, both through its own institutional channels (a letter circulated by the bishops, an appeal by the Pope during one of his outdoor masses in Hungary in summer 1991) and through the group Pacem in Utero. There is no women's movement of any size in Hungary, but if the abortion debate follows Poland's lead, a movement could coalesce around an abortion-rights campaign.

6. Access to Other Goods and Services

While Hungary's service sector is better developed than that of any other East European economy, it still has a long way to go before it will significantly ease the lives of Hungarian women. Only very recently have neighborhood grocery stores in Budapest extended their hours into the evenings and Sundays, and people still generally have to take time off during the day to avail themselves of such routine services as laundries and shoe repair. It is indicative of the amount of time such errands take away from the work-day that many western firms establishing offices in Budapest have hired "gofers" to perform these chores for the rest of the staff.

Washing machines and vacuum cleaners are present in many Hungarian homes, but clothes dryers are still a far-off luxury for most. Dish-washers, too, are a rarity. In short, the appliances that American career women have come to depend on cannot be taken for granted in this part of the world.

B. WOMEN'S ROLES IN THE LEGAL AND POLICY REFORM PROCESS

1. Women in Leadership Roles

Hungarian women have yet to find a secure place for themselves in positions of political leadership. In part, they are victims of a decades-long official socialist policy of placing token women in a few leading positions in government, the unions, factory management and other visible posts. No matter how well-qualified they might have been, they were believed to have won their jobs solely as a function of their gender. The assumption continues in many people's minds today.

The Hungarian Parliament: Nine percent of candidates in the March 1990 Hungarian parliamentary elections were women, and 7.2 percent won parliamentary seats. Currently, 27 of the 396 members of Parliament are women. Their distribution among the various political parties is roughly proportional, but they tend to play a more visible role in the liberal parties, the Alliance of Free Democrats (SZDSZ) and the Federation of Young Democrats (FIDESZ). One female parliamentarian, Maria Korodi of the SZDSZ, is among the eight clerks who help administer the parliamentary sessions. Otilia Solt, a member of the Alliance of Free Democrats, is the only woman in a leading position in the fourteen standing parliamentary committees.

In theory, the Association of Hungarian Women has a representative in parliament, Emese Ugrin. There was also an attempt to create a women's caucus within parliament, but it appears to have fizzled due to lack of interest. A few members of parliament, including Judit Csehak, the Minister of Health in the last socialist government, and Otilia Solt, occasionally speak on women's issues in parliament. More often than not, however, members of parliament rarely discuss gender-specific issues. It is far more accepted to speak on behalf of broad groups like the workers, entrepreneurs, children, or the poor, than women -- reflecting a widespread resistance to discussing what many Hungarians still refer to as "the woman question."

Government Ministries: Only one woman holds a ministerial post in the Hungarian Government. She is Katalin Botos, Minister without Portfolio responsible for reforming the banking system. No women sit on the 10-member Constitutional Court, reflecting the fact that few women rise to the ranks of law professors from which the court is drawn.

Trade Unions: Women do hold leadership positions in a number of trade unions (although it is also important to recognize that trade unions play a relative minor role in Hungary). There has been a movement to focus on women's issues within trade unions, particularly in light of the crisis facing light industry. Recently, the International Conference on Free Trade Unions organized a one week course for union activists to discuss strategies for protecting women's employment rights.

Business Associations: As outlined in the previous chapter, the National Association of Entrepreneurs (VOSZ) is one of Hungary's largest business associations; its membership includes more than 5,000 private companies, as well as a number of federations representing small companies. While VOSZ representatives were unable to assess what percentage of its members are women, they noted that 2 of the 18 members of the organization's presidium are women; approximately 10 of the 40 members of the steering committee are women.

2. Institutions Representing Women's Concerns

Autonomous women's organizations are faced with a barrier similar to that associated with women attaining positions of political leadership: socialist-era women's organizations were the result of the state's attempts to harness social initiatives to its own goals. Many continue to regard the Hungarian Women's Federation, with its benign goals of collecting information on the status of women and organizing charity activities, with great skepticism because of the Federation's association with socialism in the past. The legacy for the 1990's is a general aversion to forming associations of any kind. Being a member of an association is almost a "black and white" decision in Hungary, for there is still little tolerance or acceptance of participation in diverse groups. For women, there is an added dimension because women's associations are often assumed to be "feminist" -- which has strong negative connotations in the minds of both Hungarian men and women.

Despite these obstacles, a few groups have begun to emerge. As outlined in Chapter IV, the Hungarian Association of Entrepreneurial Women has recently been created to provide a network of support to Hungarian business women. An International Professional Women's Organization is also in the very early stages of development. In addition, a number of political parties have established women's groups. In August 1990, a women's organization was established within the Hungarian Democratic Forum, the leading party in the parliament. Women's groups are also being organized in the Alliance of Free Democrats and the Independent Smallholders' Party. Interestingly, the Federation of Young Social Democrats (FIDESZ), whose platform is economic change with social awareness, has not created a women's group; nor does it consider gender to be relevant issue. Other institutions that focus on women's concerns include the following:

♦ Equal Opportunity Association

Founded in 1989, this is a group of professional women, including lawyers, doctors, professors and engineers; the association has over 100 members. They campaign for equal pay, equal access to jobs, and sex-blind job recruiting. Their watchword: "Above all, we want parties to create programs for women. And we want more women in politics." (Drakulic, 1990, p. 38).

