The role of public works in employment policy; in the treatment of poverty and homelessness

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1. INTRODUCTION

1.1. Topicality of the subject

Social support conditional on participation in public works appeared in Hungarian social policy after the systems change, in the spring of 2000. Domestic social policy, thus employment policy and to some extent also social policy included, was characterised in 2009-2016 by the growing and clear predominance of public works. This development had clear social as well as economic and central budgetary consequences.

The debates on how to tackle poverty are probably as old as humanity: What is more efficient vs. more humane? Many simplify the question to what is “better”, meaningful external pressure or unconditional love. Social policy cannot elude the answer without obvious long-term consequences. Of course, the “real” answer is obvious, albeit somewhat elusive. It concerns the choice of “appropriate” rates that can only be developed on the basis of genuine social consensus. Provided, of course, that generally appropriate proportions exist at all. As Schumpeter wrote in his examination of the substantive democracy concept: Firstly, there is no clearly defined common good that everyone would agree upon or would be forced to agree on under the effect of rational arguments.” (Schumpeter, 1994. p. 251.) Choice is the substance of democracy also in social policy, and in this sense this, too, is a kind of market competition taking place under the political market circumstances typical of the society concerned (Gedeon, 2013).

Ever since the emergence of poverty and of the social, employment-oriented, support services to help those in poverty, it has been said, albeit with different loudness, that “there is no soup for free”. In the past few centuries, for many economists, social/welfare and employment expenditure was one of the most frequently mentioned “bogeymen”. In that context, they emphasised the economic-growth-boosting effect of state tax revenue savings attainable by trimming the welfare, pension and health care expenditures. The view that welfare expenditure is detrimental to the economy goes back a long way even in modern economics. It was David Ricardo who said that “the clear and obvious appearance (in England) of the poor laws does not only result in the beneficial intention of the legislator, since legislation does not only influence the condition of the poor, but of the poor and the rich simultaneously” (Ricardo, 1817), Principles of Political Economy and Taxation, Idézi: Lindert, 2004. p. 29.). This view has remained quite popular to this day (Krugman, 1994. p. 60.) (Nickell, 1997).

Public work is one of the oldest collective poverty management/social policy means among the labour market policies, so its use is almost natural. However, whether it is an ALMP or a social policy instrument to treat poverty in the first place is decided by its purpose, rate of use and target-orientation.

Another reason for the topicality of the subject of the thesis is the approximately five-fold increase of Hungarian resources allocated to public works since 2010: whereas in 2011 the Hungarian central budget spent HUF66 billion on public works, in 2016 the corresponding amount was HUF340 billion and, parallel with this increase, the other ALMPs have almost disappeared (Bakó Tamás et. al, 2016).

One cannot do without the examination of the actual effects even in case of public works programmes for underprivileged social groups. The key criteria to be investigated are probably the reasons and consequences of the disadvantageous situation and the availability of potential labour demand in the open labour market. In the most advanced countries, the high level of the infrastructure makes it theoretically feasible to bring the underprivileged groups within reach of the primary labour market. However, a substantial part of the most clearly visible disadvantaged
group, that of the homeless, actually lives close to big labour markets and is nevertheless very far away from them in terms of placement opportunities. Is public work in itself a relevant means, worthy of professional support, for these people also in the longer run or could something else prove more useful?

1.2. Research objectives and hypotheses

According to the formal economic interpretation, the purpose of business management is economic growth. According to the substantive economic interpretation, the economy is not an end in itself: business management is meant to help satisfy the needs of the members of society. (Polányi, 1976). Presumably, the two approaches are mutually interdependent to a large extent. The common goal would be served most efficiently by the effect of the combined effects of several factors. One of these factors is, in the longer run, the contribution of the institutions operated by society to the constructive, instead of destructive, cooperation of members of society.

Disregarding the factors that are exogenous to society, one may conclude that poverty and/or welfare are influenced in the first place by the institutions operated by society, as indicated by several examples, inter alia the different courses followed by the same nation in today’s North and South Korea (Daron, 2013). Institutions promoting welfare generate positive cycles that prevent the social elite from terminating, winding-up the established social culture at the service of development, the established order that is characteristic of rich societies until they are rich. Poverty is created by the spread or already decisive presence of institutions hindering or occasionally dismantling these positive cycles – marginally present also in rich societies –, and this situation is most likely to preserve a social culture capable only of low-level cooperation.

In the examination of the efficiency of public employment policy, it is important that, considering the country competitiveness ranking of the World Economic Forum (WEF) (Schwab, 2017) the size of state interference as direct explanatory factor must not be significant. This is supported by the absence of any significant correlation between the country competitiveness vs. state redistribution rankings. However, state intervention is an important factor, but the decisive feature is not its size, but its quality that will have a positive effect on social and economic actors if the relevant operating framework (that may be basically market-oriented or bureaucratic) is predictable in the long run (Chikán, 2014).

One institution triggering positive cycles operated by society is the free labour market, characterised by the key criteria of the biggest possible absence of negative social discrimination, by transparency and flexibility. Historically, the emergence of the free labour market had been preceded by the ideal of Puritanism, a product of 16th century Protestant Reformation, that was not present either in the Antique or the Roman Catholic philosophy (Weber, 1958. p. XII.). Its impact on the various nation-states is not negligible even today.

In my opinion, in the broader sense, predictable employment policy means promoting the functioning of the free labour market and, in the narrow sense, the active and passive labour market policies, and their operation. In a broad interpretation of employment policy, the policies exerting a direct or indirect influence on the labour market are to be studied. Without aiming at completeness, these include the legislative environment of the labour market, the infrastructure, the fields of taxation, the options related to maternity, the pension system and last but not least education. The narrower interpretation of employment policy concerns the ALMPs and the passive labour market means (e.g. job search allowance).

The policies according to both the above broad and narrow interpretations aim at maintaining a labour market that is as flexible as possible or, in other words, as adaptive as possible. Let me highlight two key factors of operating an efficient employment policy. One is transparency during the deliberate influencing of labour market processes. To have appropriate short, medium and
long-term labour market forecasts on both the supply and the demand side. The other factor is the establishment and efficient operation of an appropriate institution system designed to manage unemployment (Dajnoki, 2015).