♦ The Hungarian Women's Federation

The Hungarian Women's Federation is a registered non-governmental organization with the United Nations, although it does receive funding from the Hungarian Government. The association is the successor of the Hungarian Women's Council, the only women's association

permitted during the socialist era (although it tries to play down this connection). Currently, the association has 600 members. The Federation has three types of activities: (i) charity and social work; (ii) defense of women's interests; and (iii) support for women and family issues.

♦ Feminist Network

This is a group of about 50 Hungarian women who identify themselves as feminists. Their founding statement, dating from the beginning of Hungary's peaceful transition in the late 1980s, read, "Women are conspicuously absent from the political turmoil of contemporary Hungarian society. Very few women are active in alternative opposition groups; in a similar way, the women's issue is not part of the political program of any new party or movement. This we find alarming." (Drakulic, 1990, p. 38.)

♦ Welfare Ministry Social Council

A section has recently been established in the Hungarian Welfare Ministry to deal with social policy. One area of concern for this new body is women. It is too early to tell whether this will be effective in addressing the impact of public policy on women or even identifying their needs.

♦ Labor Ministry Sub-Committee

A new sub-committee representing women's interests has been established in the Council for Reconciliation of Interests, a collective bargaining body which negotiates labor policy issues. While the sub-committee is still in the process of being created, it intends to serve as an "umbrella" body for the various women's groups that emerged over the past few years.

In conclusion, a few groups representing women's concerns are beginning to emerge in Hungary. They have the potential to increase women's voice in the process of institutional change. However, with the exception of the Federation of Hungarian Women, these are fledgling groups that are just beginning to establish themselves. In part, because there is little awareness of discrimination based on gender, Hungarian women feel they have no need to "organize" themselves. Moreover, the reluctance to be a member of any association will continue to work against the creation of institutions that could promote women's participation in political and economic affairs.

CHAPTER VI

CONCLUSIONS AND CONSIDERATIONS FOR U.S. DEVELOPMENT ASSISTANCE

This chapter outlines the conclusions of the field work conducted in Hungary, as well as some considerations for U.S. development assistance. As noted in the introduction to the report, the field research was the second part of a two-phase study. The first part involved carrying out an intensive review of the literature available in the United States on gender issues in Eastern Europe. The second part aimed to: (i) up-date and expand the information gathered through the literature review; (ii) gather information in areas in which there little to information available in the U.S.; and (iii) validate and/or modify the findings of the literature review.

This chapter begins by re-visiting the conclusions of the literature review in light of the field work conducted in Hungary, and assesses the extent to which they reflect current trends and developments. The literature review pointed to seven areas that were important to examine from a gender perspective. They included: unemployment, social benefits, flexibility in the workplace, private sector development, political participation, creation of independent associations, and attitudes toward work and home. These issues became, in essence, the agenda for the team's field research in Hungary.

There proved to be considerable information available in Hungary that was not readily available in the United States, particularly on post-1989 trends. However, even in the field, it proved difficult to find gender-disaggregated data. There are only a few individuals in Hungary that are actively doing research on gender issues: Maria Lado, an industrial economist at the Institute for Labor Research in Budapest; Julia Szalai at the Institute of Sociology in the Hungarian Academy of Sciences; and Maria Frey, a scientific advisor at the Institute for Labor Research. However, they too face difficulties in conducting research given the paucity of gender-disaggregated data in Hungary. Because most Hungarians associate gender analysis with "feminism", there is little support for collecting gender-disaggregated data.

Through extensive interviews with the Hungarian business community, the team was able to collect new perspectives on gender considerations in private sector development. In addition, the team was able to collect up-to-date information on employment and unemployment trends, that was not available in the literature review. Moreover, while the literature review looked at Eastern Europe as a whole, the field research enabled the team to focus on country-specific data, and thereby, explore some of the gender issues that are unique to Hungary's transition to a market economy. Indeed, one of the key conclusions emerging from this study is that it is very difficult to generalize across Central and Eastern Europe. While there may be some common themes, they play out in very different ways in each of the countries. How these themes play out in Hungary is discussed below.

A. SUMMARY OF FINDINGS AND CONCLUSIONS

The findings and conclusions of the literature review, as compared to the field work in Hungary, are as follows:

◆ UNEMPLOYMENT

An important hypothesis emerging from the literature review was that women would be disproportionately unemployed as a result of economic reform in Central and Eastern Europe. While this trend was reported in a number of academic papers, there was virtually no supporting data. Some researchers also expressed concern that re-employment would be a problem facing women in the future.

Hungary is different from its neighbors. Most importantly, **the team found no data to support the conclusion that women may be disproportionately unemployed. Over the past two years, the ratio of men to women among the registered unemployed has been roughly 60:40.** Moreover, there is no indication that the ratio of unemployed men to women is likely to change significantly. According to the August 1991 unemployment data, approximately 59 percent of the unemployed are men. While women comprise slightly more than 45 percent of the workforce, currently they make up about 41 percent of the registered unemployed.

One factor which helps to explain gender differences in unemployment is that men and women tend to work in different sectors in Hungary. The hardest hit sectors until now, and those most vulnerable to unemployment, are mining, metallurgy, and the machine industry. These heavy industrial sectors employ primarily men. Cutbacks in heavy industry have also affected women; they were employed in the over-staffed administrative and accounting offices. Moreover, recent cutbacks in light industry have hit women hard. Nonetheless, the data clearly demonstrate that there are more men among the registered unemployed than there are women.