In the absence of capital goods of appropriate size, for most people prosperity depends on their opportunities to sell their labour. In 2015, 87% of the billionaires of the world, possessing 57% of total wealth, had earned the greater part of their wealth themselves, and the number of those who had inherited part of their property has also increased quickly (Még gazdagabbak, Portfolió, 2016). However, these groups represent a very small part of the population. ALMPs are meant, in default case, to promote the prosperity, escape from/reduction of poverty of the much larger population at the other extreme of the social hierarchy, the labour supply, if possible preventively. The topic I studied was the potential role of public works in this process.

I set myself the following research objectives:

C₁: Review of the literature on public work as employment policy instrument.

C₂: Analysis of the Hungarian public works practice.

C₃: Examination of the role of public work in the treatment of poverty and of homelessness.

In order to answer the corresponding research questions, I will present the active labour market policies and some practical applications of their means, and the main public works programmes in Hungary based on the processing of the relevant technical literature. Key criteria in this context include the determinants of the individual’s attitude to work and the nature of attitude changes due to unemployment, since these factors may exert an essential influence on the employment policy to be applied. The analysis of the domestic labour market policies will lead us to the issue of homelessness and how the problems of this multiply disadvantaged group can be treated. Does a simple solution exist? What is the benefit of public works in this context?

The thesis formulates the following research hypotheses:

Hypothesis I: The applicability of public works for employment and social policy purposes differs by space and time.

Hypothesis II: The rate of public works to the total population is outstanding in Hungary, with significant regional differences.

Hypothesis III: The management of the domestic employment administration is fragmented and that reduces the efficiency of employment policy and promotes the predominance of public works among the ALMPs.

Hypothesis IV: Homeless public workers in the capital have poor access to employment in the open labour market; for the majority, public works is the only declared and regular income-earning opportunity.

Hypothesis V: The placement opportunities of the homeless are influenced to a significant extent by sex, the duration of homelessness and whether they live alone or not.

Hypothesis VI: It is not efficient to use separate social support systems for improving the situation of multiply disadvantaged groups -- especially the homeless.

The above Hypotheses will be tested on the basis of the literature review and of empirical research.
2. DATA SOURCES AND METHOD

2.1. Data sources
The research relied on two secondary databases and a primary one. These are the following:

2.1.1. Registered jobseeker database of the employment service and population database of CSO
Since the establishment of the integrated IT system, jobseeker data had been recorded first in the Employment and Social Database (Eadat), and since 2011 in the Employment and Public Employment Database (Foka) by the Ministry of Interior and the employment service. The records cover the core data of registered jobseekers, their allowances and other cash benefits, and participation in ALMPs, in the form of record-oriented files. Data can be retrieved by settlement. The parameter of ALMP participation or of the suspension of registration/cash benefits indicates engagement in public works. The period under study is 2011-2013.

The report of the Hungarian Central Statistical Office (CSO) based on the data of the population census of 2011 includes the core data of the population broken down by settlement. At the time of the finalisation of the present thesis, the last available database was that of the census of 2011, since the Micro-census Data for 2016 have not been published yet and they would provide “only” district-level data anyway.

2.1.2. Data survey of the February 3rd Work Panel (Február Harmadika Munkacsoport)
The data survey conducted on 3 February 1999 was the first to provide data suitable for statistical analysis on the life situation of the homeless, its changes and structure. The survey conducted annually on the same date has had national coverage for years. Usually, the major part of known homeless service providers take part in it. The February 3rd Work Panel organising the survey is an independent volunteer research group functioning with the participation of Budapest Methodological Centre of Social Policy and Its Institutions (BMSZKI), the Public Foundation for the Homeless (Hajléktalanokért Közalapítvány), Shelter Foundation (Menhely Alapítvány) and several other organisations providing support for the homeless. The analyses of the experts of the research group are accessible in the periodic volumes “Otthontalanul… Tégy az emberért! (Homeless – Do something for man)”. The survey of 3 February 2015 covered the answers of 10 928 homeless people, including 7239 living at homeless shelters and 3689 living in public areas.

2.1.3. Data of the survey conducted by Budapest Esély Nkft.
Budapest Esély Nonprofit Kft. is an entity founded and owned by the capital that has organised public works for homeless jobseekers registered in Budapest for 20 years.

The author of the present Thesis has been executive director of Budapest Esély Nonprofit Kft. since November 2012. I initiated the research, and I organise and manage its execution. The purpose of the annual data survey is to obtain a picture of the (changing) conditions of living of the homeless and to conduct an extensive investigation of the longer-term effects of public works on homeless jobseekers.
The participants of the research were homeless clients of Budapest Esély Nonprofit Kft. engaged in public works programmes. The survey covered a decisive part of the population of workers in the period under study; therefore, no special sampling procedure was applied.

Homeless status is established at the time of registering a client. Clients addressing Budapest Esély are first asked whether they have a declared place of residence;

- if the answer is no, they are homeless.
- if the answer is yes and that place is a shelter for the homeless, they are homeless.
- if the answer is yes and that place is not a shelter for the homeless, the next question is where they live
- if that is a public area, they are homeless
- if that is an institution for caring for the homeless, they are homeless
- if they indicate premises not meant for residential purposes, they are homeless
- if the answer differs from the above, they are not homeless.

The respective data surveys took place in the following intervals:

- 01.06.2013 – 30.09.2013;
- 01.04.2014 – 30.08.2014;

Data collection took place in the form of a questionnaire-based survey (for the questionnaire, see Annex 2).

A total of 333 completed questionnaires suitable for evaluation were received:
- 101 pcs in 2013,
- 123 pcs in 2014, and
- 109 pcs in 2015.

2.2. Methods of the empirical research

In addition to descriptive statistical methods, the research applied logistic regression and cluster analysis.