Hungary has little information on "hidden unemployment" -- those who are unemployed and have not registered for unemployment benefits. It is also not clear what percentage of the individuals who lose their jobs actually register for unemployment benefits, or whether this might be different for men or women. Do some individuals withdraw from the workforce? Do some find new employment, even before they register for unemployment benefits? Are there any differences between men and women? These are open questions at this point.

The re-employment question is also difficult to address in the context of Hungary. Researchers such as Maria Frey and Maria Lado hold that **women remain unemployed for longer periods of time than men and that it is harder for women to re-enter the job market. However, measures of re-employment are weak in Hungary.** Again, the problem stems from the fact that Hungary has few systems for tracking what happens to individuals that have been unemployed. At this point, we know the bare minimum: who registers at the unemployment office, how long they receive benefits and how much they receive. Beyond that, there are still many unanswered questions.

◆ *LABOR LAW AND SOCIAL BENEFITS*

According to the literature review, Eastern European countries are beginning to retract some of the generous benefits that were extended to mothers and families under socialist rule. Moreover, as maternity leaves, child-care allowances, and free day care are withdrawn, women may be forced to quit their jobs to care for their children.

Again, this is not the case in Hungary. Maternity leave and child-care allowances are considered a sacred cow: no one dares to take them away, even though they are a drain on the national budget. **There may well be some modifications in the social benefits, as part of an overall revision of Hungary's social security system. However, the assumption is that generous maternity and child-care benefits will be retained for some time.** The interesting question is whether Hungarian women will continue to take advantage of the three year leave policy in light of changes in the economy. The young professional women we interviewed are acutely aware of the costs a three year leave would have on their career -- particularly given the rapid pace of change in most professional fields in Hungary. With greater competition in the job market, they face an increasingly difficult dilemma in the choice between career and family.

Day-care centers are also beginning to close in Hungary. Two factors account for this phenomenon: (i) local government's declining resources for social services, and (ii) an increasing number of vacancies in day-care centers. Most of the state-run day care centers were created during Hungary's baby-boom period. Now that the birth rate is down, the demand for day care has diminished. Moreover, in our interviews with Hungarian women, many expressed a preference for family, as opposed to institutional care, for their children. Hence, as day-care centers close, grandmothers and other family members may become the more likely alternative.

◆ *FLEXIBILITY IN THE WORKPLACE*

According to the literature on gender issues in Eastern Europe, labor markets were highly rigid under socialism, offering few opportunities for part-time work or other flexible work options. With the advent of economic reform, the literature pointed to the fact that opportunities for part-time work, job-sharing and other flexible employment were beginning to surface in some of the countries of Central and Eastern Europe.

This is indeed the case in Hungary. **Currently, only 3 percent of the female labor force works part-time.** Women in part-time employment have the same employment rights as women in full-time employment and are entitled to the same benefits (Commission of the European Communities, 1991, p. 46). For families on the low end of the income scale, part-time work may not be an option; now more than ever, they need two full-time incomes to make ends meet. However, among professional women, there seems to be growing interest in part-time work as a way of reconciling work and family needs. **According to a 1988 survey conducted by the Central Statistical Office, nearly 78 percent of the women interviewed considered part-time employment ideal** (Frey, October 1991, p. 7).

◆ *PRIVATE SECTOR DEVELOPMENT*

The literature review yielded little information on gender considerations vis-a-vis private sector development. Some researchers -- primarily Julia Szalai -- have looked at the question of women in the "second economy" in Hungary. But it was not clear to what extent women are participating in the creation of new businesses in Hungary, and if so, how.

In the field, the team found that **women are an important part of the emerging business community in Hungary**. Precise numbers are hard to come by because so little data on the Hungarian business community is gender-disaggregated. However, the leaders of Hungary's business associations and banks estimate that roughly 20 percent of Hungary's businesses are owned and operated by women. Moreover, they point out that in many cases women may not be the "official" owner of the business, but nonetheless, may play a key role in its management and operations. This is particularly true in the case of family-owned businesses.

The team was unable to identify any major legal or structural impediments to women in business in Hungary. In starting new businesses, women face many of the same constraints as their male counterparts: lack of affordable credit, difficulties in securing new markets, and increased competition. However, it also seems clear that **women-owned businesses are much less linked to the formal network of business-support institutions that have been created in the past few years, including banks, business assistance and training institutions, and business associations**. Women are beginning to create their own associations, both in Budapest and the out-lying provinces, which serve as fora for exchange of business information and support.

◆ *POLITICAL PARTICIPATION*

The literature review highlighted the fact that **women's representation in legislative bodies has dropped precipitously since the elections of 1990**. This too is true in Hungary. Under Communism, women comprised 21 percent of the representatives in parliament; now, they hold 7 percent of the seats.

Despite the drop in representation, there is little indication that women's voice in government has changed in the transition. Prior to the March 1990 elections, women in parliament were essentially figureheads, chosen for their party loyalty and the fact they were women. They did not necessarily represent women's views. In the transition to democracy, women have lost seats, but there has been little change in the representation of women's views. In the current parliament, gender-specific issues are rarely brought into the debate. As noted in Chapter IV, this reflects a wide-spread resistance to discuss what many Hungarians still refer to as the "woman question."

◆ *INSTITUTIONS REPRESENTING WOMEN'S CONCERNS*

One of the hypotheses emerging from the literature review was that open political systems would create an opportunity for new women's organizations to grow. The opportunity may well exist in Hungary, but nonetheless, **few associations have emerged**. Autonomous women's organizations are faced with a barrier similar to that associated with women attaining positions of political leadership: socialist-era women's organizations were the result of the state's attempts to harness social initiatives to its own goals. The legacy for the 1990's is a general aversion to forming associations of any kind. Part of the problem is that being a member of an association is almost a "black and white" decision in Hungary; there is still little tolerance or acceptance of participation in diverse groups. For women, there is an added dimension because women's associations are assumed to be "feminist" -- which has strong negative connotations in the minds of both Hungarian women and men.

Despite these obstacles, a few groups have begun to emerge. Most notably, the Hungarian Association of Entrepreneurial Women has recently been created to provide a network of support to Hungarian businesswomen. An Equal Opportunity Association, comprised of 100 professional women, has been also established to lobby for equal pay and equal access to jobs. Nonetheless, compared to the proliferation of small women's organizations in countries such as Poland, the movement toward creating institutions to represent women's concerns has had a slow start in Hungary.

◆ *ATTITUDES TOWARD WORK AND HOME*

According to the literature review, women in Central and Eastern Europe are tired of the double burden of working and caring for the home. Swasti Mitter, a researcher at the Brighton Business School in the United Kingdom, reports that many East Central European women are accepting unemployment for the time being, looking forward to the opportunity to spend more time with their children (Mitter, 1991, p. 17). Such observations are often applied to the case of Hungary as well. Maria Lado states in a recent paper that "even in the 1980s a great number of women (mainly those in industrial jobs) considered their paid employment as only a necessary evil. Their orientation to paid work often was rather instrumental: work meant only a means in the daily struggle to make ends meet" (Lado, 1991, p. 8). A report produced by the Commission of the European Communities makes the point even more strongly:

... in 1990 there is a definite trend for Hungarian women wanting to leave the labour market and stay home with (or without) their children. While there is an increased concern in the European community about the predicted labour and skill shortages at the end of the century and a whole set of new training programs are being specially created to facilitate the re-entry of women in the labour market, Hungarian women would like to become housewives (Commission of the European Communities, 1991, p. 9).

There is no doubt that women in Hungary do confront a double-burden. Not only do they hold full-time jobs in the workplace, but they are also responsible for nearly all of the child-care and household work. However, many of the women we interviewed seemed to accept the double-burden as "a fact of life." Indeed, it's not clear many would view it as a burden *per se*.

Whether Hungarian women are leaving the work-place to reduce their responsibilities is yet another question. The team found no concrete evidence to support this trend. Indeed, according to a 1988 study carried out by the Central Statistical Office, 77 percent of the women interviewed stated that they would stick to their jobs even if given the choice of staying home, although ideally they would prefer part-time work (Frey, October 1991, p. 7).

We also found no support for the contention that women are willing to accept unemployment in the near term. In our interviews with factory women on the verge of unemployment, they stated they would need to seek out new employment if they lost their jobs (although they hadn't given much thought as to how). In most cases, these women can ill-afford not to work. The two-salary family remains an economic imperative in Hungary.

For women in Hungary, the question is not whether to work or not to work, but rather, how to accommodate both work and home. As noted in Chapter II, some of the professional women we interviewed have had opportunities to take on positions of greater responsibility. However, because of family commitments, they have turned these offers down. They have stayed with jobs that may not entail as much money or responsibility, but nonetheless, enable them to work and raise children.

On the other hand, Hungarian women are also beginning to recognize that, as the job market grows increasingly competitive, so do the costs to taking extended leave to raise a family. So many of the laws and regulations are changing that a loss of three years in the job market places a job-seeker at a distinct disadvantage. The young professional women we interviewed were particularly reluctant to take long child-care leaves for fear of losing their competitive edge in the job market. This is indeed a change from the past.

* * *

In summary, the data gathered through field research confirmed and expanded some of the findings in the literature review. On the other hand, the field research also demonstrated that Hungary is different in many respects from its neighbors in Central and Eastern Europe. Some of these differences can be attributed to the fact that Hungary's transition to democracy and a market-based economy has been a much more gradual process than that of Poland and the other nations in Eastern Europe, thereby lessening some of the potentially adverse social consequences of the transition period. A companion study to this report looks at gender considerations in the transition to a market economy in Poland.

B. CONSIDERATIONS FOR U.S. DEVELOPMENT ASSISTANCE

The process of moving from a centrally-planned economy to a market-oriented economy has posed and will continue to pose many challenges. Given the enormous political and economic challenges Hungary faces, do gender issues make a difference? As stated in the introduction to this report, gender is important to consider in the context of Hungary's transition to a market economy for the following reasons:

- ◆ In no other region of the world do women play as active a role in the paid labor force as they do in Eastern Europe. In Hungary, as in Poland, women comprise more than 45 percent of the labor force.
- ◆ Structural adjustment is not gender-neutral. There is evidence that economic adjustment does have different impacts on men and women. The question is, as Hungary goes through fundamental political and economic change, will women -- or men -- pay particular costs in the adjustment process? And if so, what can be done to mitigate these costs?
- ◆ Hungary's well-educated population has proved to be an asset in its transition to a market economy. Women comprise a large portion of the educated population. In fact, among Hungarians under 30 years old, women's educational qualifications surpass those of men. Because of their strong educational backgrounds, women can be a valuable resource in the transition to a market economy. Their knowledge and skills are a resource that can and should be tapped to Hungary's advantage.
- ◆ Women have been the backbone of a number of professions that are key to private sector development, including banking, accounting, financial management, and a number of service-related professions. However, the skills they acquired under socialism will be of little value in a market economy.