3. RESULTS

3.1. Research based on the registered jobseeker database of the employment service and the population database of CSO

Before the presentation of the model estimates concerning the proportions of participants of public works (Pirisi et. al 2016.b), it is worth providing an overview of the development of the proportions of public workers regionally and by settlement size as compared to the total size of the relevant populations. The main European experiences suggest that in the years around the economic and financial crisis of 2008 public works typically concerned 0.5-0.7 percent of the population, with ratios of 1.7-1.9 percent occurring very rarely and of 2.0+ percent not at all (Scharle, 2016). I assigned the public works ratios into three categories accordingly. The corresponding distribution of the main domestic data is shown in the tables below.
Table 1 Ratio of public workers by region, 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Average public worker ratio in the region</th>
<th>Distribution of the population by ratio of public workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low (~0.6%)</td>
</tr>
<tr>
<td>Northern Hungary</td>
<td>3.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Northern Great Plain</td>
<td>4.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Southern Great Plain</td>
<td>2.2%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Southern Transdanubia</td>
<td>2.9%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Central Transdanubia</td>
<td>1.1%</td>
<td>28.8%</td>
</tr>
<tr>
<td>Western Transdanubia</td>
<td>0.9%</td>
<td>62.3%</td>
</tr>
<tr>
<td>Central Hungary</td>
<td>0.3%</td>
<td>88.7%</td>
</tr>
<tr>
<td>Total</td>
<td>1.9%</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.

The intensity of public works differs by region. On the Northern Great Plain, almost two thirds of the population (64.3%) live in areas characterised by intensive public works. Eastern Hungary and Southern Transdanubia are also strongly characterised by significant public works, whereas this labour market policy is much less significant in the more developed western and central regions: for example, in the central region, almost 90% of the population lives in settlements characterised by a low level of public works. Considering the territorial distribution of public works, the level of regional development and the spread of public works is clearly inversely proportional.

Table 2 Ratio of public workers by settlement size, 2011

<table>
<thead>
<tr>
<th>Settlement headcount (persons)</th>
<th>Average public works ratio (category overall)</th>
<th>Distribution of the population by ratio of public workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low (~0.6% alatt)</td>
</tr>
<tr>
<td>0-500</td>
<td>6.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>500-1000</td>
<td>4.8%</td>
<td>9.0%</td>
</tr>
<tr>
<td>1000-5000</td>
<td>3.3%</td>
<td>14.9%</td>
</tr>
<tr>
<td>5000-20 000</td>
<td>1.9%</td>
<td>27.4%</td>
</tr>
<tr>
<td>20 000-100 000</td>
<td>0.7%</td>
<td>62.6%</td>
</tr>
<tr>
<td>100 000-</td>
<td>0.5%</td>
<td>63.7%</td>
</tr>
<tr>
<td>Total</td>
<td>1.9%</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

Source: Author’s compilation

The analysis of the weight of public works by settlement size (headcount) also shows significant dispersion. In settlements with less than 5000 inhabitants, the majority of the population (in
settlements with less than 500 inhabitants more than two thirds) lives in settlements characterised by public works ratios higher than 2%. Big cities, on the other hand, are characterised by very low public works ratios: none of those with more than 100,000 inhabitants rely on public works as ALMP to a significant extent.

In the following, my research investigated the influence of the nature of the settlements and the characteristics of the residents on participation in public works programmes, and the distribution of the participants by gender. I chose the method of multinominal logistic regression analysis to model the proportions of public works participants. A total of four multinominal logit models were estimated.

In Model 1, the positive parameters associated with settlement size suggest that small settlements are more likely to figure among those characterised by medium/high public works ratios. Model 2 warrants the statement that limiting the study to male workers provides similar results, that is, the smaller the size of the settlement, the higher the probability of higher public works ratios also among men, that is, the higher the ratio of public workers in general. Another increasing factor is the high rate of unemployment, and location in the lagging regions (Northern Great Plain, Northern Hungary). Factors decreasing the rate of male public workers, on the other hand, include the increase of the proportion of people with tertiary education. This last variable did not figure in Model 1 where the ratio of persons with primary education turned out to be a significant variable. Model 3, however, produced results similar to Model 2, justifying the statement that the breakdown by sex did not result in significant differences, albeit the specific parameters were of course different. In Model 4, the significant variables were the same as in Models 2 and 3. One of the most important conclusions was that the smaller the size of the settlement, the more moderate the rate of women among public workers. This is probably attributable to the more marked role of agricultural activity (typically on household plots) in smaller settlements, and the fact that women are involved in such duties more often than men.

3.2. Research based on the 2015 data survey of the February 3rd Work Panel

Logistic regression and cluster analysis was performed based on the data of the survey of 3 February 2015.

The logistic regression calculation covered the following characteristics of the population as exogenous variables:

- Duration of homelessness
- Being labelled “Gypsy”
- Reception of social helper assistance
- School qualification
- Age
- Health problem hindering work
- Region

The endogenous variable is 1 if the answer provided to provided Question 7 (What did you live on in January 2015?) is Answer 1 or 2 (regular work, public work).

The research results are the following:

- The longer the spell of homelessness, the worse the chances of advancement (correlation: significant);
- Being considered “Gypsy” implies lower chances of advancement (correlation: significant);
- Social helper assistance has almost negative, 0 effect (albeit the correlation is not significant);
- As for school qualification, considering a 5-step scale, qualification definitely improves the chances (the correlation is significant)
- Ages 0-19 are worse off than any older age group (but the correlations are not significant, except for those older than 60, but the size of the sample is too small there);
- health problem aggravates the situation of the homeless considerably (the correlation is significant);
- Relative to Central Hungary (1), the placement situation is better only in Central and Western Transdanubia (3 and 6, respectively). The chances are the worst in Southern Transdanubia (7), on the Northern Great Plain (2) and in Northern Hungary (5) (generally significant correlation).

The above results essentially correspond to the preliminary technical assumptions, except maybe for the failure to demonstrate substantial correlation for the age-group-specific employment chances. However, further studies are needed to define the role of social helpers more precisely, and to target their activity more precisely.

The main question of the cluster analysis was whether there existed any markedly distinct groups characterised by homogeneous features within the respondent homeless population. Significant effects of the variables below were analysed as potential group attributes:

I. Have you been called Gypsy? (Q13):
II. How long have you been homeless? (based on Q14):
III. Which region do you live in? (based on the place of the data collection):
IV. What is your highest completed school qualification?
V. Where did you spend last night?
VI. Are you hindered in work by some health problem? (based on Q8):
VII. Do you live alone?