The United States focuses the major part of its assistance effort on areas that are crucial to the success of political and economic reform. Assistance programs for Central and Eastern Europe fall within three broad categories:

Democratic initiatives support the development of institutions and practice of democratic, pluralistic societies.

Economic restructuring involves the transformation of centrally-planned economies to market-based economies led by the private sector.

Quality of life programs aim to improve the basic quality of life while countries undergo the process of political reform and economic restructuring.

This report has looked at all three of these areas from a gender perspective. With respect to democratic initiatives, Chapter V discusses the role of women in the Hungarian parliament and government, as well as the emergence of institutions that could give women a voice in the process of change. The impact of economic restructuring in Hungary is examined from a gender perspective in three areas: the structure of the labor force, unemployment, and private sector development. Lastly, quality of life issues are explored in Chapters III and IV of the report. Based on the information gathered through the field work in Hungary, the team proposes the following considerations for U.S. development assistance.

◆ *COLLECTION OF GENDER-DISAGGREGATED DATA*

Hungary's Central Statistical Office does collect gender-disaggregated data on the labor force and other key economic and social variables. However, in certain areas, there is a serious lack of gender-disaggregated data. As far as the team could ascertain, there is virtually no gender-disaggregated information on Hungary's private sector. None of the institutions supporting private sector development collect information on their beneficiaries on a gender-disaggregated basis. Nor is there any good data on how active women are in the private sector. With respect to unemployment, Hungary does disaggregate unemployment by gender. However, data on re-training programs for the unemployed is not gender-disaggregated. Measures of re-employment are also weak. There are few mechanisms for forecasting employment and unemployment trends -- much less on a gender-disaggregated basis.

Part of the problem is that, in the transition to a market economy, new needs for data have emerged: data on unemployment and data on the private sector are just two examples, each one entailing new systems and new methods of data collection. But another part of the problem is that, in Hungary, a gender perspective is often associated with either "feminism" or socialism's attempt to promote equality of the sexes. There is little understanding of the potential economic and programming benefits of gender-disaggregated information. Only through collection and analysis of gender-disaggregated data can policy-makers grasp the actual and the potential impacts of their decisions on women and women, and most importantly, how their decisions might affect women and men differently.

The first step toward promoting an understanding of the benefits of gender-disaggregated information would be to collect such data on the activities funded by U.S. development assistance. Nearly all of the projects funded by U.S. development assistance involve some amount of information gathering and reporting. However, to our knowledge, none of the information is gender-disaggregated. An A.I.D. project officer interviewed by the team assumed that the grantees for programs in Hungary were collecting gender-disaggregated data; based on the team's research, however, it is probably not safe to assume that gender-disaggregated data will be collected unless grantees are informed of A.I.D.'s interests in this area.

◆ TRAINING

Ironically, a number of the professions that were considered marginal under socialism will be critical to the development of the Hungarian private sector. These include banking, insurance, accounting, financial management, and service-oriented industries. Women predominate in all of these professions. The problem is that the skills women have gained in these professions were acquired in a different era. The laws and regulations governing each of these areas are changing rapidly, as are the skills required to advance in these professions. Training is critical to ensure that (i) professionals in these areas adapt to the demands of a market economy, and (ii) that women remain competitive in Hungary's changing economy.

The team does not advocate the creation of "special training programs" for women only. We strongly believe that the objective should be to integrate women. However, it will be important to design programs in a way that encourages women's participation and does not inadvertently exclude them. The following four areas are priorities for training:

1. Banking: Banking in Hungary is still characterized by a high percentage of female employment. Women have been able to advance in the banking sector during this transition period because the demand is so great for their experience. Nonetheless, they too must acquire new skills which reflect Western approaches to finance. If women do not acquire new skills in banking, the value of their prior experience will rapidly diminish; indeed, they will probably be unable to move beyond the administrative and book-keeping functions which characterized banking in the past. This will be a loss not only to women, but to the banking sector as a whole. To the extent that women do acquire new skills in banking and finance, this may mitigate the potentially adverse recruitment trends mentioned in Chapters II and III of this report.

2. Business Training: The conferences on women and entrepreneurship organized by the National Women's Economic Alliance Foundation demonstrate that there is strong demand for training among women in business. Conference participants enthusiastically endorsed the conferences and expressed a desire for follow-on training. We would encourage the development of additional courses which provide women with concrete business skills. It would be particularly valuable to organize these courses on a regional basis to avoid the tendency to concentrate all business-support activities in Budapest.

3. Job-Skills Training: While many of the hardest-hit sectors in Hungary employ men, many women are also losing their jobs. At this point, it is not clear who is being retrained because the Ministry of Labor does not keep statistics on its training programs on a gender-disaggregated basis. Assistance in the design and development of job training programs is critical in order to mitigate the long-term social and economic consequences of unemployment.

◆ *LABOR POLICY*

As noted in Chapter III, new job announcements in Hungary frequently specify the gender of the desired candidates. Even job openings registered with the Office of Employment are often gender-specific. In most cases, this works to the disadvantage of women. The majority of new job-openings are specified for men, and women are finding it increasingly difficult to return to the labor force once they are laid off from a job. Few Hungarians acknowledge that specifying job-openings by gender is a form of discrimination. U.S. development assistance can play an important role in (i) sensitizing the Hungarian government to the fact that this is a form of discrimination, and (ii) encouraging the Hungarian government to reform its policies and practices.

In addition, one of the many factors that will impede the transition to a market economy is the rigidity of labor markets. There are many indications that women want and need greater flexibility in the workforce. In a survey conducted by the Central Statistical Office in 1988, more than three-quarters of the women interviewed stated that they wanted part-time work as an option. But, at this point, part-time work is still unavailable for most Hungarian employees. Opportunities for increasing the flexibility of the workforce should be explored and pursued as a means of giving women greater choice in the decisions regarding work and home.

◆ *STRENGTHENING OF BUSINESS ASSOCIATIONS FOR WOMEN*

As described in Chapters IV and V, several associations have begun to emerge that aim to promote women in business and management. These associations have been in operation for only a short period of time, and they are just beginning to establish themselves. However, their mere creation is a positive sign -- particularly in view of Hungarians' ambivalence toward joining groups in general. Support from the U.S. development assistance program would strengthen these associations, while also increasing the opportunities for women to have a voice in the process of change. The team recommends that A.I.D. consider working with the Hungarian Association of Entrepreneurial Women to encourage women's involvement in the development of a strong and vibrant private sector.

In conclusion, gender is an important factor to take into account in the development of U.S. assistance programs for Central and Eastern Europe. This chapter outlines broad areas for consideration for the U.S. development assistance program. The next step -- the more important step -- will be to move toward integrating gender considerations into the design and implementation of programs and projects in the region.

ANNEX 1

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ANNEX 1

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ANNEX 2

LIST OF REFERENCES

ANNEX 2

LIST OF REFERENCES

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ANNEX 3

PROFILES OF WOMEN IN BUSINESS IN HUNGARY

WOMEN IN BUSINESS: IMPORT AND EXPORT TRADE

Eva is one of seven co-founders of a new and dynamic trading company. The primary objective of the company's founders was to establish a trading company that would be located outside of Budapest -- no easy task given that nearly all trade work is centered in the capital city. Located in Hodmezovasarhely, a small town in south-eastern Hungary, the company has worked hard to offer the same services of its competitors in Budapest, and has been remarkably successful. In 1988, the company's turnover was 60 million Hungarian forint and profits were 1 million forint; the next year, turnover increased to 500 million forint and profits totalled 8 million forint; and last year, turnover increased yet again to 700 million forint and profits were 18 million forint.

Most of the company's business focuses on importing goods for resale within Hungary, although exporting Hungarian products is becoming a growing part of the business. Typical imports include: computer equipment, electrical and household appliances (including accessories and parts), building tiles, and clothing for resale to retail businesses. The company used to import machinery for state-owned enterprises, but this is clearly a diminishing line of business. Exports include paprika, a local specialty which is exported to the Netherlands, as well as white tiles manufactured at the large porcelain factory in Hodmezovasarhely. The company also provides services to firms that want to establish a joint venture.

The company began with relatively little starting capital and no outside finance. Indeed, each of the seven co-founders, including Eva and her husband, sacrificed all they had to launch the business. While they realize it was a risky move, they wanted to give it all they had. The company has since increased its equity capital to 6 million forint and has been able to obtain bank credit now that the banks know the business.

As the business grows, so has its staff. The business began with six employees in 1988 and now employs 22 people; nine of the 22 employees are women, most of whom work in the accounting and financial department of the firm. There are two managing directors and nine sales executives, each with a separate phone line to conduct business. Eva is the deputy to one of the managing directors; as such, she is responsible for all the accounting and financial operations of the business. Her background was accounting, and prior to founding the trading company, she was the chief accountant in a state-owned enterprise. She had had no experience in foreign trading, but has learned quickly on the job.

One of the biggest challenges Eva faces is juggling her work at the company and her work at home. Her husband helps out at home -- much more than most Hungarian men, she notes -- but most of the work at home is "her problem." She works long hours and feels that she rarely has sufficient time for her two children aged 12 and 10. The fact that the business has been so successful has enabled them to buy various appliances which reduce her work-load at home. Nonetheless, balancing work and home is a dilemma, for which she has found no ready solution.

WOMEN IN BUSINESS: HOTEL MANAGEMENT

Karolin is single and has no children. Just two years ago, she began to operate her own hotel in Mosonmagyaróvár, a small town located near Hungary's border with Austria. The hotel was one of the many businesses owned and managed by Flexum, a municipal development agency. At its peak, Flexum was essentially a local monopoly, controlling at least 32 different types of businesses ranging from hotels to manufacturing companies. Flexum has apparently been operating at a loss for some time, and there is talk of privatizing the agency, but as Karolin notes, "privatization has a bad smell here." In the interim, a pre-privatization law has opened up new opportunities for business development; this law enables local business-people such as Karolin to buy the right to rent Flexum's companies. The pre-privatization law is an intermediate step toward privatization. It allows for private management -- but does not permit the sale of Flexum's assets.

The hotel Karolin manages is small: it has only thirteen rooms and a small restaurant. When she first assumed management of the hotel from Flexum, there were eight employees, virtually one for each room of the hotel! Not only were there too many employees, but Karolin found that only two employees were worth retaining. The hotel currently has five employees, four women including herself, and one man who is the hotel's concierge. Karolin is the only employee that has had formal training in hotel operations. She attended hotel management school after high school, attended another course for hotel managers in Europe, studied English and German, and worked in a local hotel as a concierge. For this reason, she was selected to manage the hotel for Flexum, even before the pre-privatization enabled her to rent the hotel.