Cluster analysis divided the population into 3 distinct groups (Clusters I, II and III) based on the above variables.

Table 3 Chances of those in the 3 clusters

<table>
<thead>
<tr>
<th>Chances (clusters)</th>
<th>Average</th>
<th>Standard error</th>
<th>Bottom limit of the 95% confidence interval</th>
<th>Upper limit of the 95% confidence interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. worst</td>
<td>.1407129</td>
<td>.0086986</td>
<td>.1236616</td>
<td>.1577643</td>
</tr>
<tr>
<td>II. middle</td>
<td>.1579759</td>
<td>.0064074</td>
<td>.1454157</td>
<td>.1705361</td>
</tr>
<tr>
<td>III. best</td>
<td>.1795461</td>
<td>.0065062</td>
<td>.1667924</td>
<td>.1922998</td>
</tr>
</tbody>
</table>

Source: Author’s compilation

The estimation clearly shows that those assigned to Cluster III have the best chances at 18%, whereas in Cluster II the corresponding average rate is only 15.8%, and in Cluster I it is 14%. The rates concerned do not mean exiting homelessness, only that, with regular work, the chance of catching up is preserved.

As for the distribution by sex, interestingly, whereas in the first two clusters the rate of men exceeds 80%, in Cluster III characterised by the best chances the rate of women is significantly higher at more than 25%. Consequently, the rate of women capable of remaining in the labour market after becoming homeless is higher there.

According to the results, the proportion of persons called “Gypsy” was around 29% in Cluster I, whereas in Clusters II and III it was somewhat lower at 26% and 25%, respectively. As can be seen, there is no marked difference by cluster in the ratios of those of Gypsy nationality, suggesting
that “Gypsy homelessness” has no distinctive features, it is not a significant cluster-forming attribute. The rate of the population called Gypsy to the total population of respondents is similar and actually indicates marked over-representation compared to their rate to the total domestic population.

In Cluster III associated with the best chances, the average spell of homelessness was “only” 2.7 years, whereas in Clusters I and II it was as high as 9 years or so. The longer the duration of homelessness, the smaller the chances of exiting that status by engagement in permanent work.

The question may arise whether the chances to exit homelessness actually decrease significantly as the duration of homelessness increases.

People homeless for less than 3 years have 19% chance of finding regular work on average, whereas for those who had been marginalised for a longer time, this ratio decreases, and the proportion of those living on regular work is a mere 15%.

The geographical distribution of the homeless turned out to be a most important cluster-forming attribute. Cluster I included exclusively homeless people from the Southern Great Plain, Northern Hungary, Western Transdanubia and Central Transdanubia. The majority of the homeless from Central Hungary and the Northern Great Plain and half of those living in the Central Transdanubian region landed in Cluster II. Almost three quarters of Cluster II consist of homeless from Budapest or Pest County. As for Cluster III, it included respondents from every region.

Eighty-five percent of the respondent homeless completed max. 8-year primary school or special or vocational school. Higher educational attainment levels generally mean better chances.

Twenty-five percent of those in Cluster I, 25% in Cluster II and 15% in Cluster III spent the previous night in some public area, that is, there are significant differences there. Fifty-six percent in Cluster I and 71% in Cluster III spent the night at some hostel. The ratio of those spending the night at their own flat or some rented residential premises totalled 12% in Cluster I and 9% in Cluster III. That is, whereas regular declared employment reduces the vulnerability of those sleeping in public areas/shelters, the logic is the inverse for those sleeping in their own flat/on rented premises. The reason for that is not clear. Several explanations are possible, e.g. maybe the proportion of grey/black work is higher in their case. Of course, other reasons that could be clarified by further research are also possible.

Sickness, changed working ability and alcohol problems reduce the employability of the homeless to different degrees. Fifty percent of those in the first two clusters reported such concerns. As for those assigned to Cluster III, the same problems concern 37% of homeless. The problems concerned obviously reduce the chances of overcoming homelessness.

Persons living alone were present in the three clusters in almost equal proportions. Apparently, the forms of cohabitation, the household in this special sense, have no influence of merit on being assigned to one or another cluster.

All in all, the homeless assigned to Cluster III have the best prospects, since they are the ones who managed to stay in the longer market most frequently, thanks to their probably higher school qualification, more consolidated housing conditions/night rest options and shorter spell of homelessness.

3.3. Results of the survey conducted by Budapest Esély Nkft.

The data were processed in some cases year by year and in others based on the aggregate data of several years.
Average age increased by one year over the three years of data collection (2013, 2014: 47 years; 2015: 48 years), due maybe to the presence of persons older than 60 among the respondents. The ratio of those aged 50+ rose by more than 5% over 3 years, and that of persons under 30 fell at about the same pace. As for the breakdown of respondents by sex, the proportion of men is definitely higher: on the average of three years, men made up somewhat more than two thirds (68%) of the population concerned, but the annual time series shows that homeless women also joined the public works programmes in increasing numbers: their rate increased steadily from 2013 to 2015 by a total of 8%. The rate of women to the population of public workers in the capital (around one third) exceeds their homelessness rate (the latter is approximately 25% in the capital and only 20% nationally).

A major part of respondents (322 persons) had low schooling (more than half completed max. 8-year primary school or less), somewhat more than 30% had some vocational qualification, but no GCSE and a mere 13% had GCSE; in the last group, the proportion of those with higher education was lower than even 0.5%.

Since people are subjected to medical fitness assessment before taking up public works, only those can take part in public works whose health status allows that. More than three quarters of respondents said they have no health problem affecting their capacity to work. However, the rates of alcohol abuse, suicide attempts and depression are approximately 19, 6-7 and 4 times higher, respectively, in this group than in the non-homeless population of the capital.

It is difficult to interpret the concept of “household” for the homeless. In practice, it usually means persons habitually living together and maybe manage financial things together. Almost two thirds of respondents are single and another one fourth lives with a partner. The rate of persons living with their children, parents or other relatives or friends is less than 10%. Thus the average household headcount is 1.6 person and that of households including several members is 2.7 persons.