Karolin says that the first year of managing the hotel was difficult. She had to lay-off some staff and retrain others. She had to put a lot of time into re-vamping and managing the hotel. What motivates her is not the money she may potentially earn from the hotel, but rather the independence to make her own decisions regarding the management of the hotel. She wishes that the concept of private enterprise had been introduced to Hungary much earlier.

Traditionally, the hotel that Karolin operates has relied on tourists within Hungary and from other Central and Eastern European countries. They liked the family atmosphere of the hotel, as well as the special rooms and rates available for families. However, in the past two years, very few families have come to the hotel. Karolin attributes the decline in local tourism to economic recession; few Hungarians can afford to travel, particularly families with children. And tourism has plummeted from the other Central and Eastern European countries due to rising unemployment and recession. Even though this small hotel is located near the border with Austria, it cannot rely solely on tourism from Western European countries.

Karolin attended both of the conferences sponsored by the Association of Women Entrepreneurs, along with three other women from Mosonmagyaróvár. Karolin felt that the most important benefit of the conference was that it helped to build her self-esteem and confidence. One would hardly believe that lack of confidence is a problem for Karolin -- but as she noted -- no one feels very secure in these changing economic times.

WOMEN IN BUSINESS: CONSULTING SERVICES FOR NEW BUSINESSES

Judit is married and has two children, ages 15 and 16. However, she is the first to say that her life is her work. By day, Judit is the chief book-keeper of Flexum, the municipal development agency of Mosonmagyaróvár. As noted in the previous profile, Flexum owned at least 32 different types of businesses ranging from hotels to manufacturing companies. At the peak of its operations, Judit supervised as many as 40 employees in Flexum's accounting department -- all of the women. There was a real need for this many employees because of the numerous reporting and bureaucratic requirements of the previous system. With political and economic reform, there are far fewer requirements and the accounting department has been scaled back to 18 employees.

While Judit has been working at Flexum for nine years, she recognizes its future is tenuous. She has no intention, however, of waiting for Flexum to fall. In September 1990, she opened up a new hosiery store in town; she has temporarily rented the store due to lack of time. Nonetheless, she saw that she could earn much more money as the owner of a retail store than she could at Flexum, and she hopes to manage the store again in the near future. Currently, Judit spends her afternoons and evenings establishing yet another company which would provide tax and accounting services to new businesses. She is building an office in the top level of her house, which will be completed next spring. She has already begun to develop a clientele of businesses in the region surrounding Mosonmagyaróvár; nearly fifty percent of her new clients are women who are trying to establish their own businesses. Like Karolin, money is not the key motivating factor for Judit. She enjoys her work, and she is confident her services will be valuable to new businesses in the region.

Judit is the first to say that her work ethic is hardly typical. After completing her university degree, she began her career as a junior accountant/book-keeper in an aluminum factory. She worked hard -- to the dismay and scorn of her colleagues who told her not to work so hard. She was taught that "time in service" was the key to earning more money, not hard work. After ten frustrating years, she left to become qualified as a tax advisor and then joined Flexum, where she readily moved up the ladder. Ever eager to learn more, Judit is currently taking a course in accounting supervision, which will enable her to testify in court as an "expert witness."

Judit attended the workshops for women entrepreneurs in Budapest and hopes to establish a local chapter of the Association for Women Entrepreneurs in the region of Mosonmagyaróvár. As dynamic and hard-working as she is, it will no doubt be a success.

WOMEN IN BUSINESS: OWNER OF A DISCOTHEQUE

Zsuzsa's entry into the business world was sudden. Her long-time companion died suddenly in 1985, and suddenly Zsuzsa was forced to make a difficult decision: take on full management of the restaurant/discotheque (where she had been a hostess for the past three years) or start a completely different career. With almost no knowledge of what business was all about, she decided to make a go of it.

Throughout the 1980s, Zsuzsa leased the premises of the discotheque from the state. At various points in time, the lease was open for competitive bid, and each time she won based on her successful management of the discotheque. In May 1990, she established a limited company -- one of the first to be established in Szeged, a university town in the south-eastern part of Hungary. A "services cooperative" took 51 percent of the shares and she held 49%. She hired someone to help with the accounting and administration of the business. However, she assumed primary responsibility for overall management, as well as client and employee relations. For the five years, the business was a success. While there were other night clubs and discos in Szeged, her's was the favored spot.

Sudden changes have brought disaster to Zsuzsa's business. About six months ago, a new entertainment center was opened in Szeged -- the first element of serious competition for the discotheque. Equipped with the "latest Western equipment," the entertainment center became an instant success. Indeed, the night the new center opened, Zsuzsa's business plummeted. Her customers were quickly drawn to the new center, and revenues fell dramatically. Within a few months, the number of employees in the discotheque fell from 45 to 10 people. Now, nearly 80 percent of her former employees work in the new entertainment center.

Zsuzsa has been struggling to keep the business alive. She has created a vegetarian restaurant, which is open during the day. The location of the disco is excellent, but she needs substantial amounts of capital to refurbish and up-grade the business. She has been in negotiations with several foreign partners -- one from Yugoslavia and one from Italy -- but both seem to have disappeared. With her business on the verge of bankruptcy, Zsuzsa is preparing to close its doors. At age 33, she must start over.

WOMEN IN BUSINESS: CLOTHING STORE

Ildiko and Szuzsanna are a mother-daughter team. Nearly twenty years ago, Ildiko opened a clothing boutique in Szeged, a university town in south-eastern Hungary. Just three years ago, her daughter opened an accessory store on the same premises.