The homeless engaged in public works have better and more stable housing conditions than the homeless of the capital in general. Respondents living in hostels have spent 2 years on average there; 37% less than 12 months and 32% 1-2 years. Those who have lived there for more than 5 years make up around 18%. Ten percent of respondents spent the winter nights in the year before the survey in the street, in public areas or in non-residential buildings. Another 12% slept at night shelters. Some 78% benefitted from more stable housing conditions (temporary hostel accommodation, a place at an acquaintance/relative or rented property). The investigation of the typical housing situation of respondents in the year of their engagement in public works as compared to their previous situation (based on their own recollections) showed improvement.

The average respondent had had a declared job in the primary labour market almost 9 years earlier. Within that group, the share of those who had been present there for the last time more than 5 years earlier was 67%. 30% had had a declared job for the last time more than 10 years earlier. It was found that the public worker homeless are permanently unable to access regular job options in the open labour market.

One research question was whether in the opinion of the respondents their participation in public works had any effect on the four variables measuring their future situation more than two thirds (more than 67%).
The results are summed up in the diagram below:

**Figure 1 Role of public works in the development of a vision**

Number of evaluable responses = 218-226 persons

The correlations underlying the two variable sets were investigated by multivariate methods applied after distribution analysis. As data reduction technique, one principal component analysis was applied to each of the questions presented above. The variables measuring the role of public works in the development of the financial and housing situations, respectively, played the biggest part in the principal component, as illustrated below:

**Figure 2 Principal component measuring the assessment of change**
This principal component is the reverse of the previous one: the lower the score given by a respondent, the more he thinks public works will play no part in changing his situation and, consequently, the higher the score, the more the respondent thinks that public works will play an essential role in that.

After that, a multivariate linear model was created and, within that, first and foremost the relationship of these two principal components was analysed by correlation. Pearson correlation was applied, given the quasi high measured levels of the principal components. To create the complex linear model, this was followed by applying linear regression, with the inclusion of variables measuring educational attainment, gender and age as control variables. The model was significant, with 24% explanatory power, but of the control variables only the one measuring age showed a significant effect, reducing the effect of public works on the assessment of change (the Beta value dropped from -0.420 to 0.400). The Beta value associated with the variable measuring age is positive, so we can say that the older the respondent, the more negative his opinion on future change and the more he is convinced that public works has no effect on it.

3.4. NEW AND NOVEL SCIENTIFIC FINDINGS

The combination of empirical research carried out by analysing three different databases of public works and homelessness, and of the processing of the relevant literature yielded the following new/novel scientific findings:

1. Based on the processing of the relevant international and Hungarian literature, I came to the conclusion that ALMPs, including public works, can only be one element of a comprehensive action project to combat unemployment. With the exception of the temporary treatment of strong shocks and of providing assistance to multiply disadvantaged groups, the developed countries launch public work programmes only to help reintegrate the unemployed to the labour market.

The developed economies have relatively well-functioning labour markets already. This means that they have an infrastructure of adequate quality and sufficient financial resources to operate a sufficiently flexible, transparent and non-discriminatory labour market. If the public works programme does not promote re-employment, a highly likely consequence is the deterioration of the flexibility of the labour market and hence the competitiveness of the economy concerned.

2. Based on the analysis of domestic and international statistical data, I have shown that the rate of public works to the total population and to the employed population, respectively, is very high indeed in Hungary, and its differentiation reflects differences in regional development level and settlement size.

In the post-crisis years under study, the rate of Hungarian public works was exceptionally high, with significant regional differences. In settlements with less than 5000 inhabitants, the majority of the population lived in settlements characterised by relatively high public works rates. In settlements with less than 500 inhabitants, the corresponding rate was more than two thirds. In big cities, on the other hands, the average rate of public works is very low.

3. I concluded from the critical analysis of the Hungarian system of employment institutions that although the system itself is an important element of employment policy, the management system of the current employment administration is not very clear. On the one hand, professional management is divided, and on the other it is separated from line management. This undermines the efficiency of employment policy and, on the institutional side, it acts in favour of the preponderance of public works within the active labour market policies.
The current operating model of the Hungarian labour administration does not promote activities of a uniform quality nationally, diversified according to the local needs ever. Models like the current one are better suited to execute centralised decisions and consequently to fulfil a few functions only. On the institutions side, this favours the primacy of public works programmes.

Institutionalised employment interest reconciliation, formerly an adequately centralised institutional form of domestic employment policy, suitable for weighting various positions in spite of its deficiencies, had been eliminated.

4. The homeless engaging in public works in the capital have very little chance of access to the open labour market; for the decisive majority, public works is the only legally accessible income-generating activity. This income contributes a significant part of their monthly (household) revenues. Should they lose that, they would have to replace it by some other sources (e.g. aid or casual work).

I found that, without the possibility of participation in public works, the incomes of both the one- and two-member households concerned would drop most significantly. Passive benefits and aids could not replace income originating from public works (only 11% of the homeless in Budapest receive regular pension-type benefits).

5. My logistic regression and cluster analysis of the data of the questionnaire survey conducted among homeless people established that women, persons with higher schooling, and those a shorter history of homelessness have better chances of exiting homeless status, whereas the residents of deprived small regions, the Gypsies and the sick have worse chances. The form of living (household structure) and the activities of social helpers have practically zero effect on the break-out chances of the homeless.

Contrary to the expectations, the calculations suggest that the structure of the household has no influence of merit on the cluster classification of respondents: the three clusters included persons living alone in approximately identical proportions.

6. Homeless people regarded as Gypsies have lower chances of breaking out from homelessness. The signs are that this group is definitely over-represented compared to its estimated rate to the Hungarian population. However, “Gypsy homelessness” has no differentia specifica, it is not a significant cluster-forming criterion when it comes to the definition of clusters by probability of break-out.

7. My analysis of the data of the survey conducted among homeless people involved in public works in the capital shows that their relationship to public works is characterised by basically positive expectations and attitudes; they expect that it would help them and improve their work skills and financial situation.

The homeless employed in public works in the capital are usually better off in terms of general social and housing conditions, way-of-life and income opportunities as well as state of health than the homeless of the capital in general.