Ildiko is quick to note that doing business in Hungary these days is much more difficult than when she started twenty years ago. She opened her clothing store at the mother's suggestion. In the early days, her store was the only private clothing business, and even through the mid-1980s, Ildiko faced little competition. But now, new boutiques are opening all the time and the competition has grown stiff. Moreover, economic recession has hit small boutiques hard. With rising prices and growing unemployment, particularly in the eastern part of Hungary, people can no longer afford the clothing Ildiko sells.

Szuzsanna began by working in her mother's boutique, but wanted to be independent and create her own business. Unlike her mother, she took out a 600,000 forint loan to start her business (or roughly \$9,000). Revenues have not been what she would like, but she has been able to service her loan and keep the business in the black.

WOMEN IN BUSINESS: A FAMILY-OWNED CONSTRUCTION ENTERPRISE

Margit and her husband started a construction business three years ago. Since then, they have worked hand-in-hand to manage the business. Margit's husband began as an electrical engineer and then moved into the construction business; he handles the technical end of the business. Margit is responsible for the overall management and administration, including public relations, accounting and labor relations. From a two-person shop, the business has grown to twelve employees. And now, Margit and her husband have launched another construction business employing thirty people.

While the two business have similar kinds of activities, the original company is legally registered as an "individual enterprise" and the new company is registered as a "limited company." The limited company status implies limited liability for Margit and her husband. Moreover, this limited company status has a number of tax advantages. But most importantly, the fact that Margit and her husband have started two firms reflects the business environment in Hungary. Given the sense of risk in starting new businesses in Hungary, no one feels comfortable putting all their eggs in one basket. Two businesses is good business ... even when they are the same type of business.

WOMEN IN BUSINESS: BAKERY

Kinga is married and an eight year old son. She has always in the business of selling food. She started out by running a snack shop at the porcelain factory in Hodmezovasarhely, one of the town's largest state-owned enterprises; she also frequently helped her husband operate their family-owned restaurant. The opportunity to open her own bakery arose when the local government introduced a new system for leasing space. In the mid 1980s, she was able to obtain the lease on five rooms on the ground floor of a building, which she has since converted into a modern bakery. The bakery's proximity to a new housing development is ideal.

The first few years were good for Kinga's business. She attributed her success to obtaining an excellent chef -- one of the best in Hodmezovasarhely -- and to the long hours she devoted to the business during its start-up. She has since hired two additional full-time employees and two intermittent employees. Nonetheless, the past year or so has proved to be more difficult, due in large part, to the overall recession in the local economy. For most Hungarians, pastries and cakes are a luxury item, and as unemployment and inflation increase in the region, Kinga's business has felt the pinch. She notes that, while her regular clientele continues to buy from the bakery, they buy fewer and fewer items. Since the prices of her pastries have gone up, total revenues have remained fairly steady -- but this is hardly sufficient to keep pace with 40 percent inflation. Like many other businesses, the bakery has also been hit hard by the recent hikes in social security taxes. As Kinga states frankly, it's hard to earn money when social security taxes are 57 percent. She feels no need to lay off employees at this time but hopes the local economy will pick up in the near future.

ANNEX 4

**BIOGRAPHICAL INFORMATION
ON THE TEAM MEMBERS**

ANNEX 4

BIOGRAPHICAL INFORMATION ON THE TEAM MEMBERS

SYDNEY LEWIS, TEAM LEADER

Ms. Lewis is a Managing Associate of Coopers & Lybrand. She was the team leader and the primary author of Hungary: Gender Issues in the Transition to a Market Economy. She was also the team leader for the field work in Poland, and wrote Poland: Gender Issues in the Transition to a Market Economy. For the past five years, Ms. Lewis has been one of the principal managers of the Private Enterprise Development Support Project (PEDS), an A.I.D.-funded project which provides assistance to foster the creation of strong business communities in developing countries. Under this project, she has carried out a broad array of assignments, including analyses of private sector training needs in Thailand, Morocco, and Tunisia; assessment of alternative methods for financing infrastructure projects; and the design and development of private sector initiatives. Under the R&D/WID buy-in to the PEDS Project, Ms. Lewis developed a guidebook to help private enterprise officers integrate gender considerations into their projects. She also examined the role of women in the business community in Mali, and helped the mission develop activities to benefit women entrepreneurs. Lastly, she has also worked closely with the African Development Bank to institutionalize women in development concerns.

From 1984-1988, Ms. Lewis was a private sector officer with the Agency for International Development. She holds a Masters of Public and International Affairs from the Woodrow Wilson School at Princeton University, and a Bachelor of Arts from Bucknell University.

LYNNE MANRIQUE, RESEARCH ANALYST

Ms. Manrique is an Associate of Coopers & Lybrand. She conducted much of the background research necessary for this report, and assisted in the final editing of the report. Ms. Manrique recently joined Coopers & Lybrand, where she has been working on a number of assignments to promote private sector development. Ms. Manrique recently developed a handbook which describes all of the A.I.D./Washington resources for private sector development; she conducted a major part of the research and writing of a study to assess the feasibility of using credit to finance infrastructure projects; and is currently assisting the Bureau for Near East carry out a series of seminars on trade and investment in developing countries.

Prior to joining Coopers & Lybrand, Ms. Manrique was a consultant to USAID Mission in Ecuador, an intern at the U.S. Embassy in Cape Verde, and an intern in the Division for Women in Development at the United Nations Development Program. Ms. Manrique holds a Masters of Public and International Affairs from the Woodrow Wilson School at Princeton University, and a Bachelor of Arts from Stanford University.