8. The findings of the questionnaire survey together with the case study I described demonstrate that assistance to improve the situation of multiply disadvantaged social groups – especially the homeless – through separate professional assistance systems is not efficient: this is a task requiring complex, project-oriented case management.
4. CONCLUSIONS, RECOMMENDATIONS

The recent volume and targeting of public works in Hungary and the complexity of the results this form is supposed to achieve are absolutely unusual compared to the practice of the developed countries. Several international organisations have highlighted that. The extended trimming of public works raises several problems, such as the new proportions of municipality funding, the need to create a new vision for those engaged in public works, or the adjustment of the Hungarian public employment service to the new, qualitatively and quantitatively different task.

Based on the analysis of the domestic public works practice of the past period, the thesis established that, in addition to settlement size and geographic location, the extent of public works at settlements is significantly influenced by the qualification structure of the local population, and also the rate of the registered unemployed. Settlements with inhabitants having higher qualifications have a lower chance of being in the category characterised by a high rate of public works. In minor settlements, the ratio of public works is usually higher, but the rate of women among public workers is lower. The more advanced regions are typically characterised by lower public works rates, but regional location is not decisive for the share of woman among public workers.

I will present my conclusions in the order of the hypotheses introduced above, based on the results of the empirical research and the processing of the relevant literature.

**Hypothesis I: The applicability of public works for employment and social purposes differs by space and time**

The developed economies have relatively well-functioning labour markets already. This also means that they have an infrastructure of adequate quality and sufficient financial resources to operate a sufficiently flexible, transparent and non-discriminatory labour market; to manage the labour market changes, speeding up due to globalisation, in an efficient way and in the long run. In normal cases, they use the ALMPs for the purpose of labour market reintegration. Consequently, they launch public works programmes also to help the unemployed return to the labour market. Exceptions include the temporary treatment of strong shocks and providing support to multiply disadvantaged groups that is necessary also in the longer term.

In other cases, if a public works programme has some other goal in a developed country, a likely consequence would be the deterioration of the flexibility of the labour market and the competitiveness of the country. Consequently, in my opinion, public works cannot aim at poverty-management or infrastructure-development in the first place in the developed countries.

The labour markets of the developing countries, on the other hand, are usually less flexible than those of their more advanced peers due to the cultural differences and the more limited infrastructural and financial resources at play. This may be the explanation why well-targeted and systematically supervised public works programmes may be suitable for the management of local, small-regional and temporary (e.g. dry season) poverty or to develop the infrastructure also in the longer run there. However negative effects such as the local wage pressure bearing on the market wages may occur even in such cases. Even if the public works programme to be launched is of this kind, it is to be kept in mind that it should not infringe on the elbow-room of the primary labour market, but rather support that.

It is certainly true for the developed countries and may be true for the developing ones that it is commendable to treat public works as part of the regional economic development programmes even in the short term. The primary goal of regional economic development programmes is to boost the primary economy and the labour market. In this context, public works can only function
as a temporary tools even if the degree of using it is different, albeit the duration of that temporary period and the proportions of people involved in the programme may be different in he developed and the developing countries. My conclusion based on the professional consensus discernible in the technical literature confirms Hypothesis I.

**Hypothesis II:** The rate of public works to the total population is outstanding in Hungary, with significant regional differences.

The main European experiences suggest that in the years around the economic and financial crisis of 2008, the typical population-proportional public works ratio was 0.5-0.7 percent, with ratios of 1.7-1.9 percent occurring very rarely and of 2.0+ percent not at all. In Hungary, on the other hand, in the post-crisis years of 2011-2013 under study, the corresponding rate was around 1.9%, with significant regional differences (Northern Great Plain: 4.0%; Northern Hungary: 3.6%; Western Transdanubia: 0.9%, Central Hungary: 0.3%). On the Northern Great Plain, almost two thirds of the population (64.3%) live in areas characterised by intensive public works. Eastern Hungary and Southern Transdanubia are also characterised basically by significant public works, whereas in the more developed western and central regions this labour market policy is much less significant: for example, in the central region, almost 90% of the population lives in settlements characterised by a low level of public works.

The analysis of the weight of public works by settlement size (number of inhabitants) also shows marked dispersion. In settlements with less than 5000 inhabitants, the majority (and in settlements with less than 500 more than two thirds) of the local population live in areas characterised by public works rates exceeding 2%. In big cities, on the other hand, the corresponding rate is very low indeed: none of the settlements with headcounts exceeding 100 000 use public works as ALMP to a significant extent. The empirical research conformed Hypothesis II.

**Hypothesis III:** The management of the domestic employment administration is fragmented and that reduces the efficiency of employment policy and promotes the predominance of public works among the ALMPs.

From the date of its formation in 1991 up to 2014, the Hungarian labour organisation was essentially a single body consisting of three levels: the central management agency, the county labour centres and the employment offices. The middle-level management unit was eliminated in 2014. As of 2010, the county labour centres were integrated in several steps into the respective county (Budapest) government offices. Similarly, the labour offices became parts of the respective District Government Offices.

The current governance system is not clear-cut: on the one hand, professional management is divided and, on the other, it is separated from line management, i.e. management by the parties exercising employer’s rights. For, employer rights are exercised over the county and district staff by the director of the government office of the corresponding level. Employment policy is assigned to the competence of the Ministry for National Economy. Public works, on the other hand, are supervised by the Ministry of Interior (MI). Social policy is the responsibility of the Ministry of Human Capacities (MHC). The ministries responsible for the three areas may exert their professional manager’s role through the Prime Minister’s Office as supervisor of the government offices. This operating model of the Hungarian labour administration does not promote activities of a uniform quality nationally, diversified according to the local needs ever. Models like the current one are better suited to execute centralised decisions and consequently to fulfil a few functions only. On the institutions side, this favours the primacy of public works programmes.

The labour organisation no longer published any efficiency indicator values for the ALMPs for 2013, except for public works, published by the Ministry of Interior. It is indicative of the
weakening of the active and passive labour market policies that, as far as the author of the present thesis knows, the labour organisation has no strategy of operation and action applicable to itself as a unified organisation. These developments may have a negative effect on the practical implementation of any shift of emphasis in employment policy.

The other element of the system of employment institutions is employment interest reconciliation. The name and headcount of the macro-level tripartite conciliation forum changed several times in the history of the Employment Act in 1991-2010, but the mezzo level had remained practically unchanged then.

Institutionalised employment interest reconciliation, formerly an adequately centralised, institutional form of domestic employment policy suitable for weighting various positions in spite of its deficiencies, had been eliminated in 2010, with the termination of the National Interest Reconciliation Council. On the basis of the above, in my opinion, Hypothesis III is confirmed.

**Hypothesis IV:** Homeless public workers in the capital have poor access to employment in the open labour market; for the majority, public works represent the only declared and regular income-earning opportunity.

The homeless employed in public works in the capital are usually better off in terms of general social and housing conditions, way-of-life and income opportunities as well as state of health than the homeless in the capital in general.

The homeless engaging in public works in the capital have very little chance of access to the open labour market; for the decisive majority, public works is the only legally accessible regular and declared income-earning activity.

This income contributes a significant part of their monthly (household) revenues. Should they lose that, they would have to replace it by some other sources (e.g. aid or casual work) and they would have much more modest monthly revenues.

Homeless people involved in public works in the capital have basically positive expectations and attitudes concerning the expected effect of public works on their life situation. Most of them see the beneficial effect of public works mainly in that it improves their work skills and financial situation. They think that public works influence their housing situation less and their health the least. Nevertheless, it is also obvious that the older they are, the more negative their opinion of future changes, and the more they think that public works have no impact on it. My empirical research at Budapest Esély NKft. confirmed Hypothesis IV.

**Hypothesis V:** The placement opportunities of the homeless are influenced to a significant extent by sex, the duration of homelessness and whether they live alone or not. The placement opportunities of the homeless are influenced to a significant extent by sex, the duration of homelessness and whether they live alone or not.

It was found that the break-out chances of the homeless are rather differentiated; there is no clear correlation with the development level of the given region. The findings of the empirical research show that, of the most developed regions of the country, those with the worst chances of exiting their situation are under-represented in Central Hungary and Central Transdanubia. On the other hand, those with the most favourable exit potentials are present in every region of the country. On the one hand, economic development has a globally strengthening effect on the exit options, on the other hand, there may be small regions even in the most underdeveloped regions where the preconditions of exit from homelessness exist.
Eighty-five percent of respondent homeless have maximum 8-year primary education or special school/vocational school qualification. Higher school qualification generally implies better chances.

According to the calculations, of the three clusters, the rate of women is highest in the one with the best chances of advancement. Whereas in the two with worse chances, the rate of men is higher than 80%, in the third one, that of women is significantly higher at more than 25%. This warrants the conclusion that the rate of women capable of staying in the labour market permanently is higher even after they became homeless.

In the cluster with the best chances, homelessness lasts for 2.7 years “only” on average, whereas in the two other clusters with poorer chances the corresponding period is already around 9 years. In the cluster with the best chances, people spending less than 3 years in homeless status have around 19% chance of regular employment on average, but for those spending a longer time on the periphery this ratio drops to 15%. As can be seen, the longer the duration of homelessness, the smaller the chance of exiting homelessness by undertaking permanent work.

According to the calculations, the form of household has no influence of merit on the cluster assignment of respondents: singles were present in all three clusters at almost identical ratios.

Diseased homeless people are in a very difficult situation. Educational attainment, on the other hand, has a decisive positive influence on overcoming homelessness.

If the homeless is considered “Gypsy”, he has poorer chances of advancement. The proportion of the homeless considered “Gypsy” indicates marked overrepresentation compared to the estimated proportion of this population in the domestic population overall. However, “Gypsy homelessness” has no distinctive features; it is not a significant cluster-making criterion when it comes to defining clusters differentiated by the chances of breaking out from homelessness.

As for the nights spent in public areas, this concerned 25% in the cluster with the worst chances and 15% in that with the best ones.

My empirical research confirmed Hypothesis V partly: contrary to the expectations, no difference could be demonstrated between the break-out chances of people living alone or with a companion.

Hypothesis VI: It is not efficient to use separate social support systems for improving the situation of multiply disadvantaged groups -- especially the homeless.

Assistance to multiply disadvantaged people, especially the homeless, is a complex and project-oriented case management task. According to the findings of my empirical research, assistance by social helpers has almost zero effect on the breakout chances of the homeless, so this correlation is not significant.

Basic services to help multiply underprivileged people are accessible in practically every region of the developed countries. Thus the concerted delivery of such services is a precondition of effective and cost-effective assistance. It is useful to have individual two-level customer journey logs at macro level and individual client mentors at micro level.

One of the methodological axioms of the project-oriented complex model is that the cornerstone of social drop-out is the shaking of one’s labour market position. The other guideline of the model is that the labour market position of unemployed clients subject to complex problems cannot be improved by ameliorating their employee skills alone, but a requires a parallel complex survey of the problems and systems-based interventions to help them. Thus Hypothesis VI has been confirmed.
The assistance process developed on the basis of Hypothesis VI focuses on the improvement of the labour market situation of the client. Essentially, a process consisting of quick, hierarchical, action-oriented interventions is needed, with clearly defined commitments, feedback and tightly defined deadlines on the side of client and mentor alike.

Operating principles of the project-oriented complex case-management model:

- Project-based structuring of the case management process, focusing on the improvement of the open labour market position of the client.
- Complex survey and definition of complex interventions based on the total-system approach.
- Detailed written agreement drawn up jointly with the client, respecting the principle of voluntariness.
- Scheduled case work.
- Flexible case direction, strictly within the limits of the frameworks.
- Expectation of pro-activity on behalf of the client – emphasis on enabling.
- Efficient case management, implementation of professional resources coordination.

Currently, organised, coordinated and documented client management and the sharing of related information among the professional partners in the support services in Hungary is not, or only occasionally, part of everyday professional operation. Complex project-type case management could alter that. The logic of the outlined model is supported in practice by our pilot conducted in the past period at Budapest Esély NKft (documented as the case of Maria).

I propose to keep in mind the following criteria in regard to the active and passive labour market policies.

First of all, ALMPs should be implemented in close cooperation with the benefit and other support systems.

Second, the system of categorisation (i.e. “profiling”) for the sake of the prevention of long-term unemployment should be active everywhere. Profiling first divides the clients into groups based on their support needs – complexity of the services they need – and, second, draws up efficiency statistics to have feedback on the effectiveness of the service. One may ask why profiling is important for the labour organisation. Firstly, to provide more evidence to tax-payer citizens on the usefulness of the issues the government spends money on. On the other hand, the Individual Action Plan concluded with clients on a mandatory basis during profiling enhances their placement chances.

Third, passive policies should be “activated” as far as possible by various measures promoting re-employment such as the mandatory cooperation agreement concluded by the jobseeker and the labour office, the use of placement bonuses, job clubs etc.

Fourth, to use the principles of “accessible workplace” (controlled work tests) and “active job-search” (in a controlled way, at the employer) in practice as preconditions of eligibility for unemployment benefits (in Switzerland, e.g. both are used full-scale among jobseekers).

Fifth, benefits should not be a permanent measure, but after a while say 6 or 8 months) the unemployed should take part in an active policy offered to him, the type of which is defined on the basis of the agreement of the labour office and the unemployed.
Sixth, let’s provide unemployed people involved in training or sheltered employment a permanent opportunity for placement in the primary labour market. Active job-search should be encouraged and supported.

Seventh, no new eligibility to benefits should be created to unemployed persons involved in training or subsidised employment during their time in training/employment.

Finally, a method should be found for the public employment service to respond efficiently to labour market changes at various levels. One way could be to set up an intervention fund segment among the active labour market resources.

5. SUMMARY

The thesis provides an overview of the theory and practice of international and Hungarian active labour market policies. It underlines that the ALMP system is but one part of a comprehensive programme to combat unemployment. That is, active labour market policy can be supplemented, but not replaced, in the context of efforts to create and maintain a well-functioning labour market that is, in particular, flexible and without segregation.

As for the operation of such a labour market, a far-from-irrelevant component is the presence and harmonious functioning of the employment and social policy support institutions. The current operating model of the Hungarian labour administration does not promote activities of a uniform quality nationally, diversified according to the local needs ever. Institutionalised employment interest reconciliation that used to be an adequately centralised, institutional form of domestic employment policy suitable for weighting various positions in spite of its deficiencies had been eliminated. Models like the current one are better suited to execute centralised decisions and consequently to fulfil a few functions only. On the institutions side, this favours the primacy of public works programmes.

The thesis focuses on the category of public works programmes among the ALMPs. The point of departure was the potential role of public works in alleviating poverty emerging mainly in correlation with joblessness. The role of public works in the treatment of poverty, however, is place- and time-dependent. In the developed countries, community work as active labour market policy targets reintegration in the primary labour market and cannot have a general poverty-treating function, except for two cases: to treat short-term shocks, mainly to avoid the emergence of poverty, and to involve multiply disadvantaged groups in public works, justified also in the long run if no other preventive measures are available. Well-targeted and continuously supervised public works programmes in the developing countries, on the other hand, may promote the treatment of poverty also in the longer term. The general guideline for launching public works programmes is that they should not interfere with the elbow room of the primary labour market, but rather support the latter.

Hungarian public works programmes as experienced in the past years usually did not adhere to the practice of the developed countries in terms of quantity or duration. The typical situation is, as shown by a domestic survey conducted in 2014, that a mere 2% of public worker respondents say they are obliged to do public works, whereas 94% had never refused it and 34% is actually on the reserve list, waiting to be called, and in the deprived areas the last rate is almost 50%. These ratios are a tell-tale sign of the extreme degree of exclusion of underprivileged groups which, in case it becomes a permanent feature, might be a main hindrance to having a flexible labour market.
The domestic demographic and labour market situation expected in the near future may well appreciate the role of the disadvantaged groups on the supply side of the labour market. The thesis provides a description, albeit not a full-scale one, of certain groups of this population, based on the author’s research relying on two secondary databases and a primary one:

- Registered jobseeker database of the employment service and population database of CSO for the period of 2011-2013.

- 2015 data survey of the February 3rd Work Panel (Február Harmadika Munkacsoport).

- Data of the survey conducted by Budapest Esély Nkft. in 2013-2015.

The first database is publicly available, the second one was put at the author’s disposal by the February 3rd Work Panel. The Budapest Esély Nkft. research had been initiated by the author who is responsible for its administration and acts as leader of its implementation.

The author’s research has shown that the share of domestic public work was extremely high as compared to the size of the active population, with marked regional discrepancies, in the period under study. In Hungary, women, persons with higher levels of qualification and those who had been homeless for a relatively shorter period of time have better chances of employment than the residents of deprived micro-regions, the Gipsies and those suffering from disease. The various combinations of adults living under the same roof (single, couple, friends etc.) and the various forms of social assistance have practically zero effect on the breakout opportunities of the homeless.

Another conclusion is that the homeless employed in public works in the capital are better off in terms of general social, housing, way-of-life and income opportunities as well as state of health than the homeless in the capital in general and, moreover, their access to employment in the primary labour market is of a very low level and public works represent the only legally accessible income-generating activity for the decisive majority.

Support to multiply disadvantaged people ought to be a complex, project-oriented case management task. The concerted operation of the relevant services is the precondition of effective and cost-efficient assistance. This, in turn, requires a two-tier individual client journey log at macro level and the presence of individual mentors accompanying the clients at micro level.

The author considers worthy of further research in particular the finding that the various forms of social assistance have practically zero effect on the breakout opportunities of the homeless. He deems it important to continue his research started in 2012 to investigate the way of life of homeless public workers in the capital in more depth.
Scientific publications related to the topic of the Thesis

Scientific reviews


Pirisi Károly, Busch Irén (2010): A válság első éve, annak kezelése a foglalkoztatási mutatók tükrében (The first crisis year and its management as reflected by the employment indicators), MUNKAÜGYI SZEMLE 54:(4) pp. 71-85.

Pirisi Károly (2010): A hazai foglalkoztatáspolitika kihívásai (Challenges of Hungarian employment policy), KÖZ-GAZDASÁG 5:(1) pp. 5-10.


**Lectures at scientific conferences**

**In English**


**In Hungarian:**


